

**Public Announcement of the People's Bank of China on Reforming the RMB
Exchange Rate Regime**

July 21, 2005

With a view to establish and improve the socialist market economic system in China, enable the market to fully play its role in resource allocation as well as to put in place and further strengthen the managed floating exchange rate regime based on market supply and demand, the People's Bank of China, with authorization of the State Council, is hereby making the following announcements regarding reforming the RMB exchange rate regime:

1. Starting from July 21, 2005, China will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility.
2. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.
3. The exchange rate of the US dollar against the RMB will be adjusted to 8.11 yuan per US dollar at the time of 19:00 hours of July 21, 2005. The foreign exchange designated banks may since adjust quotations of foreign currencies to their customers.
4. The daily trading price of the US dollar against the RMB in the inter-bank foreign exchange market will continue to be allowed to float within a band of ± 0.3 percent around the central parity published by the People's Bank of China, while the trading

prices of the non-US dollar currencies against the RMB will be allowed to move within a certain band announced by the People's Bank of China.

The People's Bank of China will make adjustment of the RMB exchange rate band when necessary according to market development as well as the economic and financial situation. The RMB exchange rate will be more flexible based on market condition with reference to a basket of currencies. The People's Bank of China is responsible for maintaining the RMB exchange rate basically stable at an adaptive and equilibrium level, so as to promote the basic equilibrium of the balance of payments and safeguard macroeconomic and financial stability.