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Hungary issued RMB bond

On July 26, 2017, Hungary successfully issued RMB1 billion three-year RMB bond in China's interbank bond market, which was the first foreign sovereign RMB bond issued via book building under the Bond Connect program.

Hungary is the first European country that signed cooperation document with China to jointly build the Belt and Road, thus playing a leading and pioneering role in that area. The issuance of Hungary's RMB sovereign bond will further strengthen financial cooperation between the two countries, deepen bilateral relations, and facilitate the implementation of the Belt and Road Initiative. It also has positive significance to further opening up the China's bond market.

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Debt financing instruments of non-financial enterprises issued directly for overseas investors for the first time under the Bond Connect program

On July 3, 2017, five debt financing instruments of non-financial enterprises were issued synchronously for domestic and overseas investors for the first time on a trial basis through the Bond Connect program. All these instruments had been issued with book building by noon of July 6.

On May 16, 2017, People's Bank of China (PBoC) and Hong Kong Monetary Authority (HKMA) released a joint announcement on cooperation for mutual bond market access (Bond Connect) between Hong Kong and the mainland. After that, NAFMII, under PBoC's arrangements and deployments, facilitated its market members to recommend investors, adjust information disclosure system and formulate standard agreement, and conducted system commissioning and drills with infrastructures operation institutions. These efforts have laid a solid foundation for successful launch of the pilot program for issuance of debt financing instruments through Bond Connect. On the first day of trial operation (July 3), five enterprises, Huaneng, Three Gorges, China Unicom, Chalco and State Power Investment Corporation (SPIC), issued bonds to domestic and overseas investors as "first-day pilot issuers". All bonds issued that day had completed book building by July 6, with a total sum of RMB7 billion. Overseas investors actively subscribed for the bonds with over 200% oversubscription rate throughout the market. More than ten overseas investors from Germany, South Korea,

Hong Kong, Macau and other countries and regions, including Deutsche Bank, HSBC and Bank of East Asia, invested RMB1.27 billion in the bonds, accounting for 18.2% of the total. The types of overseas investors are diversified, covering central banks, commercial banks, securities companies, insurance companies, asset management institutions, and non-corporate products, fully demonstrating their strong interests in corporate credit bonds in China.

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Regulatory Developments

CIRC issues *Interim Measures for Regulating Credit and Guarantee Insurance Business*

The Measures specifies that insurance companies should adhere to the principle of "compliance with laws and regulations, small and scattered sums, solid and prudent operation, and controllable risks" when carrying out credit and guarantee insurance business, so as to guarantee stable operation. In view of the prominent problems in credit and guarantee insurance business in the early period, the Measures stipulates the scope and market behaviors of this business in the form of "negative list". (1) Insurance companies are prohibited from providing credit and guarantee insurance products and services for partial financing. (2) They are prohibited from insuring credit and guarantee insurance business that violates insurance principles and exceeds the state-provided loan interest rate limit. They are also prohibited from conducting credit and guarantee insurance business by splitting the term or sum of insurance policy or by signing special or additional policy agreement. (3) They are prohibited from working with online lending platforms that don't comply with the Internet finance regulations, or providing credit and guarantee insurance services for such platforms by insuring the object at excessive value.

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