FINANCE

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Finance refers to the sector of the Chinese economy that involves companies and other institutions that provide financial services such as banking, investing, investment banking, insurance, mortgages, and other loans to individuals, enterprises, and governments. A healthy financial sector is critical to a strong economy, but China's financial sector poses several risks to the country's growth trajectory, including high corporate debt levels, hidden local government debt, and an enormous property sector that is dependent on unsustainable housing price increases. The defining theme of financial policy since Xi Jinping became General Secretary of the Chinese Communist Party (CCP) in November 2012 has been the assertion of greater central control to enforce regulations that address financial risks, to steer more private capital toward his policy priorities, and to check the political influence of top financiers. Still, progress on much-needed financial reforms has been patchy, as Xi must strike a delicate balance between curbing risky lending and sustaining China's credit-driven growth. Xi has continued China's gradual opening of its relatively closed financial system to foreigners, including opening the stock connects linking Hong Kong with both the Shanghai and Shenzhen stock markets, the bond connect linking China's interbank and exchange bond markets, and the swap connect linking to the onshore rates derivative markets, helping to attract record inflows.

Institutions

The **CCP Central Financial and Economic Affairs Commission (CFEAC)** under the CCP Central Committee has traditionally been the core decision-making and coordination body on economic and financial policy. Founded as a leading group in 1980 and usually led by the CCP General Secretary, it was upgraded to a commission by Xi in the party-state institutional reforms of March 2018, a move designed to strengthen Xi's personal and the party's central leadership over the economy and the financial system compared with the State Council. The ministerial-level CFEAC General Office is at the core of coordinating high-level policymaking in these areas.

The **CCP Central Finance Commission (CFC)** was announced as part of the 2023 party-state reforms. Commencing operations in September 2013, it is a policy decision-making, coordination, and implementation body under the CCP Central Committee. The CFEAC outranks the CFC. The CFC is intended to strengthen party leadership over financial work and will be responsible for the top-level design, coordination, promotion, supervision, and implementation of financial stability and development, as well as research and discussion related to financial sector issues and policies. The CFC absorbed the responsibilities of the former State Council Financial Stability and Development Committee (FSDC), which was set up after China's 2015 financial crisis with the authority and mandate to take whatever steps necessary to regulate systemic stability, led by Xi's former economy and finance czar, Liu He. The CFC has ministerial-level General Office, which is likely to serve as a powerbroker between the competing interests of different financial agencies and institutions during Xi's third term.

The **CCP Central Financial Work Committee (CFWC)** is another body under the CCP Central Committee that was announced as part of the 2023 party-state reforms. It was formed to lead party work in the financial sector, and especially to guide the construction of its political, ideological, organizational, and discipline work in the sector. The CFC outranks the CFWC. The CFWC is co-located with the CFC General Office, an arrangement that signals the synergy in Xi's mind between financial policymaking and greater party oversight; however, it could lead to significant tensions between more technocratic and more ideological officials. The creation of the CFWC reflects Xi's elevated emphasis on strengthening the party's presence in the financial system. Domestic financial firms, more so than foreign ones, can expect the party to seek a more visible presence and possibly a more influential role in their businesses, which could further damage business confident and elicit Western political blowback.

The **People's Bank of China (PBoC)** is a ministerial-level constituent department of the State Council that serves as China's central bank. Unlike central banks in many other countries, the PBoC is not an independent institution; it can be directed to implement government policy on key functions like interest rates. Its duties include monetary policy, exchange rate policy, renminbi issuance, macro-prudential management, financial risk prevention, inter-bank markets, lender-of-last-resort responsibilities, financial infrastructure, national payments systems, online finance, renminbi internationalization, credit reporting industry management, anti–money laundering and anti-terrorist financing work, financial statistics, national treasury management, and strategic plans for the development and reform of the financial sector. The 2023 party-state reforms changed the PBoC's internal governance by abolishing its handful of U.S.-style regional branches (which each typically covered multiple provinces), establishing branches in every province (to enhance the transmission mechanism for monetary policy), and absorbing the simple functions of county-level branches into city branches. The State Administration of Foreign Exchange (SAFE) is a deputy ministerial-level State Council bureau that is managed by the PBoC and oversees the balance of payments, foreign exchange markets, cross-border capital flows, and foreign exchange reserves and advises on exchange rate policies. The PBoC Monetary Policy Committee is an advisory body chaired by the PBoC Governor that typically includes the directors or deputy directors of other financial agencies and a few influential academic economists.

