II

Legal and Regulatory Framework

A. Legal Tradition

The legal structure of the PRC follows the socialist legal system with Chinese characteristics guided by the Constitution of the People's Republic of China. The current version of the constitution was adopted in 1982, with further revisions in 1988, 1993, 1999, and 2004. The constitution was last amended on 11 March 2018. The legal framework is expressed through the Civil Law, commercial laws, and other laws.

B. English Translation

Laws and regulations in the PRC are generally published in Chinese, the official national language. Official publications use the simplified Chinese character set. Simplified Chinese characters, known as *ji ǎ nhuàzì* (简化字), are standardized Chinese characters prescribed in the Table of General Standard Chinese Characters for use in the PRC. Along with traditional Chinese characters, they are one of the two standard character sets of the contemporary Chinese written language. The Government of the PRC has promoted them for use in printing since the 1950s to encourage literacy. They are officially used in the PRC and Singapore.

In addition, the State Council, relevant ministries, stock exchanges, SROs, and market institutions provide official English translations of the related laws, regulations, and directives for which they are responsible. For example, the SSE and SZSE carry on their websites a selection of their respective listing and trading rules, as well as QFII regulations, in English.

Some market institutions provide unofficial English translations on the related laws, regulations, and directives under their own purview. These English translations are typically available from these institutions' websites, market observers, or the law departments of universities.[6]

Laws and regulations on securities and derivatives—including state laws, administrative laws, judicial interpretations, State Council department rules, and the rules of SROs—are available from the CSRC website, if only in Chinese.[7] CSRC has an English website and, hence, some English translations of laws and regulations may be available from this site. Otherwise, English translations of laws and regulations may be available from other official or private institutions.

While there may be no specific mention on these websites, only the versions of laws, regulations, and other regulatory instruments issued in Chinese are relied upon for matters before the courts. At the same time, translations of laws, regulations, and rules

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[6] For example, Peking University Center for Legal Information (北大英华科技有限公司). http://en.pkulaw.cn/.

[7] CSRC. Laws and Regulations. http://www.csrc.gov.cn/pub/csrc_en/laws/rfdm/.

may result in the use of different terminology in English from what was intended in the original Chinese version. This has been observed particularly when it comes to the description of rules and regulations. As a result, this bond market guide also includes the title of institutions and major laws and regulations in Chinese characters to aid the reader in ensuring that the correct description of the institutions, laws, or regulations in question is provided.

Please also refer to Chapter III.H for additional information on this topic in the context of debt securities issuance documentation and see Appendix 5 for a list of Chinese technical terms and their interpretations in English.

C. Legislative Structure

The legal framework of the PRC bond market consists of laws, administrative regulations, department rules, business rules, and business agreements (Table 2.1). This structure applies to all bond market segments, including the exchange bond market.

Table 2.1: The People's Republic of China's Bond Market Legislative Structure

Legislative Structure	
First tier	Constitution
Second tier	Laws (prepared by the NPC or the NPC Standing Committee, with supreme legal force)
Third tier	Administrative regulations (issued by the State Council); local rules, local opinions (promulgated by local governments)
Fourth tier	Departmental rules (prepared by departments of the State Council, inclusive of bond market supervisory organization[s])
Fifth tier	Self-regulatory rules, industry provisions, business rules (issued by the SAC, the exchanges, and bond market infrastructure institutions such as CSDC)
Sixth tier	Business agreements (service agreements signed by and between the bond market infrastructure institutions and customers)

CSDC = China Securities Depository and Clearing Co., Ltd.; NPC = National People's Congress; SAC = Securities Association of China.
Source: ABMF SF1, based on China Depository & Clearing Co., Ltd. 2016. *China Bond Market Overview 2015*. Beijing.

Key legislation is the summary term for those laws aimed at a particular market such as the securities market or capital market. These laws establish and govern securities markets or market segments, including the bond market, its institutions, members, and participants. Laws are prepared by the National People's Congress (NPC) or the NPC Standing Committee; the laws on the bond market regulate and ensure the effective operation of the market.

