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Beijing Probes Central Banker for Passing Tips to Bond Traders

As part of broader scrutiny on the People's Bank of China, monetary-policy chief Sun Guofeng is said to face suspicions of leaking economic data



By *Lingling Wei* [Follow](#)

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China's top anticorruption agency is investigating a senior Chinese central banker for suspected leaking of official economic statistics, say people with knowledge of the matter, after Beijing criticized the central bank for not adequately aligning itself with the party-state.

The Central Commission for Discipline Inspection said Wednesday that Sun Guofeng, who was until earlier this month head of the monetary-policy department of the People's Bank of China, is being investigated for "suspected serious violation of laws and discipline." It didn't disclose any specifics.

The people with knowledge of the matter said the probe is centered on whether Mr. Sun, who had worked at the central bank since the late 1990s, shared macroeconomic indicators, such as those measuring inflation, with individual bond traders at select financial institutions in exchange for personal gains.

The central bank and the Central Commission for Discipline Inspection didn't respond to inquiries. Mr. Sun, who was taken away by investigators from his office earlier Wednesday,

couldn't be reached for comment.

The investigation is one result of a sweeping round of inspections of some 25 financial regulators, state banks, insurers and investment funds that President Xi Jinping launched late last year to reassert the Communist Party's authority over these financial stalwarts.

Focused on the relations between these state institutions and private-sector players including individual investors and businesses, the inspections have targeted a large number of individuals, including the former chief executive of China Merchants Bank Co.

The PBOC, which oversees one of the world's largest financial systems, is arguably the most consequential of all the financial institutions scrutinized by Mr. Xi's discipline inspectors.

The Chinese central bank, which has never been politically independent like some of its Western peers, needs approval from the top bodies of government before it moves interest rates. But for years the PBOC has worked to establish credibility among investors by trying to communicate with the public more, as China's markets became more sophisticated and their influence extended across the globe.

During the monthslong disciplinary inspections, however, investigators sternly warned the central bank against any talk of Western-style central-bank independence. In February, after the inspections wrapped up, the anticorruption agency sharply criticized the PBOC, along with other financial regulators, for having "gaps" in implementing major policies of the party leadership.

The agency also noted that there were prominent corruption problems around "key positions" at some financial institutions, without specifying, according to a statement on its website.

Mr. Sun, 49 years old, who has been removed from his post, had spent most of his more than two decades at the central bank with its monetary-policy department, also known as the heart and mind of the PBOC.

With a doctorate in economics from a Chinese university, Mr. Sun conducted research at Stanford University in the early 2000s and published hundreds of academic papers and a well-received English-language book on China's financial reforms.

A protégé of the current PBOC governor, Yi Gang, Mr. Sun over the years has been heavily involved in remaking China's central bank into one that keeps up with the pace of modern finance.

He helped develop China's interbank bond market, where government bonds are traded, and

has become increasingly popular with foreign investors. Mr. Sun played a leading role in adding flexibility to the trading of the tightly controlled yuan. He also introduced a cohort of trading instruments into the central bank's open-market operations to make rates more reflective of market demands and better fulfill the PBOC's monetary-policy objectives.

People close to Mr. Sun describe him as a mild-mannered, hardworking technocrat who appeared to have increasingly struggled with his workload. His hair turned visibly gray soon after he was promoted to lead the monetary-policy department in 2018.

More recently, Mr. Sun had struggled to maintain what he called "policy discipline," or a hawkish stance against aggressive monetary easing, while China's leadership urged more measures to support the faltering economy.

Mr. Sun had believed that credit easing would only exacerbate speculative bubbles and could lead to excessive capital outflows at a time of slow growth, the people close to him said.

Indeed, many economists say the Chinese central bank now faces a complicated challenge of propping up growth in the face of greater pressure on the Chinese currency and outflows. "The PBOC's room for maneuver is becoming increasingly constrained by rising concerns about a currency depreciation-capital outflow spiral," said Eswar Prasad, an economics professor at Cornell University and former China head for the International Monetary Fund.

An initial sign of trouble for Mr. Sun emerged late last year when Beijing's disciplinary inspectors received reports accusing him of sexual harassment, the people said. It is unclear if those allegations would be part of the continuing investigation into his work at the central bank.

Another senior PBOC official hinted at problems with some individuals and institutions inappropriately using privileged information for market trading. "Some key personnel take advantage of capital and information for personal gains," Sun Tianqi, head of the financial-stability department of the central bank who isn't related to Sun Guofeng, wrote in an article published in March.

In particular, Mr. Sun of the financial-stability department stressed the need to strengthen regulatory oversight and mentioned macro data such as the consumer-price index, a key gauge of inflation, as particularly vulnerable to leaks. The article didn't mention any specific officials or other individuals.

—Cao Li and Grace Zhu contributed to this article.

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