The **National Financial Regulatory Administration (NFRA)** is a ministerial-level agency directly under the State Council, unveiled in the March 2023 party-state reforms, that will be responsible for the regulatory supervision of all parts of the financial industry except securities, which are regulated by the China

Securities Regulatory Commission (CSRC). The NFRA is meant to strengthen the government's supervision of financial institutions, behavior, and functions, as well as risk management and prevention in the financial sector. The NFRA will oversee the enforcement of financial sector laws and regulations. It was built on the foundations of the former China Banking and Insurance Regulatory Commission, which operated from 2018 to 2023 following the merger of the China Banking Regulatory Commission, founded in 1998, and the China Insurance Regulatory Commission, founded in 2003. The NFRA also acquired the duties of investor protection from the CSRC and financial consumer protection and routine supervision of financial holding companies from the People's Bank of China.

The **China Securities Regulatory Commission (CSRC)**, founded in its current form in 1998, is a ministerial-level agency directly under the State Council that is responsible for the regulatory supervision of securities and futures in China, including exchanges, disclosure, management companies, and the issuance, trading, and clearing of securities. The CSRC was upgraded from a public institution to a government agency directly under the State Council as part of the 2023 party-state reforms, with a mandate from the party to strengthen the supervision of capital markets. It also gained responsibility from the National Development and Reform Commission for auditing corporate bond issuances. It is now responsible for auditing the bond issuances of all kinds of enterprises.

The **Ministry of Finance (MOF)** is a constituent department of the State Council that is responsible for public finance, including fiscal policies, taxation policies, tariff policies, the central budget, central revenues and expenditures, national accounting work, central and local government debt management systems, state-owned financial capital management, and representing the Chinese government in international financial organizations and finance-related negotiations. The National Council for Social Security Fund (NCSSF) is a deputy ministerial-level public institution under the State Council managed by the MOF that is responsible for the operations and investments of the National Social Security Fund.

The MOF is a major shareholder in several state-owned central **financial enterprises** that play foundational roles in China's financial system; 26 are currently named on the MOF website. This list includes approximately 15 that are equivalent to deputy ministerial-level agencies, with their two top leaders—a Party Secretary who serves as Chairman of the Board and a General Manager or President—appointed by the central leadership through the CCP Organization Department.

The most important is the China Investment Corporation (CIC), founded in September 2007, which is China's largest sovereign wealth fund, with well over US$1 trillion under management. CIC is also the parent company of Central Huijin Investment, which was founded in 2003 for the state to deploy foreign exchange reserves to make equity investments and act as a major shareholder in China's "big four" commercial banks (not including the Bank of Communications) and several other financial state-owned enterprises (SOEs). CIC and Huijin do not direct the day-to-day operations of these entities but anchor the CCP's control of the financial system, as their boards of directors are appointed and managed by the State Council.

Another is the China International Trust Investment Corporation (CITIC), founded by "red capitalist" and future Vice President Rong Yiren with the approval of Deng Xiaoping in 1979. It is the country's largest state-owned commercial conglomerate, with annual revenues approaching US$100 billion. CITIC controls a plethora of subsidiaries and interests in the financial, manufacturing, energy, consumer, and construction sectors, including in banking, insurance, investment, equipment manufacturing, defense contracting, automotives, metals, minerals, oil, coal, iron, steel, telecommunications, satellites, publishing, agriculture, airlines, infrastructure, and real estate.

