

## NAFMII News

### NAFMII Hosts the First Credit Rating Salon of Credit Rating Professional Committee

The first session of rating salon sponsored by Credit Rating Professional Committee of NAFMII was successfully held on May 7, 2013. Renowned economists and executives from a number of market institutions such as Shenyin & Wanguo Securities and China Credit Rating Corporation attended the salon and discussed topics on the investment value, credit risk and rating methodologies of urbanization financing instruments, as well as how to promote the healthy and benign development of the rating industry.

### Latest NAFMII Data as of April 30, 2013

- The newly issued non-financial enterprises debt financing instruments through NAFMII in 2013 reached 1.07 trillion yuan (private placement product reached 203.25 billion yuan), accounting for 72.5% of the total volume of corporate bonds issued this year; the accumulated issuance volume of the instruments reached 9.38 trillion yuan, accounting for 71.2% of the accumulated volume of corporate bonds; the outstanding volume of the debt financing instruments amounted to 4.86 trillion yuan, accounting for 57.9% of the total corporate bonds outstanding.
- 3764 market participants had joined NAFMII membership, including 174 banking institutions like policy banks, commercial banks and credit unions; 174 non-bank financial institutions like securities, insurance and finance companies; 7 financial intermediaries; 702 intermediaries like rating agencies, accounting firms and law firms; 2695 enterprises; 2 institutions of other areas; and 10 individual members.
- A total of 494 institutions (including 360 non-financial institutions and 1 investment entity with non-legal person status) completed the filing procedures for the signing of 2,003 copies of the Master Agreement on Trading Financial Derivatives in China's Interbank Market (NAFMII Master Agreement); 41 market institutions signed the Master Agreement on Bond Repurchase Transactions; 54 market institutions signed the Master Agreement on Loan Transfer; 21 market

institutions signed the Master Agreement (Warranty); 56 institutions registered for Forward Rate Agreement (FRA) qualification and 96 institutions registered for Interest Rate Swap (IRS) qualification; and there were 45 Credit Risk Mitigation (CRM) traders, 26 core traders and 29 CRMW creation institutions.

## Regulatory Developments

### **CSRC Imposes Heavy Penalties on the First Fraud Case Involving Stock Issuance in GEM**

On 10 May, CSRC circulated a notice on the fraud case involving stock issuance by Wanfu Biotechnology (Hunan) Agricultural Development Co., Ltd. Heavy penalties were imposed on the issuer, the related sponsor institution, accounting firm and law firm. This was the first case in which a GEM company was convicted of fraud in stock issuance and a sponsor institution was filed for investigation and prosecution and ordered for suspension of sponsorship business for the first time, and also the first case in which the issuer and the sponsor institution had to negotiate compensation of losses to investors.

[CSRC news](#) (currently only available in Chinese)

### **CSRC: It's not Suitable to Transfer Shares During IPO Application**

According to media report, CSRC recently answered the question on whether the equity structure can be changed during IPO application. CSRC made it clear that limited liability companies should not make equity transfer during IPO application. If such changes happen, intermediaries should re-conduct due diligence accordingly.

[News report](#) (currently only available in Chinese)

### **CIRC Releases the Overall Framework of Second-Generation Solvency Regulatory System (China Risk Oriented Solvency System, C-ROSS)**

China Insurance Regulatory Commission (CSRC) officially released the overall framework of the second-generation solvency regulatory system. The framework establishes the "three pillars" regulatory system. The first pillar is quantitative capital requirements, mainly used for preventing quantifiable risks, including the first pillar quantitative capital requirements, the actual capital assessment standards, capital classification, dynamic solvency test and the first pillar regulatory measures. The second pillar is qualitative regulatory requirements, including overall risk rating, risk management requirements and assessment, regulatory inspection and analysis of insurance companies, as well as the second pillar regulatory measures. The third pillar is market constraint mechanism, including information disclosure tools, improvement of market constraint mechanism and optimization of the market environment.

[CIRC news](#) (currently only available in Chinese)

## **NDRC and MOC jointly issue the Catalogue of Competitive Industries for Foreign Investment in the Central-Western Region (2013 Revision)**

National Development and Reform Commission (NDRC) and Ministry of Commerce (MOC) jointly issued the Catalogue of Competitive Industries for Foreign Investment in the Central-Western Region (2013 Revision) [Central-Western Catalogue (2013 Revision)], effective as of June 10. This Central-Western Catalogue, the third version since it was promulgated and implemented in 2000, mainly has the following characteristics as compared with the original Catalogue: first, it broadens the encouraged areas; second, it optimizes industry orientation; third, it improves encouraged standards; fourth, it increases encouraged provinces. After the implementation of the Central-Western Catalogue (2013 Revision), projects under construction with foreign investment can enjoy relevant preferential policies.

**Should you have any inquiry, please contact:**

Zhou, Ying

[zhouying@nafmii.org](mailto:zhouying@nafmii.org)

[NDRC news release](#) (currently only available in Chinese)

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