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## NAFMII Newsletter



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## **Market News**

### **I. Bonds Market**

#### **Bonds Market Saw Rapid Growth in Q1**

The primary bonds market experienced a robust growth in Q1, which is traditionally an off season. In particular, the expansion of credit debt has attracted much attention. The data until March 28 show the new bonds issued in Q1 amount to nearly RMB1.5 trillion, including the credit debt exceeding RMB760 billion in value. By month, the amount of the credit debt issued kept rising, and hit a new historical high in March. As the decision-makers show a strong desire to accelerate the development of the bonds market, the market of primary bonds, in particular enterprise bonds and corporate bonds, is expected to further expand, say the analysts.

The bonds issued on different market segments in Q1 add up to RMB1,489.078 billion (excluding central bank notes), only second to the historical high, according to the data provided by Wind.

By categories, the amount of the interest rate products issued in Q1 reached RMB727.76 billion, a slight drop year on year, and the amount of the credit products hit RMB761.318 billion, only second to the amount of RMB1,000.978 billion in Q4, 2011, representing the second highest level in history. By products, among the interest rate products, the government bonds and the policy-related financial bonds reached RMB218 billion and RMB509.76 billion respectively. Among the credit debt issued in the quarter, the bonds issued by the commercial banks were worth RMB108.65 billion, the subordinated bonds of the commercial banks reached RMB3.7 billion, and the amounts of the enterprise bonds, the corporate bonds, the central bank bills and the short-term commercial papers were RMB161.3 billion, RMB39.36 billion, RMB172.841 billion and RMB275.017 billion.

It is worth mentioning that after Q4, 2011, the issued amount of credit debt has again overtaken that of the interest rate products by RMB33.5 billion. According to the statistics, the same story happened only in Q1, 2009, when the amount of credit debt was only RMB374.8 billion, and exceeded the amount of the interest rate bonds products, as a result of the excessively low amount of the government bonds.

By month, the credit debt has displayed a more obvious trend of accelerating expansion. The data show that in the first three months of this year, the total value of the unsecured bonds products was RMB111.25 billion, RMB251.241 billion and RMB398.827 billion, hitting a new historic high in March.



## II. Comprehensive Media Intelligence

### **The State Council Sets the Wenzhou Financial Reform pilot Zone**

Premier Wen Jiabao of the State Council convened an executive meeting of the State Council on March 28, and the meeting decided to launch an pilot zone on comprehensive financial reform in Wenzhou City. The meeting approved the implementation of the General Plan for the pilot Zone on Comprehensive Financial Reform in Wenzhou City, Zhejiang Province. The meeting required the pilot zone innovate systems and mechanisms, build a diversified financial system commensurate with the economic and social development to obviously improve financial services, obviously strengthen the capacity to prevent and solve financial risks, evidently optimize the financial environment, and provide experience for the national financial reform.

The meeting determined 12 major tasks of the comprehensive financial reform in Wenzhou City:

1. Develop the civil financing in a compliant manner; Make the policy to develop civil financing in a compliance manner, establish the civil financing registration system, and construct and improve the civil financing monitoring system;
2. Accelerate the development of new-type financial organizations. Encourage and support private capital to participate in the reform of local financial institutions, and sponsor or participate in rural banks, loan companies, rural fund cooperatives and other new types of financial organizations according to the law; Permit the reorganization of qualified micro loan companies into rural banks.
3. Develop professional asset management institutions. Guide private funds to establish venture capital firms, equity investment firms and relevant investment management institutions according to the law.
4. Research and carry out the pilot of personal overseas direct investment, and explore to establish convenient and regular direct investment channels.
5. Deepen the reform of local financial institutions. Encourage state banks and joint-equity banks to create institutions specializing in small enterprise loans, while they meet the requirements. Support financial leasing companies and other non-banking financial institutions to carry out businesses. Push the shareholding reform of rural cooperative financial institutions.
6. Innovate and develop financial products and services oriented to small and micro enterprises and “agriculture, rural areas and farmers”, and explore the establishment of a multilevel financial service system. Encourage the banking institutions in Wenzhou to reinforce the credit support for small and micro enterprises. Support the development of financial leasing enterprises oriented to small and micro enterprises and “agriculture, rural



areas and farmers”. Establish comprehensive financing service centers for small and micro enterprises.

7. Cultivate and develop local capital markets. Carry out the transfer of equities in unlisted companies as well as the trading of technical and cultural properties according to the law.

8. Actively develop various bonds products. Promote more enterprises, in particular, small and micro enterprises, to raise funds on the bonds market. Establish and improve the re-guarantee system for small and micro enterprises.

9. Expand the areas of insurance services, innovate and develop insurance products serving professional markets and industrial clusters, and encourage and support the participation of commercial insurances in the construction of the social security system.

10. Strengthen the construction of the social credit system. Improve the construction of government integrity, commercial integrity, social integrity and judicial credibility. Strengthen the supervision of the credit market.

11. Improve the local financial management system, prevent the absence of supervision, and prevent systematic risks and regional risks. Establish the comprehensive statistics system for the financial industry and strengthen monitoring and warning.

