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NAFMII holds seminar on standard agreement for interbank market

On July 6, 2017, NAFMII held in Beijing a seminar on the standard agreement for interbank market. The China representatives from the central banks and relevant personnel from their embassies in China of eight countries - Australia, France, Japan, Malaysia, South Korea, Russia, Singapore and Thailand, and representatives from the New Development Bank participated in the seminar.

Law experts from Global Law Office and Ashurst explained the structure, main provisions, key mechanisms and characteristics of the *Master Agreement on Transaction of Financial Derivatives in China's Interbank Market (2009)* and the *Master Agreement on Bond Repo Transaction in China's Interbank Market (2013)*, and analyzed them in comparison to similar master agreements in the international market. Representatives from four settlement agencies introduced their procedures of signing the master agreement with overseas counterparties. The seminar gave foreign central banks a better understanding of the standard agreement for China's interbank market and helped them to further participate in this market.

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Macro & Financial

The 2017 G20 Green Finance Synthesis Report Released

Market News

The Report stresses that, one of the key challenges to the further development of green finance is the lack of application of environmental risk analysis (ERA) by financial institutions. Many financial institutions are not fully aware of environmental factors that may lead to financial risks, and many of these institutions have limited capacity in identifying, quantifying and applying ERA tools to assess the financial impact of environmental risks. A number of case studies suggest if financial firms do not effectively take material environmental factors into account, they may over estimate the value and investment opportunities in polluting and carbon-intensive industries, under estimate the investment potential in the green industry, and may therefore be reluctant to develop green finance. According to the Report, options for encouraging voluntary adoption of ERA include: raise awareness of the importance of ERA for financial institutions; encourage better quality and more effective use of environmental data; encourage public institutions to assess environmental risks and

their financial implications; review and, if appropriate, clarify financial institutions responsibilities to consider environmental factors; and enhance capacity building on financial sector ERA.

The Report also highlights that publicly available environmental data (PAED) are important sources of information for ERA and broader financial analysis. PAED, as used in the Report, refers to environmental data that are provided and reported by public institutions (e.g., governments and research institutions) and can be useful for financial analysis. Such information can help financial and non-financial firms to assess the probabilities and impacts of environmental risks as well as green investment opportunities. The Report reviews nine examples of PEAD. However, due to various reasons, many financial institutions are constrained in the effective use of PAED. According to the Report, options for improving the availability and usefulness of PAED include: promote the sharing of publicly available methodologies for ERA and for quantification of environmental costs and benefits; improve the quality and user friendliness of PAED; support the further development of the Catalogue of PAED prepared by UN Environment and the OECD; and promote domestic sharing of PAED by country authorities with a focus on its use for financial analysis.

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Financial market operation status in June

Statistics

In June 2017, altogether RMB3.7 trillion bonds of various types were issued in the bond market, including RMB356.6 billion treasury bonds, RMB266 billion financial bonds, RMB410.8 billion corporate credit bonds, RMB26.1 billion credit-assets-backed securities, and RMB2 trillion NCD. RMB3.5 trillion various types of bonds were issued in the interbank bond market.

The money market registered a transaction volume of RMB63.8 trillion, down 1.9% year-on-year and up 17.2% month-on-month. Among that, pledged repo stood at RMB54.9 trillion, up 4.4% year-on-year and 17.4% month-on-month, buyout repo stood at RMB2.5 trillion, up 0.9% year-on-year and 17.9% month-on-month, and interbank lending stood at RMB6.4 trillion, down 35.6% year-on-year and up 15.8% month-on-month. The interbank bond market registered a bond transaction volume of RMB9.2 trillion, averaging RMB417.33 billion per day and down 19% year-on-year and up 14.7% month-on-month.

The exchange bond market saw a cash bond transaction volume of RMB528.33 billion, averaging RMB24.02 billion per day and up 27.3% year-on-year and 0.3% month-on-month. At the end of June, Shanghai Composite Index closed at 3,192.43 points, up 75.25 points or 2.41% from the end of last month; Shenzhen Component Index closed at 10529.61 points, up 664.76 points or 6.74% from the end of last month.

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