



PRESS RELEASE

Federal Deposit Insurance Corporation

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**FDIC Chairman Discusses Memorandum of Understanding
Between the FDIC and the People's Bank of China
Press Conference Follows Two Weeks of Meetings and Discussions
With Banking and Government Leaders in China**

BEIJING, CHINA -- FDIC Chairman Sheila C. Bair held a press conference to discuss a memorandum of understanding (MOU) signed today by the FDIC and the People's Bank of China (PBC). The MOU is designed to forge a formal international working relationship between the two entities, with the purpose of developing expanded methods of interaction on economic and financial issues. The Chairman also discussed her experiences in China after meeting with Chinese financial and political leaders over the past two weeks, including stops in Beijing, Shanghai and the Hunan and Shanxi provinces.

Chairman Bair said: "I'm very pleased and honored to support the work of the PBC and the China Bank Regulatory Commission (CBRC), which have taken the lead in establishing a deposit insurance system in China. The MOU is a very positive and important step toward making a deposit insurance system in China a reality. The FDIC has a proud history of protecting the savings of Americans, while serving an important regulatory function involving more than 5,200 banks. The work of the Chinese to create a deposit insurer is critical for China's continued progress in building the financial infrastructure necessary to sustain economic growth, particularly in rural areas where community-based lending and banking relationships are so critically important.

"The PBC and the FDIC also share many other related areas of common interest, including those of economic inclusion, small-dollar financing and financial literacy. On many fronts, these important issues can be successfully addressed through an established banking sector that includes a deposit insurance system.

"I would also like to note our important discussions with the CBRC, which has made great strides in the supervision of China's banking industry. Our meetings with the



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Ministry of Finance also provided useful perspectives on China's developing banking sector and the role of deposit insurance.

"Touching on safety and soundness issues, consumer protection, international financial stress and other regulatory issues, our meetings were a productive exchange of common interests and experiences. Given the pace of globalization and the continuing integration of our respective financial systems, we also discussed the importance of preparing for the eventuality of one or more troubled institutions operating in both jurisdictions simultaneously.

"I would like to thank our Chinese hosts, particularly the officials at the People's Bank of China, for accommodating the delegation from the FDIC.

"In addition to the generous hospitality, I deeply appreciate the honest and open dialogue that has been possible throughout our meetings here in China. It is clear that we have much to learn from each other in a number of economic and financial areas. For example, in a discussion on savings, it became clear to me that one of the reasons for the high savings rate among the Chinese is the cultural upbringing of taking responsibility for the education and improved lives of their children. As many American strive to save more and borrow less, we should also be motivated by the betterment and security of our future generations.

"In addition to the MOU, I would like to continue discussions in the area of rural finance in China. I believe there are opportunities that can greatly benefit both countries.

"I look forward to continuing these exchanges and fostering the healthy relationship we have forged between the U.S. and Chinese financial policy officials."