12. Establish the risk prevention mechanism for comprehensive financial reform. Clearly define the boundary of local financial supervision responsibilities, and reinforce and clarify the responsibilities of local governments to dispose of financial risks and maintain local financial stability.

### **NDRC: Foreign Debts of Foreign Banks Fixed at 24 Billion in 2012**

This year, the National Development and Reform Commission (NDRC) has approved a total limit of USD24 billion for the medium- and long-term foreign debts of foreign banks, and selected HSBC, Deutsche Bank, JPMorgan Chase, Citibank, Sumitomo Mitsui and Bank of East Asia as the pilots in a move to promote the opening of the financial industry, leverage the active role of foreign banks in “taking in” and “going out”, and drive the national economic development.

When determining the limit of medium and long-term foreign debts, the NDRC has mainly considered the foreign debt demand created by project loans, and moderately considered the foreign debt demand created by working capital loans. Under the limit of foreign debts, if a foreign bank borrows RMB funds with a term above one year from overseas lenders, the bank must report the loan amount, term, and information of overseas creditors to the NDRC for filing in advance.



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### **NAFMII NEWS**

#### **Promoting Investor Education through Market Affinity, Practicality and Innovation**

On March 27, NAFMII launched the 2012 investor education and service event in the interbank market, in a move to carry out the investor education in depth, practice its service philosophy, build an investor communication platform, and advocate rational and healthy investment concepts. The investors from 40 institutions on the interbank market participated in the event.

NAFMII invited senior experts and professionals on the domestic market to interpret current macroeconomic atmosphere and policy outlook, the trend analysis of the bond market, the trading and configuration strategy for the second quarter, and investor protection. The experts and representatives shared their views on the rethinking of credit events and credit risk, functions and uses of credit derivatives, liquidity of the bonds market in the year, process of the interest rate liberalization, and other hotspots.

Since the launch in 2011, the event has won extolments from investors and members in the interbank market. The representatives hope NAFMII will carry out the work of investor education in depth, deliver exclusive member service in every aspect, and play a more important role in driving the healthy and steady development of the interbank market.

#### **NAFMII Held a Meeting to Discuss a Self-regulatory Guideline to Credit Rating Industry**

Upon the requirement of many market members, NAFMII has formulated a Self-regulatory Guideline to the Credit Rating Industry in the Non-financial Debt Financing Instrument Market (the Guideline) in a move to strengthen the self-regulatory management of the credit rating industry, regulate the credit rating business in the market, and drive the healthy and sustainable development of the interbank bond market. The first meeting of the Third Executive Council of NAFMII examined and adopted the guide in principle.

On March 21, NAFMII held a discussion meeting to carry out the decision of the Executive Council meeting and further improve the Guideline. Deputy Secretary-General Feng Guanghua presided over the meeting. Experts from the Law and Regulation Department and the Market Department of the People's Bank of China instructed the meeting, and the delegates from 19 members, including rating agencies, lead underwriters, investors and issuers, attended the discussion meeting.

The meeting first briefed the delegates with an overview on the guideline, and followed by discussion on each article of the guideline. During the discussion, delegates also raised feasible opinions and suggestions. Mr. Feng pointed out that increasing market



responsibility awareness and strengthening self-regulatory management of the credit rating industry is not only an urgent need to regulate the rating industry, enhance the public credibility of the industry, and make the industry better serve the development of the unsecured bonds market, but also a necessary requirement to improve the market infrastructure and protect the legal rights and interests of investors. In the next move, Mr. Feng added, NAFMII would carefully hear and study in depth the valuable opinions of the delegates attended the meeting, and further improve and publish the guideline at an early date.

### **NAFMII Held the 2012 Annual Conference of Lead Underwriters of Non-financial Debt Financing Instruments**

On March 1-2, 2012, NAFMII held the 2012 annual conference of lead underwriters of non-financial debt financing instruments for non-financial enterprises in Nanning. More than 60 representatives from the lead underwriters, rating agencies, market infrastructure institutions and other NAFMII members attended the meeting. Relevant officials of the Financial Market Department of the People's Bank of China were invited to attend the meeting.

The meeting reviewed the whole picture of the non-financial debt financing instrument market, and discussed works involving the dynamics of registration, issuance, market innovation, subsequent management, trading standard, member management, operational training, international exchange and other aspects. The institutions attending the meeting exchanged views in depth on topics including the product innovation, risk prevention, investor diversification, intermediary self-regulatory management, and member training and certification.

Secretary-General Shi Wenchao presided over the meeting and delivered a keynote speech. He noted that in the past years, NAFMII has done a lot of work in management mode transformation, infrastructure improvement, product innovation and rule system improvement, and tangibly tapped the function of financial industry in serving the real economy. The work has complied with the decisions of the CPC Central Committee and the State Council to increase the proportion of direct financing and accelerate the establishment of the multilevel capital market. Mr. Shi reviewed the policy made by the central economic meeting and the national meeting on finance to "maintain stability while seeking progress", summed up the experience and enlightenments from the healthy development of the interbank market, and determined the basic strategy of pushing the sustainable development of the debt capital market in the years to come.



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