Administrative regulations are issued by the State Council and contain market management rules. Administrative rules also include local rules promulgated by local governments, as may be applicable, and cover administrative measures on products, market participants, and other market features.

Departmental rules are categorized as administrative rules and promulgated by the ministries and commissions under the State Council, PBOC, Auditing Office, and other departments with administrative responsibilities directly under the State Council, including the bond market regulator(s).

Self-regulatory rules are set by SROs, such as the SAC, SSE, and SZSE. Industry provisions and business rules are issued by bond market infrastructure or market institutions, such as CSDC.

Business agreements are the service agreements signed by and between the bond market infrastructure institutions and their customers or account holders.

In practice, market laws and regulations are the general term used when referring to laws, administrative regulations, and department rules. Table 2.2 provides significant examples in each of the respective legislative tiers.

Table 2.2: Examples of Securities Market Legislation by Legislative Tier

Legislative Tier	Content or Significant Examples
Constitution of the People's Republic of China	Principles, Rights, and Obligations
Laws (key legislation)	• Securities Law of the People's Republic of China, 2014 • Company Law of the People's Republic of China, 2013
Administrative regulations	• Administrative Measures for the Disclosure of Information of Listed Companies (Amended 2010) • Regulation on Treasury Bonds of the People's Republic of China (Revised 2011) • Regulations on the Administration of Enterprise Bonds (Revised 2011) • Interim Regulation on Enterprise Information Disclosure, 2014 • Interim Guidelines for Bidding in Issuance of Enterprise Bonds, 2014 • Interim Guidelines for Book-Building in Issuance of Enterprise Bonds, 2014 • Measures for the Administration of Corporate Bond Offering and Trading, 2015 (公司债券发行与交易管理办法) • Measures for the Administration of Securities Registration and Clearing, Amended 2017
Departmental rules	• China Securities Depository and Clearing Co., Ltd. Implementing Rules for Registration and Settlement of Domestic Securities Investments of Qualified Foreign Institutional Investors, Revised 2002 • Administrative Measures for the Cross-Market Transfer of Government Bonds, 2003 • Regulation of the People's Republic of China on Foreign Exchange Administration, Revised 2008 • Announcement No. 1 of the China Securities Regulatory Commission–Guideline No. 1 for the Supervision of Unlisted Public Companies—Information Disclosure, 2013 • Announcement No. 52 of the China Securities Regulatory Commission—Standards for the Contents and Formats of Information Disclosure by Non-Listed Public Companies No. 3—Private Placement Memorandum and Issuance Report, 2013

	• Announcement of the China Securities Regulatory Commission No. 53—Standards Concerning the Contents and Formats of Information Disclosure by Non-Listed Public Companies No. 4—Application Documents for Private Placement, 2013 • Announcement No. 3 of the China Securities Regulatory Commission—Announcement on Issuing the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 24—Application Documents for the Offering of Corporate Bonds to the Public (Revised 2015) • Measures for the Suitability Management of Securities and Futures Investors, 2016
Self-regulatory rules, industry provisions, and business rules	• Trading Rules of the Shanghai Stock Exchange, 2006 • Shanghai Stock Exchange Business Guidelines for Asset Securitization (effective 26 November 2014) • Notice of the Securities Association of China on Issuing the Professional Code of Conduct for Corporate Bond Custodians (effective 5 June 2015) • Detailed Rules for the Registration, Depository and Settlement of Bonds of China Securities Depository and Clearing Co., Ltd. (中国证券登记结算有限责任公司债券登记、托管与结算业务细则) (effective 15 June 2015) • Trading Rules of the Shenzhen Stock Exchange (second revision effective 30 September 2016) • Notice of the Shanghai Stock Exchange on Issuing the Guidelines of the Shanghai Stock Exchange on the Business of the Issuance of Corporate Bonds in Manner of Book-Building (effective 30 September 2016) • Measures for the Suitability Management of Investors in the Bond Market of the Shanghai Stock Exchange (effective 1 July 2017) (上海证券交易所债券市场投资者适当性管理办法) • Measures for the Suitability Management of Investors in the Bond Market of Shenzhen Stock Exchange (effective 1 July 2017) (深圳证券交易所债券市场投资者适当性管理办法) • Guidelines of the Shanghai Branch of the China Securities Depository and Clearing Co., Ltd. for the Registration and Clearing of Non-Publicly Placed Corporate Bonds (effective 3 July 2017) • Business Guidelines for the Registration and Settlement of Non-Publicly (Privately) Placed Corporate Bonds of China Securities Depository and Clearing Co., Ltd. Shanghai Branch (effective 3 July 2017) (中国结算上海分公司非公开发行公司债券登记结算业务指南) • Business Guide for Bond Registration and Settlement of China Securities Depository and Clearing Co., Ltd. Shanghai Branch (中国结算上海分公司债券登记结算业务指南) (effective 8 September 2017) • Notice on Amending the Shanghai Stock Exchange Corporate Bond Listing Rules (上海证券交易所公司债券上市规则) (effective 7 December 2018) • Notice on Amending the Shenzhen Stock Exchange Rules of Listing of Corporate Bonds (深圳证券交易所公司债券上市规则) (effective 7 December 2018) • Notice on Issuing the Shanghai Stock Exchange Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules (上海证券交易所非公开发行公司债券挂牌转让规则) (effective 7 December 2018) • Notice on Issuing the Shenzhen Stock Exchange Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules (深圳证券交易所非公开发行公司债券挂牌转让规则) (effective 7 December 2018)

