

NAFMII News

NAFMII issues the Report of *Capital Shortage in the Context of High Monetization*

On September 10th, NAFMII publishes the Report of *Capital Shortage in the Context of High Monetization*. The Report is divided into four chapters. The First Chapter briefly illustrates the significance of research and reviews related literature and theories. The Second Chapter primarily focuses on the asymmetries in financial acceleration effect of asset price bubbles and the impact of shadow banking on social financing. The Third Chapter analyzes in depth the role of shadow banking in creating liquidity illusions to aggravate the phenomenon of short-term financing and long-term investment, and consequently affects market liquidity. The Final Chapter indicates that standardizing investment and financing channels is the main solution to financial structural issues under monetization, specifically by steadily replacing shadow banking financing instruments with standardized debt financing instruments and innovations of credit derivatives.

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

Latest NAFMII Data as of August 30, 2013

- The newly issued non-financial enterprises debt financing instruments through NAFMII in 2013 reached 2.01 trillion yuan (private placement product reached 401 billion yuan), accounting for 82.6% of the total volume of corporate bonds issued this year; the accumulated issuance volume of the instruments reached 10.3 trillion yuan, accounting for 73% of the accumulated volume of corporate bonds; the outstanding volume of the debt financing instruments amounted to 5.2 trillion yuan, accounting for 60.7% of the total corporate bonds outstanding.
- 4,011 market participants had joined NAFMII membership, including 191 banking institutions like policy banks, commercial banks and credit unions; 190 non-bank financial institutions like securities, insurance and finance companies; 7 financial intermediaries; 699 intermediaries like rating agencies, accounting firms and law firms; 2913 enterprises; 1 institutions of other areas; and 10 individual members.
- A total of 648 institutions (including 503 non-financial institutions and 1 investment entity with non-legal person status) completed the filing procedures for the signing of 2,315 copies of the Master Agreement on Trading Financial Derivatives in China's Interbank Market (NAFMII Master Agreement); 159 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 103 institutions registered for Interest Rate Swap (IRS) qualification; and there were 45 Credit Risk Mitigation (CRM) traders, 26 core traders and 30 CRMW creation institutions.

Regulatory Developments

PBC Signed Bilateral Local Currency Swap Agreement with Magyar Nemzeti Bank

On September 9, 2013, approved by the State Council, the People's Bank of China signed a bilateral local currency swap agreement with the Magyar Nemzeti Bank (Hungarian National Bank) to strengthen bilateral financial cooperation, promote trade and investment and safeguard regional financial stability. The size of the swap facility is 10 billion yuan / 375 billion Hungarian forint. The agreement is valid for three years and can be extended by mutual consent.

[PBC News](#)

CSRC Announced Official Listing of Treasury Bond Futures

On September 6th, the China Securities Regulatory Commission (CSRC) announced that the China Financial Futures Exchange (CFFE) is authorized to launch Treasury Bond Futures. Margins for T-bond Futures range from 3% to 5% for the time being, and the futures company may increase 1% or above of the margins. In terms of commission charge, the tentative charge for a 5-year contract is 3 yuan per hand, and 5 per hand for a standard delivery. Quotation of the price is net quotation in the unit of 100 yuan, and deliverable maturities in the first batch of contracts will measure up to 26 types. The approved futures will serve as a tool for managing the price fluctuations of treasury bonds and diversify risk-management tools. Meanwhile, the launch will deepen the reform of the financial market and boost innovation in the capital market. The launch will also provide hedging tools for foreign investors and promote the process of RMB internationalization.

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

CIRC publishes the *Measures for the Assessment of Risk-based Supervision over Cases of Insurance Regulatory Bureaus*

Recently, CIRC publishes the *Measures for the Assessment of Risk-based Supervision over Cases of Insurance Regulatory Bureaus* (the "Measures"), effective as of January 1, 2014. The Measures adopt whole-process quantitative examination and assessment on the work of risk-based supervision over cases of all insurance regulatory bureaus and further improve the institutional system for risk-based supervision over insurance cases from four links, namely, basic management, risk prevention and warning education of cases, case reporting and risk treatment, urge on accountability and rectification. According to the Measures, the CIRC will organize and implement an assessment on the performance of supervision over risk-based cases of all the insurance regulatory bureaus every year. Specific assessment process includes three steps, i.e., self-assessment by the insurance regulatory bureaus, evaluation and re-evaluation by the CIRC, collective deliberation and individual feedback.

[CIRC News](#) (Currently Only Available in Chinese)

CBRC released the *Opinions on Further Improving the Financial Services for Small and Micro Enterprises*

CBRC released the *Opinions on Further Improving the Financial Services for Small and Micro Enterprises* (the Opinions). The main content of the Opinions includes : (i) encouraging large banks, small- and medium-sized banks and other banking institutions to find their unique strength in providing enhanced service to small and micro enterprises ; (ii) defining guiding ideology and determine the working objectives ; (iii) clarifying regulatory orientation and strengthen positive incentives ; (iv) encouraging banks to enhance cooperation and coordination with relevant government agencies in a bid to gaining greater support in financial subsidies, tax incentives as well as the establishment of risk compensation mechanisms and writing-off of non-performing loans.

[CBRC News](#)

Macro & Financial Market News

PBC issues All-system Financing Scale and Financial Statistics, August 2013

On September 10th, the People's Bank of China (PBC) issues the Financial Statistics in August 2013. According to preliminary statistics, All-system Financing Scale stood at RMB 125.4 trillion, increased by RMB 24.6 trillion year on year. By the end of August, All-system Financing Scale reached RMB 15.7 trillion, increased by RMB 7.504 trillion year on year. By the end of August, broad money (M2) and narrow money (M1) rose by 14.7 percent and 9.9 percent respectively. In August, RMB loans increased by 711.3 billion yuan, while foreign currency loans decreased by US\$5.8 billion. RMB deposits and foreign currency deposits rose by 805.2 billion yuan and US\$10 billion respectively in August. The monthly weighted average interbank lending rate for August stood at 3.44 percent and the monthly weighted average interest rate on bond pledged repo posted 3.45 percent. Finally, RMB cross-border trade settlement and RMB settlement of direct investment reached 352.1 billion and 49 billion yuan respectively in August.

[PBC News](#)

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