The list of deputy ministerial-level central financial enterprises includes the **"big five" Chinese commercial banks**, which are all among the largest banks in the world: Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC), Bank of China (BOC), and Bank of Communications (BoComm). It also features the **"big four" Chinese insurance companies**: China Life Insurance Group, People's Insurance Company of China (PICC), China Taiping Insurance Holdings, and China Export & Credit Insurance Corporation (Sinosure). Another inclusion is the country's three development-focused **policy banks**: China Development Bank (CDB), Export-Import Bank of China (Exim Bank), and Agricultural Development Bank of China (ADBC). The list is completed by China Everbright Group, a financial holding group that owns China Everbright Bank, which is at the same level.

The other central financial enterprises are department-level entities whose leadership is selected by the banking regulator. This includes four major asset management companies formed as "bad banks" to absorb the distressed debt of commercial banks: China Huarong, China Great Wall, China Orient, and China Cinda. Other deputy ministerial-level financial institutions include the Postal Savings Bank of China, a same-level subsidiary of China Post, the state postal service whose finances are managed by MOF and China Merchants Bank, a same-level subsidiary of the China Merchants Group, which is owned by the State-owned Assets Supervision and Administration Commission (SASAC) under the State Council.

The National Development and Reform Commission (NDRC), the ministerial-level constituent department of the State Council that handles overall macroeconomic planning, plays a role in coordinating financial system reform and improved financing mechanisms. Its Department of Fiscal and Financial Affairs plays a role in financial system reform. Legislative work related to finance is supervised and evaluated in the National People's Congress (NPC) by the ministerial-level NPC Financial and Economic Affairs Committee (NPCFEAC), which was established in 1983 (see "Economy and Trade" section).

China has three main **stock exchanges**, the first two of which are technically department-level public institutions managed by the CSRC. However, their administrative status is currently elevated because their Directors-General are deputy ministerial-level officials. The Shanghai Stock Exchange (SSE), established in its current form in 1990, is the third largest in the world and the largest in Asia, although it remains partially closed to foreign investors. In July 2019, it launched the STAR Market, a science and technology-focused exchange that featured China's first registration-based system for initial public offerings. The Shenzhen Stock Exchange (SZSE), opened in 1991, focuses on tech venture capital, especially through its ChiNext board. The Beijing Stock Exchange (BSE), opened in 2021, is run by a state-affiliated company and raises funds for Chinese small and medium-sized enterprises.

Provincial governments are becoming increasingly important arenas in Chinese financial policy and regulation. Under Xi's leadership, the party has enhanced central oversight of local officials as it looks to reduce debt levels and rein in bad loans. The 2023 party-state reforms promised that Beijing would restructure local financial systems around supervision agencies dispatched by central financial regulators, presumably to strengthen the vertical bureaucratic control of central authorities. Beijing has also promoted several financial technocrats or experienced local financial administrators to top provincial leadership posts to clean up the finances of local governments.

People

Xi Jinping (born June 1953) is the most influential policy actor in the Chinese financial system, not only because he leads the Politburo and the Politburo Standing Committee (PSC), but also because he is the Director of the CCP Central Financial and Economic Affairs Commission.

Li Qiang (July 1959), Xi's handpicked Premier of the State Council, who is also the CFEAC Deputy Director, and was announced as the inaugural CFC Director in November 2023. Li's appointment was considered unusual because Xi has previously made himself the director of major new Party commissions. Xi's willingness to delegate financial policy suggests not only that he trusts Li, who has a reputation for being relatively friendly to business, but also that he is countenancing more pragmatic policy solutions to what he considers to be China's major financial policy issues. Li, chairing the first publicized meeting of the CFC, signaled its aim to help China become a "major financial power" by strengthening efforts to diffuse financial risks from local government debt and the property sector, and by issuing new policies on fintech, digital finance, green finance, pension finance, and social finance.

