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NAFMII Weekly Newsletter



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Market News

I. Bonds Market

Risk Control for Debt Financing Instruments of Non-financial Enterprises Is Getting Mature

The Rules for Field Investigation on Risk Control for Debt Financing Instruments of Non-financial Enterprises (called the Field Investigation Rules thereafter) was issued and implemented recently after being examined and approved by the third session of the second standing council of the National Association of Financial Market Institutional Investors (NAFMII). This is a big step forward to drive the development of risk control for debt financing instruments of non-financial enterprises in China bond market. The issuance of the Field Investigation Rules further details and strengthens NAFMII's external supervision role and forms a comprehensive risk control system featuring self-discipline of issuers, full accountability of primary underwriters and external supervision of NAFMII, further consolidating the fundamentals of risk control for debt financing instruments of non-financial enterprises in China inter-bank market.

Information Disclosure System in Bond Market: Equal Importance attached to Investors Protection and Market Efficiency

Information disclosure system is one of the fundamental systems of bond market as the price and demand of a bond is directly determined by such system. In some sense, bond market is a highly information-intensive market where information disclosure plays a vital role in the healthy and sound development of the market. Information disclosure system started late in China with many problems to be addressed. In comparison with matured markets, huge gap remains to be bridged both in information coverage and depth. In this respect, we can make good reference from the development process of the US securities information disclosure system. Further improvement of information disclosure system in China bond market requires improvement of market efficiency as well as enhancement of restrictions of relevant laws and regulations to protect investors' interests.

II. Real Estate Market

Beijing further regulates sales order of commodity houses in commercial and office category



Recently, Municipal Housing and Urban-rural Development Committee, together with Development and Reform Committee, Planning Committee, Commerce Commission and Land Administration Bureau, issued the Circular on Enhancing Cross-department Actions to Improve Commercial and Office Project Administration (the “Circular”), putting forward regulatory measures in the following 5 respects to strengthen commercial and office project administration, prevent developers from changing planned use of a project without approval and effectively protect consumers’ legitimate rights: first is to tighten project design examination and approval; second is to intensify survey management; third is to implement stricter registration administration; fourth is to regulate sales behavior; and fifth is to enhance cross-departmental supervision.

III. Miscellaneous

Ma Delun, Deputy Governor of the PBOC: support direct financing of independent innovation enterprises in Yangtze River Delta

On May 16, Ma Delun, CPC committee member and deputy governor of the PBOC, pointed out at the opening ceremony of the fourth financial forum for Yangtze River Delta that the government will support independent innovation in the Yangtze River Delta area, with emphasis on support for industrial enterprises to issue stocks, bonds, short-term commercial papers and other financing products to raise the proportion of direct financing. On May 15, the central bank signed “Memorandum for Cooperation on Jointly Promoting Loan Transfer Market in Yangtze Valley Delta” with Shanghai, Zhejiang and Jiangsu governments. Mr. Ma Delun proposed that vigorous efforts should be made to promote loan transfer market in the Delta area to revitalize region-wide credit fund and to improve capital utilization of financial institutions.

China’s export and import volume from January to April totaled US\$ 1.10032 trillion with US\$ 10.28 billion surplus

On May 16, Ministry of Commerce briefed at a regular press conference on the situation of China’s foreign trade. According to the statistics of the Customs, from January to April, import and export totaled US\$ 1.10032 trillion, an increase of 28.5% year on year, in which export amounted to US\$ 555.3 billion, an increase of 27.4% year on year, and import amounted to US\$ 545.02 billion, an increase of 29.6% year on year, with a surplus of US\$ 10.28 billion, comparing to US\$ 15.35 billion in the same period last year, drop by 33%.



NAFMII NEWS

NAFMII held 2011 Lead Underwriters Working Meeting on Debt Financing Instruments of Non-financial Enterprises

On May 10-11, 2011, NAFMII held the 2011 Lead Underwriters Working Meeting on Debt Financing Instruments of Non-financial Enterprises in Chongqing. Over 70 representatives of NAFMII members from lead underwriters, rating institutions, intermediary agencies and other businesses attended the meeting. Also present were relevant officials from PBOC Financial Market Department and PBOC Chongqing Operations Office.

Mr. Shi presided over the meeting and made a summary. He pointed out that in order to implement the policy for accelerating the establishment of multi-tier capital market system, promoting the development of debt capital market and stepping up transformation of economic development mode over the years, NAFMII has carried out a series of work in such areas as transformation of market management model, improvement of market infrastructure, promotion of product innovation and establishment of sound market rule systems, making its due contributions to the development and reform of China's financial market. Reviewing the development process of debt capital market, Mr. Shi summarized the experiences and inspirations from efforts to promote healthy development of inter-bank market and pointed out the working direction and basic ideas for promoting sustained development of the debt capital market in a period of time in the future.

