

Macro& Financial

Market News

NAFMII Issues Guidelines on the Information Disclosure of Small-and-Micro-Business Loans Asset-Backed Securities (2018)

With the management model that the issuers can apply for registration quota of several issuances at one time, small-and-micro-business loans ABS have vigorously promoted the development of the small-and- micro-business assets securitization market since it was introduced. Based on the previous market practice, NAFMII has made targeted amendments to the Guidelines.

First, it specifies that small-and-micro-business loans include “small-business loans, micro-business loans, individual business operating loans, as well as small-and-micro-business operating loans”. This aims to further detail the concept of small-and-micro-business loans, and enhance the precision of policy implementation.

Second, to implement the policy of supporting small-and-micro-businesses with a credit line of no more than RMB5 million for a single business, it changes “the contract amount of each loan in the asset pool shall be no more than RMB1 million” into “the credit line of the borrower for a single business shall be no more than RMB5 million”, so as to truly strengthen the financial support for small-and- micro-businesses.

Third, it further strengthens disclosure requirements from the perspective of risk prevention, adding such disclosure items as the intended use of the loans, actual controllers of small-and-micro-businesses and the cumulative default rate of personal operating loans, to facilitate investors to get better insights into the quality and risk of the underlying assets, and improve the transparency of the products.

Fourth, based on the characteristics of different types of assets like small- and micro-businesses and personal operating loans, it sets forth differentiated disclosure requirements on such key indicators as the general information of the underlying assets, the distribution of the underlying assets and the distribution of debtors, so that it better adapts to the mixed packaging, registration and issuance of small-and-micro-business loans and personal operating loans.

[\(PBC News\)](#) (Currently Available in Chinese)

Tri-party Repo is introduced into the Interbank Bond Market

To promote the stable and healthy development of the interbank bond market,

strengthen risk management of the currency market, and help win the tough battle of preventing and mitigating major risks, People's Bank of China (PBoC) recently announced the official launch of tri-party repo in the interbank bond market.

Tri-party repo is a common repo service model in the international developed markets. Trading parties just need to discuss about the amount, interest rate and term of the funds, while a third party is responsible for the management of collateral selection and valuation under the agreement.

In the recent years, the participants of repo transactions in China's interbank bond market are increasingly diversified. They are more conscious about risk and cost efficiency, and have urgent demand for refined management of repo collaterals. Meanwhile, risk prevention and control in the repo market also need strengthening. The launch of tri-party repo in the interbank bond market facilitates market players to conduct repo transactions, reduces risks like settlement failure, and ensures the effective coverage of risk exposure in the duration of repo transactions, thus enhancing the capacity of risk prevention and control. At present, bond registration, custody and settlement agencies in the interbank market are eligible to provide tri-party repo service for third parties, and certain qualified large banks are expected to join in the future.

[\(PBC News\)](#) (Currently Available in Chinese)

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