He Lifeng (February 1955) is the Vice Premier and Politburo member on the State Council executive with responsibility for trade, foreign investment, financial regulation, and monetary policy through his oversight of the Ministry of Commerce, NFRA, CSRC, and PBoC. He plays a pivotal role in financial policy coordination and implementation as Director of the CFEAC General Office, Director of the CFC General Office, and Director of the CFWC. His roles combine many of the portfolios that are most relevant to foreign business and international markets, which previously were split between Xi's former economic czar Liu He and former rising star Hu Chunhua. He Lifeng is not an economic technocrat like Liu He, having spent most of his career climbing the ladder of local government leadership, suggesting that he has a strong familiarity with the pro-growth policymaking that characterized these positions for many decades. However, He Lifeng may be a less capable and credible market interlocuter the next time China experiences economic tremors. He is known as an advocate for Xi's more protectionist and state-oriented financial policies, and his tenure will likely bring a deepening commitment to China's current financial course under Xi, including tighter controls on private capital. He Lifeng is one of Xi's closest confidants: they became friends when the two were junior officials in Xiamen during the 1980s, and they worked together in Fujian Province over the next two decades. More than anything, He Lifeng is likely to be loyal to Xi. He's offsider in the CFC General Office is **Wang Jiang** (July 1963), the ministerial-level Executive Deputy Director, an academic economist who pursued a career in state banks, including a sting running the Shanghai operations of China Construction Bank while Xi allies Ding Xuexiang and Li Xi were senior officials in the city. **Ding Xuexiang**, Xi's longtime aide and now Executive Vice Premier, who has policy oversight of public finance on the State Council.

Pan Gongsheng (July 1963) is the Governor of the People's Bank of China. He holds a PhD in labor economics from Renmin University of China, completed a postdoctoral fellowship at Cambridge University in the United Kingdom, did a six-month research fellowship at the Harvard Kennedy School, and undertook professional training at Standard Chartered Bank. Pan spent the first 15 years of his career at the ICBC before serving for four years as Vice President of the Agricultural Bank of China, managing the dual-listing IPOs in Hong Kong and Shanghai of both ICBC in 2006 and ABC in 2010. He was then promoted to PBoC Deputy Governor in 2012 and Director of its State Administration of Foreign Exchange in 2015, where he helped Beijing crackdown on capital flight following significant turbulence in domestic stock markets. Pan was credited with leading the "three red lines" policy to reduce leverage in the property sector, which created significant difficulties for the sector and spooked markets (see below). Pan was dropped from the 20th Central Committee after serving as an alternate on the 19th Central Committee, leading to speculation that he would soon retire due to age limits on deputy ministerial-level officials, but experienced a stunning reversal of fortune when he won promotion to ministerial level as PBoC Party Secretary in July 2023. Pan also serves as PBOC Party Secretary, unifying two roles held separately by Yi Gang and Guo Shuqing respectively from 2018 to 2023, allowing him to leverage more influence than his two predecessors, although he will remain outside the Central Committee and will have to contend with the greater policymaking authority of the new CFC and CFWC. Reporting suggests that Pan was chosen for his international connections and ability to work with foreign central bank governors. Pan is also close to Liu He, a fellow alumnus of the economics program at Renmin University of China in Beijing, who continues to operate as a behind-the-scenes economic advisor despite having retired from frontline leadership.

Li Yunze (September 1970) is the inaugural Chairman of the National Financial Regulatory Administration. Li, an engineer by training, is a veteran of the state-owned commercial banking system. He spent most of his career at the CCB, rising through the ranks in Tianjin for 15 years before moving into management roles at the company's Beijing headquarters. He then worked as Vice President of the ICBC. He became part of Xi's initiative to promote financial technocrats into provincial governments, serving as Deputy Governor of Sichuan from 2018 to 2023. He won early promotions when Xi ally Wang Qishan (1994–1998) and longtime PBoC head Zhou Xiaochuan (1998–2000) served as CCB President, and he worked more directly under former PBoC Party Secretary Guo Shuqing (2005–2011) when he was CCB Party Secretary and CBIRC Chairman Yi Huiman (2016–2017) when he was ICBC Party Secretary. Li's most important connection, however, may be to Xi's elder sister, Qi Qiaoqiao, whom a source suggests he got to know while running CCB's equity investment department in the early 2010s. Li is one of the first rising stars to emerge during Xi's third term, and his NFRA appointment makes him the first ministerial-level leader born in the 1970s. Like many financial leaders who rose during Xi's second term, Li is a product of the state banking system and lacks significant experience with international finance, reflecting Xi's increasingly inward focus on using the party-state financial apparatus to manage policy issues such as high local government debt levels. Li is an alternate member of the 20th Central Committee, but if he does well handling China's financial issues, then his prospects for further promotion look bright.

