

Macro & Financial

Market News

RMB Exchange Rate Indices Depreciated Moderately in June 2016

On June 30th, 2016, the CFETS RMB exchange rate index closed at 95.02, losing 2.19 percent from the end of May; the RMB exchange rate indices referenced to the BIS basket and the SDR basket closed at 96.09 and 95.76 respectively, losing 2.39% and losing 0.47% from the end of May. In the context of post-Brexit global FX market turbulence, although all three RMB indices went through different extent of depreciation, RMB fluctuated in a much narrower band than other currencies, and remained generally stable against the currency basket. The market expectation has also been rather stable.

There are several reasons for RMB's depreciation against the currency basket in June. Traditionally, June is distribution period for most listed companies. Corporations and banks have obtained additional dollar funds for distributing dividends to overseas shareholders. Meanwhile, high demand of overseas acquisition domestic corporations helped bring in the rising foreign exchange demands temporarily. Especially, the Brexit referendum on June 24 induced a shockwave to the global FX market, resulting in a higher risk aversion mood. Therefore, changes in market supply and demand plus the sharp rise of global risk aversion derived the RMB/USD to close in the depreciation direction from the RMB/USD central parity. The RMB exchange rate indices depreciated slightly as a result.

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

**Regulatory
Developments**

CSRC: Eligible Foreign Institutions Allowed to Engage in PE in China

Achievements from the Eighth Round of U.S.-China Strategic and Economic Dialogues were released, according to which eligible foreign enterprises and China-foreign JVs can apply to register as private securities fund management institutions and carry out private securities fund management business including securities trading in secondary market. Asset Management Association of China (AMAC) is responsible for the registration of foreign-funded PE institutions.

Allowing eligible foreign private securities fund management institutions, either solely-funded or JV, to engage in private securities fund management business in China can attract more excellent foreign fund management firms to domestic market, diversify institutional investors in the capital market, and create a benign

industrial competition environment, said CSRC spokesperson. It is good for broadening and deepening the opening up of Chinese capital market, making Chinese private fund industry more competitive and influential in the world, drawing on advanced asset management models, investment concepts, strategies and practices of compliance and risk control from foreign countries, and enhancing the standardization of Chinese PE industry and investment management level. Pursuant to Provisional Methods for Supervision and Management of Private Investment Fund and relevant laws and regulations, CSRC will intensify in-process and post-supervision of foreign private securities fund management firms, strengthen statistical analysis of registration, step up guidance, supervision and field inspection, and continuously carry out risk monitoring and evaluation to ensure the healthy and standard development of foreign private securities fund management institutions.

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

Statistics

CSRC Releases 2015 Report on Good Faith Situation in Securities & Futures Market

In 2015, illegal and bad-faith actions increased by a considerable 41% YOY from 2014, and new violations and faith breaches appeared in the capital market, including disseminating false information, reducing holdings against commitment, participating in clients' distribution financing, and obstructing regulatory investigation. Such actions also included those committed by PE managers in registration, investor suitability management, fund raising and investment operation, as well as those committed by SME private placement bond issuers.

523 institutions had records of violation and faith breach in 2015, 277 of which are responsible parties of listed companies, 63 institutional investors, 44 securities companies, 38 fund management firms, 31 PE managers and 70 other institutions.

1308 individuals had records of violation and faith breach in 2015, including 732 people from\ listed companies, 290 individual investors, 103 employees of accounting firms, 35 employees of securities companies, 35 employees of asset valuation institutions, and 113 others.

2417 actions that broke the law or breached faith were recorded in 2015, including 1216 cases about information disclosure, 549 cases about market transaction, 366 cases about internal control and management, 239 cases about business operation, and 47 other cases.

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

CSRC Improves Efficiency and Efforts of Administrative Penalty in 2016H1

In the first half of 2016, CSRC imposed penalty on 88 cases and issued 109 letters of administrative penalty, up 84.75% from the same period of last year. 2.554 billion RMB was fined, 4 letters of market prohibition were issued, and 7 people were barred from market, including 2 barred forever. The efficiency and effort of CSRC's administrative penalty continued to improve, which fully protected investors' legitimate rights and interests and strongly guaranteed the healthy development of capital market.

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

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