

The People's Bank of China Announcement No. 39 [2015]

In order to accelerate ecological civilization development, guide financial institutions to serve green development, promote economic restructuring and upgrading, and drive transformation of economic development pattern, People's Bank of China releases an announcement on the issuance of green financial bonds in line with the *Law of the People's Republic of China on the People's Bank of China* and *Administrative Measures for the Issuance of Financial Bonds in the National Inter-bank Bond Market (The People's Bank of China Order No. 1 [2015])*.

1. Green financial bonds as mentioned in this Announcement refers to the securities issued by financial institutions in accordance with law, with a purpose to raise funds to support the green industry and to repay capital with interests by contract. The definition of green projects shall refer to the *Green Bond Endorsed Project Catalogue* (see Annex).

2. Financial institutions as mentioned in this Announcement includes development banks, policy banks, commercial banks, finance company of enterprise group, and other financial institutions established in accordance with the law.

3. Financial institutions to issue green financial bonds shall have the following qualifications:

- 1) Having a good corporate governance mechanism;
- 2) Profitable last year (except for the development banks and policy banks), no major violation of law in the last three years
- 3) In line with the requirements of prudent macro management, with financial risk regulatory indicators in line with the relevant provisions of financial regulations
- 4) Having a sound system for granting loan/credits to green projects, risk control and marketing, as well as a mature business team.

4. The legal person of the financial institution shall submit the following materials to the People's Bank of China for the issuance of green financial bonds

- 1) Green financial bond issuance application report;

2) Green financial bond prospectus, which shall include project categories, project selection criteria, decision-making procedures, environmental benefits, use and management of green financial bond proceeds, and etc.;

3) The written consent from the authority specified by articles of incorporation or other corporate regulations;

4) Financial reports and audit reports of the past three years, as well as the most recent financial report;

5) Commitment letter of investing proceeds in green projects;

6) Other documents required by the People's Bank of China

5. In addition to the application materials specified in article 4, the financial institution (green financial bond issuer) shall be encouraged to submit an independent assessment or certification issued by professional certification authority.

6. Issuer who is allowed to issue green financial bonds (hereinafter referred to as the issuer) shall, five days prior to the issuance date, submit the following materials to the People's Bank of China for lodgment:

1) Prospectus for the issuance of green financial bonds in the current period;

2) Decision of the People's Bank of China on the administration of the issuance of green financial bonds (copy);

3) Signed underwriting agreement, underwriting syndicate agreement;

4) Financial bond credit rating report and instructions on continuous tracking of credit rating issued by credit rating agencies;

5) Legal opinion issued by the issuer's lawyer

6) Other documents required by the People's Bank of China

7. The issuer can choose to issue green financial bonds through auction or book-building. For those adopt book-building issuance, book-building issuance plan should be added in the archival materials which include but limited to book-building pricing, principles and methods for placement, measures to prevent operational risks and unfair tunneling.

8. Green financial bonds can be issued in full or in installments within the given time frame prescribed in the prospectus. Those who have issued green bonds and been conforming well to the subsequent supervision can apply for issuance in installments within the given timeframe.
9. The issuer shall invest proceeds in green projects within the given timeframe prescribed in the prospectus. Unallocated proceeds can be invested in green bonds issued by non-financial business and money market instruments with good credit rating and market liquidity.
10. The issuer shall open a special account or establish a special ledger to manage and supervise the transfer, allocation and payback of green bond proceeds. This is to earmark the fund and make sure that all the unallocated proceeds in the duration can be invested in green projects.
11. The issuer shall disclose the use of proceeds to the market on a quarterly basis. The issuer shall disclose the annual report on use of proceeds and special auditor's report from last year, and use of proceeds in the first quarter of the year before April 30 every year. The annual report on use of proceeds shall be reported to People's Bank of China.
12. In the green financial bond duration, the issuer shall be encouraged to disclose assessment report issued by the independent professional assessment or certification agency to the market, and to conduct follow-up assessment to the green projects supported by green financial bonds and associated environmental benefits.
13. The issuer may engage the underwriters or other agencies of the market maker to make arrangement for the market-making of green financial bonds.
14. The registration, custody and settlement business related to the green financial bonds shall be processed by depository and clearing agencies accredited by People's Bank of China.
15. The issued green financial bonds shall be incorporated, by the book, into the scope of mortgage (pledge) under the monetary policies of People's Bank of China.
16. Relevant government departments and local governments shall be encouraged to introduce preferential policies and measures to support the development of green financial bonds.

All kinds of financial institutions and securities investment funds and other investment schemes, social security funds, corporate pension, social welfare funds and other institutional investors shall be encouraged to invest in green financial bonds.

17. The People's Bank of China shall conduct special statistical statement on the use of green financial bond proceeds, and publish the result on a regular basis.

18. Overseas financial institutions accredited to issue bonds within the territory of the People's Republic of China shall accord with the Announcement when issuing green financial bonds in interbank bond market.

The administrative provisions for debt financing instruments of non-financial institutions' green projects shall be formulated separately by National Association of Financial Market Institutional Investors.

19. The Announcement shall be interpreted by the People's Bank of China. Matters not mentioned in this Announcement shall be implemented in accordance with the relevant provisions of the People's Bank of China.

20. This Announcement shall come into force as of the date of promulgation.

Annex:

Green Bond Endorsed Project Catalogue

People's Bank of China

December 15, 2015