Wu Qing (April 1965) is Chairman of the China Securities Regulatory Commission, who was appointed to replace his predecessor Yi Huiman in February 2024 following a two-year stock market rout. He is a veteran of the securities regulatory system and has been dubbed the "brokerage butcher." Starting his career in 1991 within the central financial regulatory authorities, he became well-known for targeting illegal insider trading practices in 2008. From 2010 to 2016, Wu Qing served in leadership roles in the Hongkou District of Shanghai through Central-Local Cadre Exchange Program of Central Organization Department. In 2016, he transitioned to the role of Chairman of the Board of Directors at the Shanghai Stock Exchange. Between 2017 and 2021, he occupied senior governmental positions in Shanghai, including that of Deputy Mayor. In December 2021, Wu Qing was appointed as the Executive Deputy Mayor of Shanghai, a role in which he was actively involved in managing the COVID-19 lockdown in Shanghai during 2022 and the subsequent cleanup efforts. Prior to his new appointment at the Securities Regulatory Commission as Chairman and Secretary in February 2024, Wu Qing was the Deputy Secretary of the Shanghai Municipal Committee and Secretary of the Political and Legal Committee.

Lan Fo'an (June 1962) is the Minister of Finance. He is a technocrat who studied public finance and began his career at the Ministry of Finance before lengthy stints in the finance and audit departments of the Guangdong provincial government, interspersed with assignments as Deputy Mayor of Dongguan City and Party Secretary of Shaoguan City, also both in Guangdong. He was promoted to provincial leadership positions during the Xi era, including Deputy Governor of Guangdong from 2016 to 2017, discipline chief of Hainan from 2017 to 2021, Governor of Shanxi from 2021 to 2022, and Party Secretary of Shanxi from 2022 to 2023. He became Minister of Finance in October 2023. He worked as a deputy to Liu Kun, his now-retired predecessor as finance minister, in the Guangdong provincial finance department from 2002 to 2007. This connection was likely important to his position as Liu was an undergraduate classmate of He Lifeng at Xiamen University, and Liu was reportedly given a large say in the appointment of Lan as his successor. Lan's experience in provincial public finance reinforces Xi's emphasis on curbing local debt and controlling default risks from local government financing vehicles. Guangdong is one of the provinces least troubled by default risk or growth drag from local borrowing. **Ding Xuedong** (February 1960), a former Executive Secretary-General of the State Council and Deputy Minister of Finance, is the Party Secretary of the National Council for Social Security Fund. **Liu Wei** (March 1961), a veteran of the Chongqing public finance department who served under Liu Kun in the NPC, is NCSSF Director-General of the National Council for Social Security Fund.

Details of other senior financial leaders can be found in the "Economy and Trade" section. Despite some high-level factional intrigue, most finance officials are distinctly technocratic, with few visible political affiliations. One of the few distinguishing features among younger officials is that a disproportionate share are graduates of Renmin University (Liu He's alma mater). University networks are often important within the Chinese system, so the Renmin group may bear watching as new center of influence within the financial system. Additionally, He Lifeng's network from Xiamen University is also likely to benefit if he takes over Liu He's position.

Policy

Finance has increasingly emerged as a policy focus of the Xi administration, starting in his first term, accelerating in his second term, and likely to continue into his third term. Xi's underlying concern is that there is too much leverage in the Chinese financial system and that unsustainable borrowing is raising the risk of a financial crisis, which could cause an economic recession and political stress. This worry motivates Xi to enhance the party's political oversight of the financial sector.

