

NAFMII News

NAFMII revises the Self-regulatory Disciplinary Rules for Debt Financing Instrument Market of Non-financial Enterprises

NAFMII recently organized market members to revise the *Self-regulatory Disciplinary Rules for Debt Financing Instrument Market of Non-financial Enterprises* (Self-regulatory Disciplinary Rules), effective on August 1st, 2013. The main amendments include: 1) it sets forth measures for suspending business during investigation. 2) it improves the implementation system of self-regulatory disciplinary measures, and is supplemented with the offsetting system that features earlier preservation measures and subsequent official disciplinary actions. 3) it establishes the traceability system.

[NAFMII Announcement](#) (currently only available in Chinese)

NAFMII revises the Rules for the Meetings of Holders of Debt Financing Instruments of Non-financial Enterprises in the Interbank Bond Market

NAFMII recently organized market members to revise the *Rules for the Meetings of Holders of Debt Financing Instruments of Non-financial Enterprises in the Interbank Bond Market* (Rules of Bondholders). Over the past three years, lead underwriters have convened 107 holders' meetings of debt financing instruments and addressed issues involving 63 issuers through negotiations. This revision has added 5 new articles and modified 21 existing ones, improving the triggering conditions and the procedures of the meeting of holders. Conditions of triggering holder meetings were added as following: major adverse change in credit enhancement institutions, major adverse change in underlying assets of asset-backed notes, decrease of net assets in issuers and credit enhancement institutions due to non-productive and non-operational reasons, and significant changes in production and operation. In addition, working procedures of issuers, credit enhancement institutions and related intermediaries were also specified and clarified.

[NAFMII Announcement](#) (currently only available in Chinese)

NAFMII releases Research on Loan Pricing Mechanism in the Process of Interest Rate Liberation

NAFMII recently released a research report which focuses on loan pricing

mechanism in the process of interest rate liberation. The research is divided into five parts: The first part analyzes the new requirements for loan pricing mechanism due to transformed monetary policy operations and market environment following deposit rate liberation. The second part looks at problems in the existing pricing models and further explores challenges posed by financial innovations on traditional loan pricing model. The third part analyzes the close relevance between loan rate and benchmark interest rate, as well as specific cases that demonstrate how the establishment of a loan quotation mechanism can give full play to the benchmark role of the actual loan rate. The fourth part combs the evolution of loan rate system and loan pricing mechanisms in developed financial markets analyzing their loan pricing methods and features, as well as summing up the insights they provide for domestic loan pricing mechanism. The fifth part presents policy recommendations including efforts to enhance pricing capabilities of micro-economic subjects, optimize pricing-related mechanisms, establish loan quotation system, and promote the development of loan transfer businesses.

[Report Abstract](#) (currently only available in Chinese)

Latest NAFMII Data as of August 2, 2013

- The newly issued non-financial enterprises debt financing instruments through NAFMII in 2013 reached 1.82 trillion yuan (private placement product reached 358.8 billion yuan), accounting for 82.1% of the total volume of corporate bonds issued this year; the accumulated issuance volume of the instruments reached 10.1 trillion yuan, accounting for 72.8% of the accumulated volume of corporate bonds; the outstanding volume of the debt financing instruments amounted to 5.1 trillion yuan, accounting for 59.9% of the total corporate bonds outstanding.
- 3951 market participants had joined NAFMII membership, including 189 banking institutions like policy banks, commercial banks and credit unions; 187 non-bank financial institutions like securities, insurance and finance companies; 7 financial intermediaries; 695 intermediaries like rating agencies, accounting firms and law firms; 2862 enterprises; 1 institutions of other areas; and 10 individual members.
- A total of 625 institutions (including 479 non-financial institutions and 1 investment entity with non-legal person status) completed the filing procedures for the signing of 2,264 copies of the Master Agreement on Trading Financial Derivatives in China's Interbank Market (NAFMII Master Agreement); 167 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); 57 institutions registered for Forward Rate Agreement (FRA) qualification and 102 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**

**CIRC issues Notice on Enhancing Supervision on External Credit Rating Agencies
Used for Insurance Funds Invested in Bonds**

CIRC issued the *Notice on Enhancing Supervision on External Credit Rating Agencies Used for Insurance Funds Invested in Bonds* (Notice). The Notice mainly regulates the following three aspects: First, it sets forth service capability standards for credit rating agencies. Second, it establishes a self-regulatory mechanism for the industry. The Notice incorporates credit rating agencies into self-regulation of China's insurance industry-related associations, and the insurance association will be responsible for organizing and evaluating the service of credit rating agencies annually. Third, it establishes a sustainable regulatory framework. The Notice has established a regular reporting system for rating agencies and sustainability evaluation mechanism, so as to dynamically monitor the service of rating agencies and revoke unqualified ones in a timely manner.

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inquiry, please contact:**

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

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