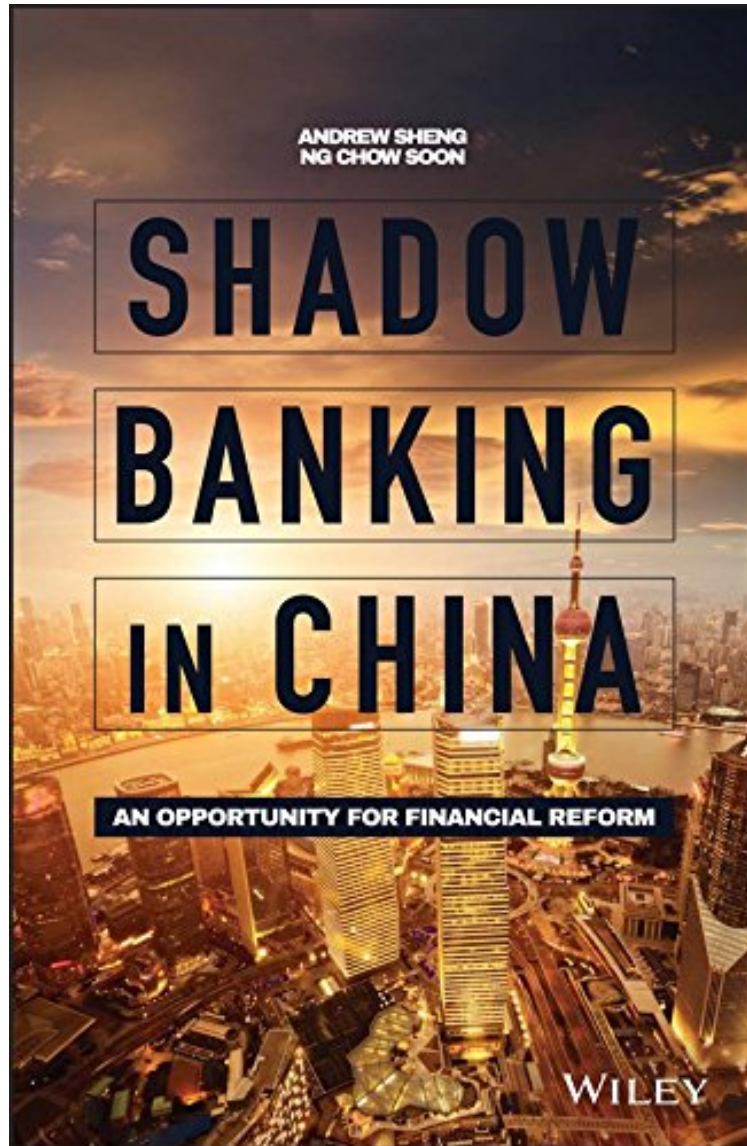


(Download pdf) Shadow Banking in China: An Opportunity for Financial Reform

Shadow Banking in China: An Opportunity for Financial Reform

Andrew Sheng, Ng Chow Soon

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Andrew Sheng, Ng Chow Soon : Shadow Banking in China: An Opportunity for Financial Reform before purchasing it in order to gauge whether or not it would be worth my time, and all praised Shadow Banking in China: An Opportunity for Financial Reform:

1 of 1 people found the following review helpful. A must read for everyone interested in the Chinese financial system and/or non-bank financial institutions By Michael Pomerleano I met Andrew Sheng 26 years ago at the World Bank and over the years followed his brilliant work, starting with his book "The Art of Bank restructuring" with admiration. I can state unequivocally that I learned more from Andrew than from anyone else regarding the financial systems in

developing countries. Andrew, along with Adair Turner, is one of the most creative thinkers, able to bring new insights and solutions to financial sector problems. His ability to distill issues in a coherent framework and offer solutions is unparalleled. His new book, *Shadow Banking in China: An Opportunity for Financial Reforms*, with his colleague, Ng Chow Soon, does not disappoint. It aims to create awareness of the promise of Shadow Banking in China: An Opportunity for Financial Reform (NBFIs) for China and to assist Chinese policymakers in creating a coherent policy structure and a sound regulatory and supervisory environment for their development. The past 20 years witnessed the rise of a middle class in China. With the growing demand for property ownership, small-scale investment, and saving for retirement came a growing need for housing finance, contractual savings, insurance services, pension plans management, and asset management. It was inevitable that financial institutions meeting those needs were established. The book offers a coherent policy framework for addressing the regulation of NBFIs. However, it rightfully emphasizes that the lack of a coherent policy framework and effective regulations, non-bank financial institutions can exacerbate the fragility of the Chinese financial system. Dr. Michael Pomerleano

An authoritative guide to the rise of Chinese shadow banking and its systemic implications *Shadow Banking in China* examines this rapidly growing sector in the Chinese economy, and what it means for your investments. Written by two world-class experts in Chinese banking, including the Chief Advisor to the China Banking Regulatory Commission and former Chairman of the Securities and Futures Commission in Hong Kong, this book is unique in providing true, first-hand perspectives from authorities within the world's largest economy. There is little widely-available information on China's shadow banking developments, and much of it is rife with disparate data, inaccuracies and overblown risks due to definitional and measurement differences. This book clears the confusion by supplying accurate information, on-the-ground context and invaluable national balance sheet analysis you won't find anywhere else. Shadow banking has grown to be a key source of credit in China, and a major component of the economy. This book serves as a primer for analysts and investors seeking real, useful information about the sector to better inform investment decisions. Discover what's driving the growth of shadow banking in China Learn the truth about both real and inflated risks Dig into popular rhetoric and clarify common misconceptions Access valuable data previously not published in English Despite shadow banking's critical influence on the Chinese economy, there have been very few official studies and even fewer books written on the subject. Understanding China's present-day economy and forecasting its future requires an in-depth understanding of shadow banking and its inter-relationship with the banking system and other sectors. *Shadow Banking in China* provides authoritative reference that will prove valuable to anyone with financial interests in China.