The meeting reported the overall development of the debt capital market and work progress in such areas as registration and issuance, market innovation, post-registration management, market regulation, membership management, business training and international exchanges. Participating organizations warmly discussed and researched in depth on multiple issues in the development of debt capital market, such as product innovation, policy environment, risk mitigation, investors base building, construction of intermediary platform organization system and construction of intermediary service mechanism.

NAFMII issued Guidelines on Regulating the Issuance of Debt Financing Instrument of Non-financial Enterprises in the Inter-bank Market

To regulate the issuance of debt financing instruments of non-financial enterprises in the inter-bank market, safeguard the lawful rights and interests of investors and promote healthy development of inter-bank market, NAFMII issued the Guidelines on Regulating the Issuance of Debt Financing Instrument of Non-financial Enterprises in the Inter-bank Market on May 30, 2011.

Since its inception in 2005, non-financial enterprises debt financing instrument market,



under the right guidance of PBOC and with concerted efforts of market members, has maintained sustained, rapid and healthy development momentum, with issuance amount increasing from RMB 139.2 billion in 2005 to RMB 1296.6 billion in 2010 and the current outstanding volume increased from RMB 138 billion at the end of 2005 to RMB 2146.4 billion by the end of 2010. Amid expansion of market size, the issuance of debt financing instruments has been done in a standardized and orderly manner, a manifestation of the market principle of fairness, justice and openness.

To further optimize and regulate the issuance of debt financing instruments, strengthen self-discipline, improve transparency and fairness and eliminate and block malfeasance in the process of issuance, NAFMII organized market members to jointly work out the Guidelines on Regulating the Issuance of Debt Financing Instrument of Non-financial Enterprises in the Inter-bank Market (Issuance Regulations). The Issuance Regulations was approved and adopted at the Third Session of the 2nd Standing Council Meeting of NAFMII on April 26, 2011, and was published on May 30, 2011 upon filing with the PBOC.

Secretary-General Shi Wenchao attended 2011 Euromoney Offshore RMB Financing Forum and visited organizations in Hong Kong

On May 17th, Secretary-general Shi Wenchao attended the 2011 Euromoney Offshore RMB Financing Forum upon Euromoney's invitation and delivered a keynote speech. In his speech, Mr. Shi elaborated on such issues as the general rules, conditions, and work to be done in the development of RMB offshore market.

Mr. Shi said that with rapid development of Chinese economy and closer links with countries across the world, overseas market has been witnessing more frequent use of RMB and increasing amount of RMB in circulation. As a result, overseas manufacturers, traders as well as various kinds of investors including government agencies and central banks inevitably call for the establishment of RMB offshore market. So the development of RMB offshore market is not only conducive to both domestic and overseas market entities but also beneficial to places where RMB offshore market is located.

According to Mr. Shi, several issues need to be resolved to develop RMB offshore market, such as further combing out market development concept and awareness; enriching RMB-denominated products and expanding market players; further developing derivatives market; researching measures to address information asymmetry between RMB offshore market entities and issuers and investors in China's mainland; and creating a sound external environment for the development of RMB offshore market.

Secretary-general Shi Wenchao addressed at the "Lujiazui Forum 2011"

On May 21, Shi Wenchao, Vice President and Secretary-General of NAFMII, attended "Lujiazui Forum 2011" upon invitation and delivered a speech at the workshop themed on



Interest Rate Marketization Reform and Development of Chinese Financial Derivatives Market, elaborating on issues such as the relationship between interest rate marketization and financial derivatives, foothold for promoting financial derivative innovation and management of derivative market innovation, and interacted and exchanged views with guests and audience present at the workshop.

Themed “Financial System and Its Macro-control”, Lujiazui Forum 2011, jointly sponsored by Shanghai Municipal Government, the PBOC, China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC) and China Insurance Regulatory Commission (CIRC), was held in Shanghai on May 19-21, 2011.



Weekly Monitoring Report on Debt Financing Instruments

I. Overview of the Issuance of Debt Financing

The total debt financing instruments of non-financial enterprises (CP1, MTN2 and SMECN) issued this week (May 23th – May 29th) reached 27.6 billion yuan. By May 29th, 2011, 923 enterprises issued 2345 debt financing instruments in total, with the overall volume reaching 4558.73 billion yuan; the outstanding balance reached 2552.375 billion yuan.

4 MTNs were issued in total this week with the total amount reaching 6.5 billion yuan. 12 CPs were issued in total this week with total amount of 20.1 billion yuan.

