

Chinese to pay visit to local bank

Chinese American Community

By DAVE BROCKMANN

Sentinel Business Editor

SANTA CRUZ — The People's Republic of China, in a continuing effort to move away from a Soviet-style central banking system, will send five representatives to Santa Cruz for a three-day "mock examination" of County Bank and Trust on Tuesday.

The delegation from the People's Bank of China are wrapping up a three-week stay in the Bay Area after learning how the Federal Reserve Bank in San Francisco supervises and examines member banks.

"We feel quite honored to be selected to be part of this educational program considering there are a number of banks a lot closer to San Francisco," Reese Davis, president and chief operating officer of County Bank and Trust said. "We received a letter from the examination department on Jan. 15 inviting us to participate in their educational process of China bankers."

Heading the delegation from Beijing (Peking) will be Hong Min, deputy direc-

tor of the bank's foreign affairs department. Other members of the delegation are Cao Fukang, deputy division chief of accounting; Cai Esheng, deputy division chief of financial administrations; Jia Xiao Feng, staff member of planning; and Liu Jianchao, staff member of foreign affairs.

The reason the San Francisco Federal Reserve Bank was chosen, Hang Shen Cheng, a Fed vice president and native of China said, was because the Fed "has been serving as an eye and ear on the Pacific Asian area. For 10 years (the Fed) has been engaged in an active research program" and central bank cooperation between the U.S. and Pacific Basin countries.

The visit culminates a series of exchange programs between central banks of both nations over the past five years. In the spring of 1980, a delegation from the People's Bank of China paid its first visit to the U.S. and the S.F. Fed. Several months later, a six-person delegation led

Please see back of section

Chinese delegation—

Continued from Page A1

by Federal Reserve Chairman Paul Volcker, including John J. Balles, president of the S.F. Fed, visited China.

And last September, Balles and a delegation returned to China for another visit to People's Bank.

What the Americans have learned is that "in dealing with the Chinese, it takes time to build up a basis for trust" by the Chinese, along with building mutual understanding. Cheng said that was the first phase of the relationship.

Phase two of the relationship began in January with the China delegation arriving in the United States to monitor the Fed's methods of banking.

The purpose of the visits is to strengthen understanding, cooperation and friendship of both nations while recognizing China's emerging importance in the world, especially in the Pacific Basin region.

The Chinese delegation for the past three weeks has gone through a carefully structured course detailing the activities of the Fed in monetary policy and bank supervision.

They have also observed on-site international examinations of two Edge Act corporations in San Francisco, as well as being briefed on the Federal Reserve System's regulatory and supervisory responsibilities. They have learned how the Reserve Bank conducts commercial,

bank holding company, international, consumer compliance, trust and electronic date processing examinations of various financial institutions.

At County Bank, the delegation will participate in a mock examination of the bank's records.

County Bank was selected, Cheng said, because "County Bank and Trust is a very well run banking unit and he (Balles) thinks highly of them. It will be useful for our Chinese visitors to take a look at County Bank to see how banks are run in our country."

The People's Bank has served as both a central bank and that nation's only general bank. Under a program of major financial reform, the commercial banking functions are being separated from the central-banking functions.

"Up until recently," Cheng said, "the Chinese banking system followed the Soviet model" of a central bank controlling all activities, from taking individual deposits to controlling the foreign exchange.

To help accomplish this goal of reform, the People's Bank of China has asked to observe how the Federal Reserve System carries out its supervisory and regulatory responsibilities over bank holding companies and banks under its jurisdiction.

Robert Galin from Commerical News contributed to this report.