Notes: Information in this table derives from www.lawinfochina.com, a site for English language resources on Chinese law created and maintained by Chinalawinfo Co., Ltd., a legal information and education company established by Peking University through its Center for Legal Information.
Source: ABMF SF1 compilation based on Chinalawinfo Co., Ltd.

D. Exchange Bond Market Regulatory Structure

Table 2.3: Supervisory Institutions and Instruments under Their Remit

Institution	Subjects
CSRC	Exchange bond market overall; NEEQ (new Third Board); Securities company short-term notes, corporate bonds, convertible bonds, detachable convertible bonds, enterprise asset-backed securities, Panda bonds (issued in the exchange bond market)
NDRC	Issuances of enterprise bonds and railway bonds
PBOC	Policy financial bonds
SAFE	Panda bonds, QFII and RQFII quotas

CSRC = China Securities Regulatory Commission, NDRC = National Development and Reform Commission, NEEQ = National Equities Exchange and Quotations, PBOC = People's Bank of China, QFII = Qualified Foreign Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor, SAFE = State Administration of Foreign Exchange.
Source: ABMF SF1 compilation based on China Depository & Clearing Co., Ltd. 2016. *China Bond Market Overview 2015*. Beijing.

Table 2.4: Bond Types, Issuer Categories, and Related Supervisory Institutions

Bond Type	Issuer Category	Institution
Corporate bonds	Corporates, SMEs	CSRC, exchanges
Enterprise bonds	Enterprises	NDRC, CSRC
Panda bonds	Foreign financial institutions, foreign nonfinancial enterprises	MOF, PBOC, CSRC, SAFE MOF, CSRC, SAFE, exchanges
Policy financial bonds[a]	Policy banks	PBOC
Securities company bonds, short-term notes	Securities companies	CSRC

CSRC = China Securities Regulatory Commission, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, SAFE = State Administration of Foreign Exchange, SME = small and medium-sized enterprise.
[a] Policy financial bonds may be subsumed in the overall category of financial bonds in statistical and other official publications. Financial bonds are defined as bonds issued by regulated financial institutions (policy banks, commercial banks, insurance institutions, and non-bank financial institutions). However, while policy financial bonds are issued both in the China Inter-Bank Bond Market and the exchange bond market, other financial bonds, such as those issued by commercial banks and insurance institutions, are only issued in the China Inter-Bank Bond Market.
Note: Table entries relate to the exchange bond market only. Bond types are presented in alphabetical order.
Source: ABMF SF1 compilation based on Association of Corporate Counsel. 2017. *Capital Markets Global Guide 2016/2017: Debt Capital Markets in China—Regulatory Overview*. Beijing.

