Speculative capital flow targeted

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China is considering taking market-oriented measures to deter speculative capital flow, the country's foreign exchange regulator said Friday.

China faced growing pressure over cross-border capital inflows in 2013, with the country's foreign exchange settlement-sales surplus surging by 210 percent year-on-year to 1.68 trillion yuan ($277.7 billion) last year, Guan Tao, head of the Balance of Payments Department of the State Administration of Foreign Exchange, told a press conference in Beijing.

China is likely to witness substantial trade and investment surplus in 2014, adding pressure to capital inflows, Guan said, because the global economic recovery will boost China's exports.

"The foreign exchange regulator has strengthened supervision on speculative capital inflows, and further measures such as levying the Tobin tax will increase the cost of foreign currency transactions and effectively curb speculative capital flows," Xu Hongcai, director of the Department of Information under the China Center for International Economic Exchanges, told the Global Times on Saturday.

Guan noted that the risk of capital outflows from China also exists in 2014, triggered by the turbulence in global financial markets.

"The risk of capital outflows mainly comes from the US Federal Reserve's exit from the quantitative easing (QE) program," Xu said.

Guan said China's foreign exchange settlement-sales surplus fell sharply from May to August last year, raising concerns over capital outflows following news about the Fed's possible QE exit in mid-2013.

China has not been obviously impacted by the QE tapering, Guan said, also noting that China is confident and capable of resisting future possible shocks, given the country's stable economic growth and large foreign exchange reserves.

"From a positive perspective, the QE tapering may attract some capital flow back to developed economies and thus relieve the appreciation pressure of the yuan," Guan noted.

Other major financial authorities have announced their priorities for 2014, Xinhua reported Saturday.

China's central bank will stick to a prudent monetary policy, maintain steady credit growth, engage further in international financial regulation policymaking and continue to expand the cross-border use of the Chinese currency this year.

The China Banking Regulatory Commission will further open up the banking sector to private and foreign capital, and plans to approve three to five private banks that will bear their own risk within the year.