China's financial sector is dominated by the party-state, which sees this control as a bulwark against the political threat of a financial crisis, especially after government interventions helped the economy survive the Asian financial crisis of 1997–1998 and the global financial crisis of 2008–2009. State-owned banks provide most of the country's formal credit to local governments and state-owned enterprises, lending that is often based on political goals rather than market signals, contributing to a growing portfolio of nonperforming loans. Private firms, which account for over 60 percent of China's gross domestic product, still find it more expensive and difficult to access loans than SOEs. China is also relatively cut off to the international financial system, with the government maintaining a closed capital account, which allows it to control the flow of domestic funds overseas. Many private firms, and even some state firms and local governments, turn to riskier nonstate shadow financing to raise funds, especially as domestic stock exchanges are relatively shallow pools for raising capital.

Consequently, the government had little insight into the financials of private companies, including several conglomerates that had become systemically important in key industries. For Xi, this lack of information was unacceptable because it limited the party's ability to control both the economic risks of rising debt and the political influence of wealthy tycoons. He saw investments made overseas or on behalf of political families (especially those of his rivals) as regulatory blind spots. Xi began to crack down on the financial power of big business toward the end of his first term, following the Chinese stock market turmoil of 2015–2016, which shook his confidence in the party's capacity to govern the private sector.

The lead-up to the 19th Party Congress saw legal or regulatory action against several billionaire financiers. In January 2017, according to media reports, Chinese agents in Hong Kong abducted Xiao Jianhua, a billionaire banker who managed the assets of several elite political families, and smuggled him to the mainland, where he was sentenced to 13 years in prison for fraud and corruption in August 2022. In June 2017, Chinese police arrested Wu Xiaohui, the CEO of Anbang Insurance Group, a politically connected private company that had embarked on a debt-fueled acquisition spree of foreign trophy assets. The same month, Beijing cut off financing for the overseas expansion of Chinese conglomerates, including Anbang, Dalian Wanda, Fosun International, and HNA Group, also curtailing their political influence.

Xi's campaign against financial risk gathered momentum in his second term. Xi's report to the 19th Party Congress established the prevention of major financial risks as a top priority, and Beijing explored ways to control a boom in digital finance. It was around this time that China's nascent peer-to-peer lending industry, which had emerged in the absence of much regulation as a solution for credit-hungry individuals and private firms, began to experience a wave of defaults and embezzlement cases. These financial scandals, which wiped out the savings of many ordinary people, created social instability as those affected took to the streets to demand a government response. It became increasingly clear that China's financial regulation required a significant upgrade and modernization to protect consumers and protect the economy against the financial risks attached to new types of financing.

Then, in October 2020, tech magnate Jack Ma, who founded the e-commerce giant Alibaba before creating the Ant Group, a gigantic online financial services company, used a speech at the Bund Forum in Shanghai to criticize China's financial regulators as a "geriatric club," arguing that a proposal to impose reserve requirements on micro-lenders such as Ant would be like "feeding dementia medication meant for seniors to a child suffering from polio." This open challenge by a high-profile businessperson to a key political priority of Xi was unacceptable. A few days later, in November—following a meeting between Ant and the CSRC, CBIRC, SAFE, and PBoC—the SSE suddenly canceled Ant Group's initial public offering on Shanghai's STAR market, which at US$34 billion had been expected to be the largest ever.

Ma's speech did not cause Xi to target financial risk, but it helped accelerate and perhaps amplify a regulatory agenda against financial risks and anti-competitive conduct that was already being worked on by the CBIRC, CSRC, PBoC, and other agencies (see the "Technology" section for more details). Other significant moves in the financial sector that followed included a move by the PBoC in September 2021 to ban cryptocurrency transactions in China. The anonymity of the blockchain went against Xi's desire for financial transparency and political control, and the PBoC instead began developing the government's own digital currency, the digital renminbi (e-RMB). Beijing's increased focus on national security has also discouraged Chinese firms from listing on foreign stock exchanges, as shown by the cybersecurity review that forced rideshare giant Didi to delist from the New York Stock Exchange in 2021.

