NAFMII Related

Announcement on market evaluation of prospective underwriter members (banks)

According to the *Regulations on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market* (PBoC Order [2008] No.1) and *Rules on Market Evaluation of NAFMII Members Participating in the Underwriting of Debt Financing Instruments of Non-Financial Enterprises*, and based on the results of market evaluation, NAFMII is issuing the following announcement regarding the addition of underwriters after getting approval from and registering with PBoC.

I. Citibank (China) Co., Ltd. can conduct debt financing instruments of non-financial enterprises underwriting business.

II. NAFMII members underwriting debt financing instruments of non-financial enterprises should set up an underwriting department staffed with professional underwriting personnel, put in place and continuously optimize operating procedures, risk management systems and internal control systems for underwriting business, and carry out this business in a standard way, in accordance with *the Regulations on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market, Rules for Intermediary Services for Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market* and other self-regulatory rules.

III. Should the underwriter be subject to criminal penalty or major administrative penalty due to actions against the laws and rules, NAFMII will suspend or revoke its underwriting qualifications according to the Rules on Market Evaluation of NAFMII Members Participating in the Underwriting of Debt Financing Instruments of Non-Financial Enterprises and other self-regulatory rules.

NAFMII News(Currently Only Available in Chinese)

Regulatory Developments

PBoC Announcement [2017] No.7

To promote the opening up of the interbank bond market to the outside world and healthy development of the credit rating industry, the People's Bank of China (PBoC), according to the Law of the People's Republic of China on the People's Bank of China, is making the following announcement on matters concerning the implementation of credit rating business by credit rating agencies in the interbank bond market.

For legal entities engaging in credit rating established overseas according to law (hereinafter referred to as overseas rating agencies) should also conform to the following conditions in addition to meeting the requirements on domestic rating agencies if they want to provide credit rating service in the interbank bond market:

(1) They are registered or certified by the credit rating regulator in the host country or region and are subject to the effective supervision of such regulator;

(2) The credit rating regulatory system in the host country or region complies with internationally recognized principles on credit rating regulation;

(3) They undertake to accepting regulation and supervision of PBoC concerning their credit rating business in the interbank bond market, or the credit rating regulator in the host country or region has signed with PBoC a cooperation agreement on credit rating regulation;

(4) They have a branch set up in China and such branch has been registered at the PBoC central branch or a PBoC branch of a higher level in the capital city of the host province or region.

Management Measures for Administration of Suitability of Securities and Futures Investors Officially Put into Effect
PBoC News(Currently Only Available in Chinese)

Hong Kong's RQFII quota enlarged to RMB500 billion

With the approval of the State Council, Hong Kong's RQFII quota has been enlarged to RMB500 billion.
Enlarging Hong Kong's RQFII quota will better meet Hong Kong investors' demand for RMB assets, push the opening up of the domestic financial market to the outside world, and enhancing economic and financial connections between the mainland and Hong Kong.
PBoC News(Currently Only Available in Chinese)

Macro & Financial Market News

PBoC issues China Financial Stability Report 2017

According to the report, China adhered to the general principle of pursuing progress while maintaining stability in 2016. The national economy operated at a reduced yet steady pace with positive signs, the financial system reform was deepened, financial market was stable, financial institutions operated soundly in general, financial infrastructure construction made new progress, and the macro prudential policy framework was continuously improved, achieving a good start of the 13th five-year period.
The report states that the Chinese financial industry operated soundly in general in 2016. With the continuing growth in scale of assets and liabilities, the banking industry offered stronger support to economic transformation and upgrading, and provided better financial services in weak areas fields; developmental financial institutions, policy banks and large commercial banks continued to promote their reform, the downward pressure of banking industry's falling asset quality was mitigated, and its credit risk was generally under control. The securities and futures market developed steadily and was under ever much tighter regulation, and basic institutions

fundamental mechanisms were further perfected. The insurance industry developed at a fast pace with growing assets and fast-rising premium, its reform was deepened, and the capability of serving the society was enhanced. The financial market also operated steadily with an expanding market and more diversified market players, market system development proceeded solidly, and the opening up made substantial progress. As a whole, in the course of comprehensively promoting the supply-side structural reform, the key tasks of which included "de-overcapacity, de-inventory, de-leveraging, cost reduction and weakness fortification", the fundamentals of Chinese economy maintained a sound developing status featuring medium-and-high-speed economic growth, low inflation and basically balanced international payment. The financial industry obtained a strong anti-risk capability while continuously boosting its reform and opening up, and its backbone in particular -the commercial banks - had high capital adequacy ratio and allowance-to-NPL ratio. Financial regulators had plenty of instruments and approaches, and they had the confidence, capability and methods to prevent the systemic financial risks.

PBoC News(Currently Only Available in Chinese)