II. Status of Secondary Market Trading

This week (May 23th – May 29th), 7 MTNs began to trade on the secondary market. The total volume of spot trading transactions in the inter-bank market was 1381.07 billion yuan and the trading volume of the MTN reached 289.06 billion yuan, accounting for 20.9% of the total spot bond transactions in the inter-bank market.

Meanwhile, 14 CPs began to trade on the secondary market this week. The trading volume of the CP on the secondary market was 99.14 billion yuan, accounting for 7.2% of the total spot bond transactions in the inter-bank market.

Figure 1: Monthly issuance status of debt financing instruments of non-financial enterprises

(January 1st, 2008 – May 29th, 2011)

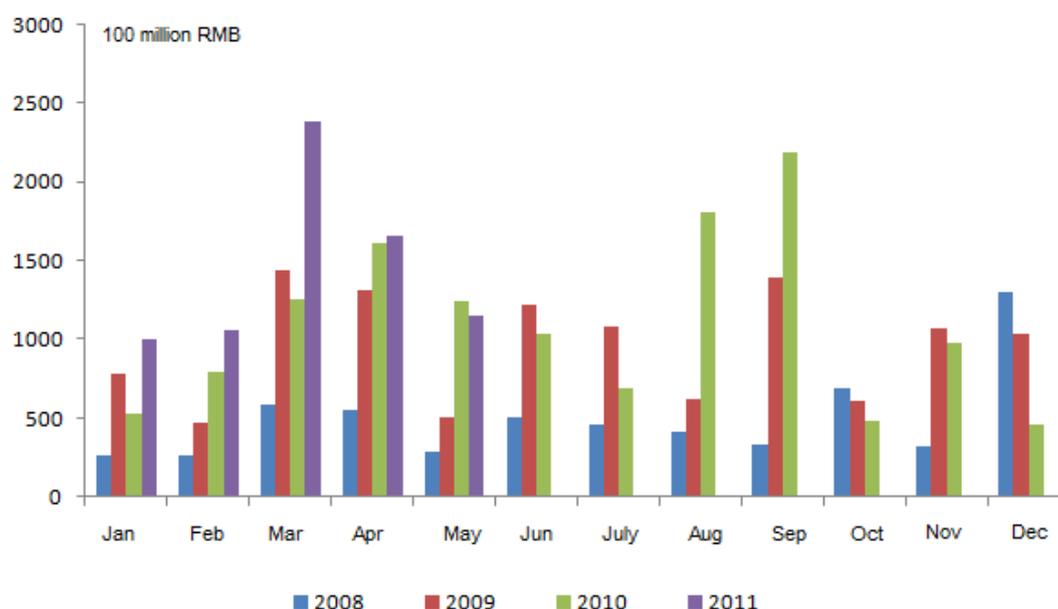




Figure 2: Outstanding balance of debt financing instruments of non-financial enterprises

(May 24th , 2008 –May 29th , 2011)

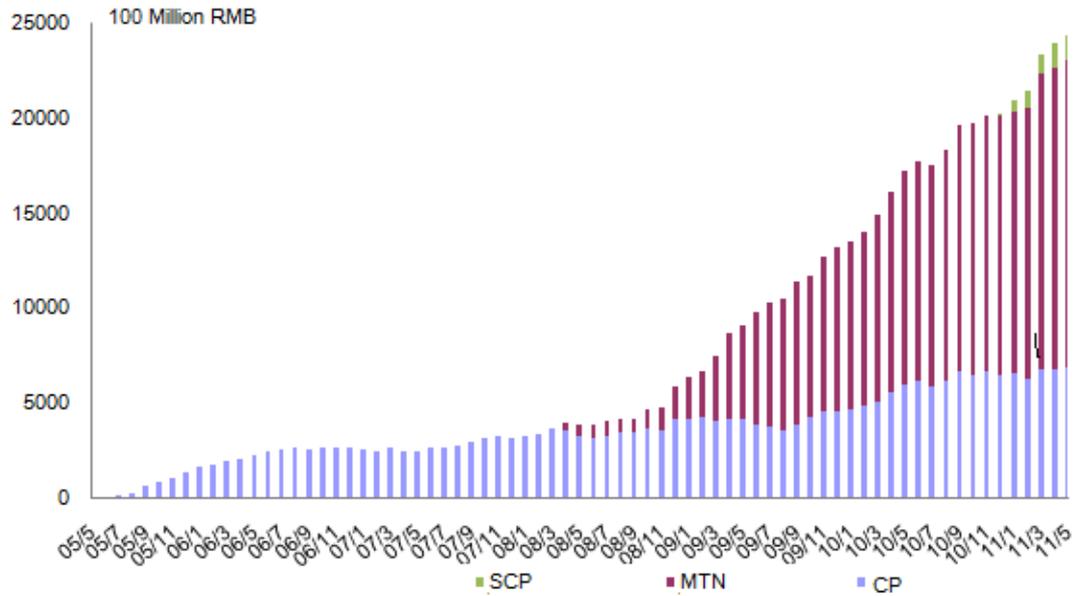


Figure 3: Yield curve for one-year CPs

(January 1st , 2007 –May 29th , 2011)

