Regulatory

Developments

CIRC sets up offshore reinsurer margin system

The CIRC recently printed and distributed the *Notice on Matters Concerning the Provision of Guarantee Measures by Offshore Reinsurers (the Notice)*, which came into force on the day of release.

The Notice stipulates that domestic insurance companies can ask offshore reinsurers to provide guarantee measures against their reinsurance credit risk exposure such as reinsurance accounts receivable and subcontracting reserve receivable. The Notice recognizes deposits, standby letter of credit and other guarantee measures recognized by the CIRC.

The Notice provides that the deposits that are used as guarantee measures should be deposited in the cedants' domestic commercial bank account and that the standby letter of credit should be irrevocable, clean, unconditional and not limited by any condition other than the SLC, and its claims and payments should be conducted within China.

The Notice also sets out that when domestic insurance companies are assessing solvency and calculating the minimal capital of their counterparty's default risk with risk factors that involve guarantee measures, the counterparty's default risk exposure should be based on the total amount guaranteed that is provided by the offshore reinsurer for the reinsurance contract and consists with the guarantee measures required by *the Notice.*
CIRC News (Currently Only Available in Chinese)

Financial market situation in February.

Statistics

In February 2017, altogether RMB2.7 trillion bonds of various types were issued in the bond market, including RMB170 billion treasury bond, RMB278.6 billion financial bonds, RMB203.78 billion corporate credit bonds, RMB19.17 billion credit-assets-backed securities, and RMB1.9 trillion NCD. RMB2.6 trillion bonds of various types were issued in the interbank bond market.

The monetary market registered a transaction volume of RMB44.3 trillion, up 13.4% year-on-year and 4.4% month-on-month. Among that, collateral repo stood at

RMB35.8 trillion, up 11.3% year-on-year and 2.3% month-on-month, buyout-type repo stood at RMB1.5 trillion, down 24.3% year-on-year and up 12.5% month-on-month, and interbank lending stood at RMB7 trillion, up 42.7% year-on-year and 14.5% month-on-month.

In February, the interbank bond market registered a spot trading volume of RMB6.4 trillion, averaging RMB336.1 billion per day and up 0.1% year-on-year and 18.6% month-on-month. The exchange bond market saw a spot trading volume of RMB365.76 billion, averaging RMB20.32 billion per day and up 46.7% year-on-year and 1.2% month-on-month. At the end of February, the interbank bond index stood at 173.79 points, up by 0.02 points or 0.01% from the end of last month.

At the end of February, Shanghai Composite Index closed at 3241.73 points, up 82.56 points or 2.61% from the end of last month; Shenzhen Component Index closed at 10391.34 points, up 339.29 points or 3.38% from the end of last month. In February, the daily average trading volume at Shanghai Stock Exchange was RMB211.96 billion and that at Shenzhen Stock Exchange was RMB238.17 billion, up 22.9% and 16.1% month-on-month respectively.

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