Another focus of Xi's financial policies has been to reduce leverage in the property sector, which accounts for roughly one-quarter of China's economic activity, an unusually high share. In August 2020, the PBoC and the Ministry of Housing and Urban-Rural Development introduced a set of financial regulatory guidelines for property developers that said they should observe "three red lines": a debt-to-asset ratio not exceeding 70 percent (not including advance proceeds); a debt-to-equity ratio not exceeding 100 percent; and a short-term debt-to-cash ratio not exceeding 100 percent. The regulation overturned a leverage-heavy business model in the sector that had helped sustain rising housing prices, and many developers had to default or restructure to achieve compliance. Especially hard hit was China Evergrande Group, one of the country's largest developers, which was highly overleveraged and went into default in December 2021, although restructuring efforts continue. The three red lines, combined with other pro-social housing policies such as mortgage lending limits and rent caps, caused a property sector slowdown that sparked fears of a broader financial crash and international contagion.

Local government debt also presents a systemic risk to the financial sector. The major problem is central-local fiscal imbalance, with the central government arrogating most tax revenues to itself, delegating most public expenditures to local government, and not fully covering the difference. This imbalance led to a proliferation of informal local government financing vehicles, which mostly depended on selling land to developers and suffered from the cooling property market. Xi's zero-COVID policy exacerbated this problem because Beijing made local governments pay for most of the sprawling COVID testing and contact-tracing architecture that underpinned the policy. Xi has been especially concerned that the central government must gain more visibility into local government finances and supervise a rectification of debt levels and future borrowing, so he has promoted many financial technocrats to serve as finance-focused provincial deputy governors.

Xi has overseen the continuation of incremental reforms toward a more market-based approach to monetary policy in China, following decades before the mid-2000s when Beijing fixed the exchange rate to significantly undervalue the renminbi and make Chinese exports cheaper overseas. Moves included expanding the narrow band around which the value of the renminbi is allowed to float against the US dollar and more targeted domestic policy setting through banking liquidity and lending facilities. In October 2016, the International Monetary Fund included the renminbi in the special drawing rights basket that it uses as a reserve currency, a significant step for the currency's market recognition and international status. Beijing under Xi has stepped up efforts to internationalize the renminbi, promoting its use in bilateral economic deals and through the Belt and Road Initiative, leading to a more than doubling of its still small share of global trade finance. But Beijing's unwillingness to entertain capital account liberalization, which would remove political controls over how much money can flow in and out of China, means the renminbi is unlikely to replace the dollar as the global reserve currency anytime soon.

Xi's report to the 20th Party Congress in October 2022 stated that the party would "deepen reform of the financial system, build a modern central banking system, strengthen and improve modern financial oversight, strengthen the financial stability protection system, bring all types of financial activities under supervision in accordance with the law, and guard the bottom line of no systemic risk." Moreover, he introduced an aim to "advance party leadership in the course of improving corporate governance" in financial firms specifically. The report also pledged to improve the functioning of capital markets and increase the overall proportion of direct financing. Overall, the report suggested that regulatory scrutiny of financial sector firms will remain robust, with high-level political attention, especially through the new financial policymaking bodies and regulatory agencies created in the latest party-state reforms. In the month before the reforms were unveiled, Beijing reportedly detained the country's top investment banker in the technology sector, charged a former senior executive at a state bank with insider trading, and warned that financiers must respect party leadership and not see themselves as a "financial elite."

However, Xi's financial policy will remain a delicate balance between regulation and growth, with a focus on post-COVID economic recovery at the beginning of his third term bringing a range of easing measures for property financing, including guaranteeing delivery of unbuilt projects, relaxing controls that suppressed demand, and improving the liquidity of real estate companies through commercial bank loans, bond guarantees, and equity financing. The real estate sector, however, will remain in structural decline absent a new development model, as continued stimulus to support growth continues to kick the can down the road on resolving this issue. A financial stability law will likely be adopted after the NPC to ensure there is emergency funding available to weak, often smaller regional banks to prevent systemic financial instability, as bank failures will occur more frequently over time.