

Regulatory

Development

People's Bank of China solicits public opinion on the *Guiding Opinions on Standardizing the Asset Management Business of Financial Institutions (Exposure Draft)*

People's Bank of China (PBC), together with China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC) and State Administration of Foreign Exchange (SAFE), has drafted the *Guiding Opinions on Standardizing the Asset Management Business of Financial Institutions (Exposure Draft)*, which is now open to the public for opinions.

The *Guiding Opinions*, with 29 articles, offers unified regulatory standards in accordance with types of products and implements fair market access and supervision. Its main content includes: (1) Establish classification standards for asset management products. Asset management products are divided into public offering products and private replacement products by fundraising types, and they are divided into four categories: fixed income products, equity products, commodities and financial derivative products and mixed products by nature of investment, which are respectively applicable to different regulatory requirements, such as investment range, leverage constraint and information disclosure.

(2) Reduce shadow banking risks. Guide asset management business to return to its original intention. For asset management products to invest in non-standardized debt assets, it should comply with the regulatory standards of financial regulators for quota control, risk reserve requirements and liquidity management, so as to avoid becoming a disguised form of credit service.

(3) Reduce liquidity risks. Financial institutions should strengthen liquidity management and follow the management requirements for separate management, separate accounts and separate accounting, and enhance the term matching for assets management products and investment assets.

(4) Break the bailout system. Asset management business is to provide financial service for clients under entrustment. Financial institutions shall not promise guaranteed profits when they provide asset management services, and financial regulators will take appropriate punitive measures against bailout.

(5) Control the level of asset management leverage. It requires to unify the leverage

requirements on asset management products in debt and grading, meaning the higher investment risks, the more stringent leverage requirements. Define different debt regulations on the debt ratio (total assets/net assets) of public offering and private replacement products, specifying the types of products that can be graded to unify the ratio of each grade.

(6) Control multi-layer investment and channel businesses. Financial regulators shall make fair access to the asset management services of various financial institutions, and financial institutions shall earnestly and actively perform their management responsibilities, and shall not provide channel services for the asset management products of other financial institutions to evade regulatory requirements for investment scope and leverage constraints.

(7) Reinforce supervision and coordination. Enhance macro-prudential management of asset management services, and implement functional monitoring of similar assets under the same standard. Intensify supervision on the behavior of financial institutions and establish a comprehensive statistical system covering all asset management products.

(8) Set reasonable transition period. Fully consider the duration and market size of outstanding asset management business, and at the same time, also consider the reasonable issuance transition period for the incremental asset management businesses. Implement the "smooth transition between the new and old plan" instead of a sweeping approach. The transition period will start from the issuance of the *Guiding Opinions* until June 30, 2019.

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

CSRC released the revised *Measures for the Administration of Stock Exchanges*

Recently, China Securities Regulatory Commission (CSRC) released the revised *Measures for the Administration of Stock Exchanges (Measures)*, effective as of January 1, 2018. The revised *Measures*, which consists of 9 chapters with 90 articles, sees amendments and optimization mainly in two aspects: improving the internal governance structure of stock exchanges and driving stock exchanges to further perform their frontline regulatory duties, and giving full play to their self-regulatory functions. The major contents of the amendments include: improve the internal governance structure of stock exchanges, establish a board of supervisors and further clarify the roles and responsibilities of the General Meeting of Members, the Board of Directors, the Board of Supervisors and the General Manager; highlight the self-regulatory nature of stock exchanges and clarify the self-regulatory measures of stock exchanges for abnormal trading behavior and illegal reduction of holding shares; strengthen the responsibilities of stock exchanges to perform frontline supervision over their members and establish sound trading regulation system centered on the supervisory members to further clarify the rights and obligations of the members; enhance the responsibilities of stock exchanges to perform frontline supervision over listed companies, requiring stock exchange to perform self-regulatory management over listed companies for information disclosure, suspension and resumption of trading and other issues; further optimize the measures by stock exchanges in implementing frontline regulatory responsibilities and preventing market risks, including real-time monitoring, restricted transactions, on-site inspection, charging of penalty for breach of contract, etc.

[CSRC News](#)(Currently Available in Chinese)

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