The exchange bond market is overseen by CSRC in its role as the regulatory authority for the overall exchange bond market and the stock exchanges, and the SAC as the general exchange market SRO. Trading in the exchange bond market is conducted on both the SSE and SZSE, and the bond markets on both exchanges are under the unified guidance of CSRC. Furthermore, the SSE and SZSE have established similar fundamental rules in their respective markets. Using the unified principles established by CSRC resulted in similar descriptions concerning exchange listing and bond trading at both exchanges.

Table 2.3 gives an overview of the supervisory institutions with relevance for the exchange bond market, while Table 2.4 shows the relation between specific debt instrument types and their issuer categories to each supervisory institution.

1. China Securities Regulatory Commission (中国证券监督管理委员会)

CSRC was established in 1992 to administer the operation of the exchange market and to protect investors’ rights and interests in the exchange market, including in the exchange bond market.

A ministerial-level public institution directly under the State Council, CSRC performs a unified regulatory function according to the relevant laws and regulations. With authority granted by the State Council over the securities and futures markets in the PRC, CSRC maintains an orderly securities and futures market, and ensures the legal operation of the capital market.

Pursuant to the relevant laws and regulations, CSRC performs the following duties in the supervision and administration of the securities market:

i. study and formulate policies and development plans for the securities and futures markets; draft relevant laws and regulations on the securities and futures markets, as well as put forward suggestions for formulation or modification of said laws and regulations; and work out the relevant rules, regulations, and measures for the securities and futures markets;

ii. exercise vertical administration over the domestic securities and futures regulatory institutions, conduct unified supervision over the securities and futures markets, and perform regulatory supervision over the management and managerial officials of the relevant securities companies;

iii. supervise the issuance, listing, trading, custody, and settlement of stocks, convertible bonds, bonds, and short-term notes of securities companies, and the bonds and other securities under the charge of CSRC as assigned by the State Council; supervise securities investment funds; approve the listing of corporate bonds; and supervise the trading of listed Treasury bonds and corporate bonds;

iv. supervise the market behavior of listed companies and their shareholders who shall fulfill the relevant obligations according to the relevant laws and regulations;

v. supervise the listing, trading, and settlement of domestic contract-based futures; and monitor the overseas futures businesses of domestic institutions in accordance with the relevant regulations;

vi. supervise the securities and futures exchanges, as well as their senior managerial personnel, in accordance with the relevant regulations; and supervise the securities and futures associations in the capacity of a competent authority;

vii. supervise the securities and futures business institutions, securities investment fund management companies, securities depository and clearing corporations, futures clearing institutions, securities and futures investment consulting institutions, and securities credit rating institutions; examine and approve the qualifications of fund custodian institutions and supervise their fund custody businesses; formulate and implement measures on the qualifications of senior management for the relevant institutions; and guide the Securities Association of China and the Futures Associations of China in the administration of the qualifications of personnel engaged in the securities and futures business;

viii. supervise the direct or indirect issuance and listing of shares overseas by domestic enterprises and the listing of convertible bonds by the companies listed overseas, supervise the establishment of securities and futures institutions overseas by domestic securities and futures business institutions, and supervise the establishment of securities and futures institutions in the PRC by overseas institutions for securities and futures businesses;

ix. supervise the communication of securities and futures information, and take charge of the management of the statistical and information resources for the securities and futures markets;

x. work with relevant authorities in the examination and approval of the qualifications of accounting firms, asset evaluation institutions, and their personnel for securities and futures intermediary businesses; and supervise the law firms, lawyers, eligible accounting firms, asset appraisal institutions who issue the asset appraisal report (资产评估报告) stipulated for corporate bonds (公开发行公司债券) in Article 6 of the 2015 Measures for the Administration of Corporate Bond Offering and Trading (No. 113) (公司债券发行与交易管理办法), and their personnel in securities and futures business activities;

xi. investigate and penalize activities in violation of the relevant securities and futures laws and regulations;

xii. administer the foreign exchange and international cooperation affairs of the securities and futures sector in the capacity of a competent authority; and

xiii. perform other duties as assigned by the State Council.

