

1950

Speeches/Documents

**Title: Regulation on the implementation of currency control**

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**Description:**

Section 1 defines the goal and scope of the currency-control

program, whose aim is the "further strengthening of the control of currency, the carrying out of a clearance system, centralization of short-term credit, and supervision of investment in basic reconstruction work." The program applies to the following "units": state-operated enterprises, including enterprises operated by central and local governments as well as by government organs and military units; government organs, including public schools and hospitals; military units; popular organizations and cooperatives. Enterprises jointly operated by government and private individuals may follow the program (of currency control) if they so desire. The People's Bank of China is empowered to supervise and check the execution of the various measures in the program.

Section 2 deals with the control of cash (including drafts and bills). The provisions stipulate that: (1) All cash resources of the various "units" must be deposited in the People's Bank on the very day of receipt, with a few exceptions. (2) Currency amounting to a sum of three days expenditure may be retained by the respective units in areas where there are banking agencies, enough for one month if there are no banking facilities. (3) All units are required to clear their transactions through the bank, except in cases where the use of cash is absolutely necessary (as for salaries, travel expenses, sundry daily expenses). (A) All "units" must submit monthly and quarterly reports on cash receipts and expenditures. Funds earmarked for a particular expenditure cannot be used for other items.

Section 3, dealing with clearance, contains the following major points:

All units must set up accounts with the bank the locality. All transactions, whether local, national, or international, should be cleared through the bank and no direct payment is allowed. A duplicate copy of all business contracts must be deposited in the bank by the units. Funds received from and sent to the national depository by all units are to be handled through the Bank.

Section 4, entitled "short-term credit," makes the following stipulations: No commercial credit relations, such as loans, drafts, advance payment for goods ordered, are allowed among the various units. Those units that do not engage in productive enterprises are not entitled to credit from the bank. Units that engage in productive enterprises must possess the following qualifications in order to get credit from the bank: They must have adopted the system of economic accounting, have an independent accounting system, and have their own current assets. Loans contracted for a specific purpose cannot be used for any other purpose.

Section 5 deals with the supervision (by the bank) of investment in capital construction. Its provisions are: The People's Bank may designate a specialized bank as the business and supervising agent. The designated specialized bank must check the various papers (budget, designs, progress reports, etc.) submitted by a unit before any payment is made. The specialized bank must submit periodic reports to the Ministry of Finance through the People's Bank on the payment and budgeting of funds. If any discrepancy is discovered between the actual construction work and the plan reported by a unit, the specialized bank must cease payment of funds and report to the superior organs. When a

construction project is completed by a unit, the specialized bank, together with the superior organ of the unit concerned, must jointly check and approve the work.