From the Inside Flap Despite the nefarious name, shadow banks are not fearsome, toxic creations to be regulated out of existence. These special non-bank financial institutions are an integral part of the global financial system that provide financial services to underserved sectors. However, slowing world growth and trade in addition to potential Chinese real estate adjustments could escalate financial risks and indirectly create contagion effects on formal banks and investors. *Shadow Banking in China* takes a candid and never-before seen look at shadow banking issues in the Chinese economy and offers a comprehensive financial system blueprint to address the potential risks of this growing sector. Written by two world-class experts in Chinese banking, including the chief advisor to the China Banking Regulatory Commission and former chairman of the Securities and Futures Commission in Hong Kong, this one-of-a-kind resource reveals first-hand perspectives on the scale of shadow banking in China by correcting disparate data, inaccuracies and overblown risks due to definitional and measurement differences. This authoritative examination provides a rare and illuminating study on the subject using Chinese data sources and research studies not available in English, as well as up-to-date national balance sheet and flow of funds data. By using a stock-flow approach, the authors shed light on the relationships between the different components of shadow banking and formal banking, including interconnectivities and vulnerabilities at the sectoral level. Whether you've been engaged in China for years or intend to jump into this burgeoning economy, you can gain a competitive advantage quickly with: Quality assessments and potential risks of the four major categories of borrowers, including large state-owned enterprises, private sector small and medium enterprises, real estate companies and Local Government Financing Platforms (LGFPs) Likely scenarios for shadow banking non-performing loans for selected industries based on different assumptions of economy-wide stress Guidance for a more sustainable and inclusive financial system through diversifying China's bank-dominated financial sector to address structural maturity and debt-equity mismatches Understanding China's present-day economy and forecasting its future requires a clear and thorough explanation of shadow banking and its interrelationship with formal banking and other sectors. *Shadow Banking in China* is the ground-breaking reference to turn to if you have any financial interests in the world's second largest economy. From the Back Cover THE AUTHORITATIVE GUIDE TO THE RISE OF CHINESE SHADOW BANKING AND ITS SYSTEMIC IMPLICATIONS "The Chinese economy has experienced explosive growth in debt since 2009: total gross debt reached 282% of GDP in 2014, comparable to the developed economies. Particularly striking was the

increase in non-financial sector corporate credit. Non-bank lending played a significant role in that build-up. In this important volume, the authors bring this complex and opaque system into the light and put it under a magnifying glass. They identify the opportunities for expanded equity and debt funding of businesses that will drive growth in the rapidly evolving Chinese economic structure. But they also highlight the risks of improperly priced risk, poor credit cultures, implicit guarantees relying on the state balance sheet, and lax regulation. It is essential reading for those seeking to understand the evolving structure of the financial system in China and the key reforms that are urgently required at this stage." mdash;A. Michael Spence, Nobel laureate; Professor of economics, New York University Leonard N. Stern School of Business "How serious is China's shadow banking issue? What Chinese characteristics does it have? Will it trigger the next financial crisis in China or globally? What policy measures should be adopted to address the risks in the shadow banking system? These are among a few of the most important questions examined in this book entitled *Shadow Banking in China: An Opportunity for Financial Reform*, edited by Andrew Sheng and Ng Chow Soon. This important book not only puts recent developments in China's shadow banking sector into proper perspective and context and identifies key Chinese characteristics underpinning the rapid growth of Chinese shadow banks, but also offers fresh insights on the interconnectivities and vulnerabilities at the sectoral level. It also provides useful policy recommendations at the macro and structural levels. The analyses are solid and comprehensive, and the conclusions are insightful and useful. I strongly recommend this top quality book to any reader interested in gaining a deeper understanding of the key risks rooted in China's shadow banking and how to sort them out, from the academic, policy and investment perspectives." mdash;Haizhou Huang, Managing Director, China International Capital Corporation "Andrew Sheng, an experienced regulator with a complex systems view of finance, leads a team that investigates and sheds light for both Western and Eastern thinkers on the shadows (banks) of the Chinese financial markets. Read, learn, and marvel at how Sheng's creative mind, rigorous observation, and deep insights rise to the challenge to diagnose the fault lines of financial instability and to prescribe remedies to manage the dangers of these mysterious financial innovations in China." mdash;Robert Johnson, President, Institute for New Economic Thinking (INET); Senior Fellow and Director, Franklin and Eleanor Roosevelt Institute "Rapid financial and technological innovation is entangling regulators everywhere in an ongoing game of 'whack-a-mole' as they struggle to keep pace with burgeoning developments in shadow banking. Nowhere is this more true than in China, and nowhere are the information flows more opaque. Sheng and Ng's study is a must for those trying to seek truth from facts." mdash;Simon Ogus, Founder and CEO, DSG Asia Limited About the Author ANDREW SHENG is chief adviser to the China Banking Regulatory Commission, former chairman of the Securities and Futures Commission, Hong Kong and deputy chief executive in HKMA. NG CHOW SOON is the former director of the governor's office, Bank Negara Malaysia and a Harvard Mason Fellow.