For a list of the significant measures issued by CSRC and other rules and regulations with direct relevance for the exchange bond market, please refer to Appendix 3.

2. State Administration of Foreign Exchange (国家外汇管理局)

SAFE is an administrative agency tasked with drafting the rules and regulations governing foreign exchange market activities and managing the state foreign exchange reserves for the PBOC. The major functions of SAFE include the following:

i. study and propose policy suggestions on reform of the foreign exchange administration system, prevention of balance-of-payments risks, and promotion of balance-of-payments equilibrium; study and implement policy measures for the gradual advancement of the convertibility of the Chinese renminbi under the capital account and the cultivation and development of the foreign exchange market; provide suggestions and a foundation for the PBOC to formulate policy on the Chinese renminbi's exchange rates;

ii. participate in the drafting of relevant laws, regulations, and departmental rules on foreign exchange administration, releasing standard documents related to carrying out of these responsibilities;

iii. oversee the statistics and monitoring of the balance of payments and external credit and debt, releasing relevant information according to regulations and undertaking related work concerning the monitoring of cross-border capital flows;

iv. supervise and manage the foreign exchange bond market of the state, undertake supervision and management of the settlement and sale of foreign exchange, cultivate and develop the foreign exchange market;

v. supervise and check the authenticity and legality of the receipt and payment of foreign exchange under the current account according to law; implement foreign exchange administration under the capital account according to law, and continuously improve management work in line with the convertibility process of the Chinese renminbi under the capital account; and regulate management of overseas and domestic foreign exchange accounts;

vi. supervise and check foreign exchange according to law and punish behaviors that violate the foreign exchange administration;

vii. undertake operation and management of foreign exchange reserves, gold reserves, and other foreign exchange assets of the state;
viii. arrange development planning, standards, and criteria for information technology-based foreign exchange administration, and organize the relevant implementation; supervise information-sharing with the relevant administrative departments according to law;
ix. take part in relevant international financial activities; and
x. undertake other matters as assigned by the State Council and the PBOC.

In relation to the exchange bond market, SAFE is responsible for allocating and supervising the QFII and RQFII quotas. Please also see section N in this chapter for a detailed description of the QFII and RQFII concepts and the role of SAFE under these concepts.

3. Shanghai Stock Exchange (上海证券交易所)

The SSE was founded on 26 November 1990 and commenced operation on 19 December of the same year. It is a nonprofit organization directly governed and supervised by CSRC. As an SRO, the SSE acts in an authority function related to the listing and trading of bonds. The SSE bases its development on the principles of legitimacy, regulation, self-discipline, and compliance in order to create a transparent, open, reliable, and efficient marketplace.

The SSE performs a variety of functions such as providing a marketplace and facilities for securities trading, formulating business rules, accepting and arranging listings, organizing and monitoring securities trading, regulating members and listed companies, and managing and disseminating market information. The functions and supervisory powers of the SSE also apply to debt securities listed and traded on its market. More detailed information on the SSE’s role and self-regulatory functions can be found on the SSE website.[8]

The unified guidance approach of CSRC has resulted in similar or equivalent fundamental rules in the exchange bond markets of both the SSE and SZSE, including those for the listing and trading of debt securities.

In 2017, the SSE issued Measures for the Suitability Management of Investors in the Bond Market of the Shanghai Stock Exchange (Revised 2017) (上海证券交易所债券市场投资者适当性管理办法), pursuant to the 2015 measures published by CSRC.[9] Please see Chapter III.N for a description of the professional investor concept that was introduced with these measures and the resulting impact on the issuance and supervision activities on the SSE.

See also section H in this chapter for more information on the SRO function of the SSE and its membership, and section K on the listing, disclosure, and trading rules of the exchanges.

4. Shenzhen Stock Exchange (深圳证券交易所)

The SZSE, established on 1 December 1990, is a self-regulated legal entity under the supervision of CSRC. It organizes and supervises securities listing and trading, and performs duties prescribed by laws, regulations, rules, and policies.