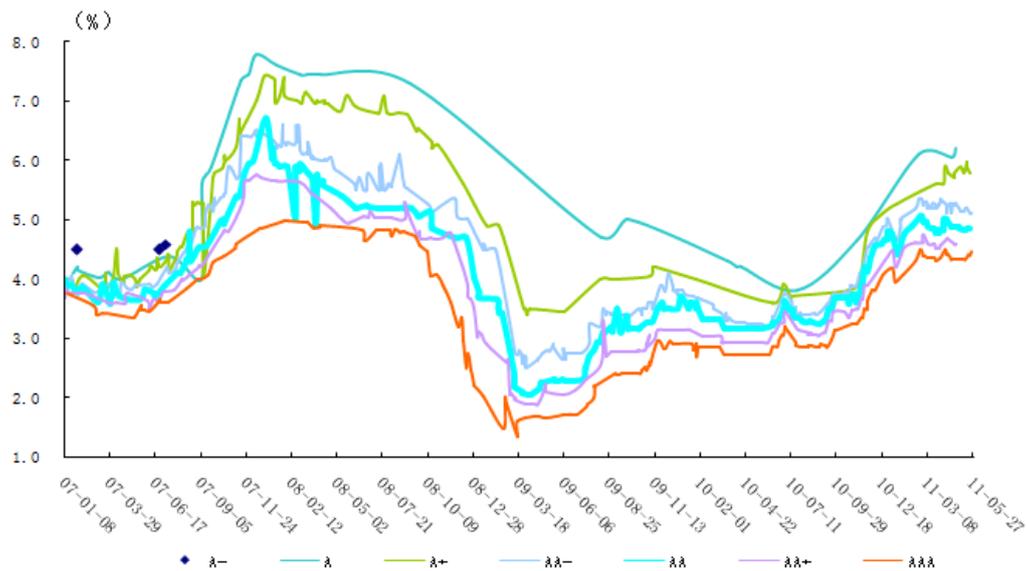
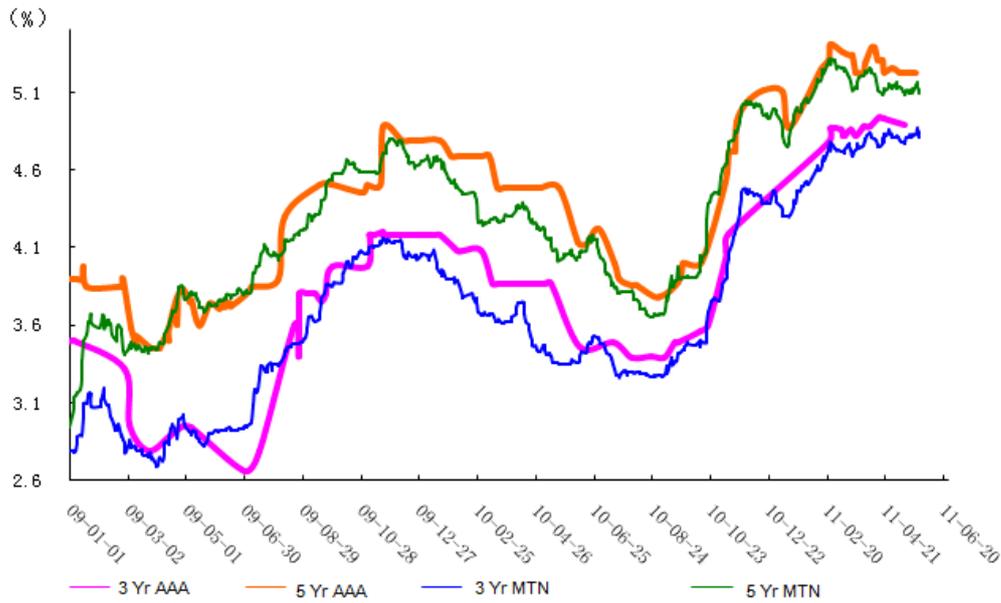




Figure 4: Yield curve for AAA-rated MTNs (three-year, five-year)

(January 1st , 2009 –May 29th , 2011)



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