Its main functions include providing the venue and facilities for securities trading, formulating operational rules, receiving listing applications and arranging securities

[8] See http://english.sse.com.cn/.
[9] See http://www.sse.com.cn/aboutus/mediacenter/hotandd/c/c_20170628_4334574.shtml.

listing, organizing and supervising securities trading, supervising members, regulating listed companies, managing and disseminating market information, as well as other functions as approved by CSRC. The listing and trading authority functions of the SZSE also apply to debt securities listed and traded on its market.[10]

Under the unified guidance approach of CSRC, the exchange bond markets of both the SZSE and SSE have established similar and equivalent fundamental rules, including for the listing and trading processes of debt securities.

Since 2015, the private placement of corporate bonds (中小企业私募债) of small and medium-sized enterprises have been regularly issued in the SZSE market as part of the non-publicly placed (privately placed) corporate bonds sold in the exchange bond market.

In line with the 2015 measures, the SZSE revised its Rules for Listing of Corporate Bonds (No. 239, 2015) and other supporting rules, which further simplified listing procedures, improved operational efficiency, and optimized information disclosure for corporate bonds. Like the SSE, the SZSE issued a Circular on Seeking Public Comments on the Rules of the Shenzhen Stock Exchange on Listing of Corporate Bonds and Other Business Rules in May 2018 before revising the Listing Rules in December 2018 accordingly.

See also section H in this chapter for more information on the SRO function of the SZSE and its membership and section K for more on the listing, disclosure, and trading rules of the exchanges.

5. National Equities Exchange and Quotations (全国中小企业股份转让系统)

NEEQ was founded on 20 September 2012. It is a national securities exchange approved by the State Council. It is operated and managed by the National Equities Exchange and Quotations Co., Ltd. and supervised by CSRC.

In the Measures for the Administration of Corporate Bond Offering and Trading (No. 113, 2015), NEEQ was put forward as an additional listing and trading place for corporate bonds. However, as of May 2019, no corporate bond listing or trading activities had yet occurred on NEEQ.

6. Securities Association of China (中国证券业协会)

The SAC is an SRO in the securities industry founded on 28 August 1991 in accordance with the Securities Law and the Administrative Rules on the Registration of Associations. As a nonprofit incorporated association, the SAC operates under the industry guidance and supervision of CSRC and the Ministry of Civil Affairs.

The objectives of the SAC are to

i. assume the role of self-regulator of the securities industry under the centralized supervision and administration of the government;
ii. function as a bridge between the government and the securities industry;
iii. provide services to and safeguard the lawful rights and interests of its members;
iv. ensure orderly market competition;
v. promote an open, fair, and equitable securities market;
vi. protect the lawful rights and interests of investors; and
vii. facilitate the healthy and stable development of the securities market.

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[10] See http://www.szse.cn/main/en/.

Please also see section H for more details on the SAC, its rules, and membership. Additional information on the SAC is also available from the association's website.[11]

E. Regulatory Framework for Debt Securities

The regulatory framework for debt securities in the PRC is very much dependent on the type of bond and the market in which it is intended to be listed and traded. For example, for the purpose of issuing bonds, different provisions apply to different types of bonds with respect to information disclosure and credit rating, among others. The investment in debt securities may be subject to specific approvals from regulatory authorities; please see Table 2.5 for an overview of the regulatory framework. The main regulatory authority for the exchange bond market is CSRC.

The listing of eligible debt securities requires the approval of either the SSE or SZSE, which also ensures that continuous disclosure obligations are met by the issuer. In fact, under the unified guidance of CSRC, the exchange bond markets have established similar fundamental rules, including for the listing and trading of debt securities.

Table 2.5: Overview of Regulatory Framework for Debt Securities in the Exchange Bond Market

Item	China Securities Regulatory Commission
Fundamental and key legislation	Securities Law of the People's Republic of China, 2014 Company Law
Key regulations (by regulator or SRO)	
CSRC	• Measures for the Administration of Corporate Bond Offering and Trading (No. 113, 2015; 公司债券发行与交易管理办法)
SSE	• Shanghai Stock Exchange Corporate Bond Listing Rules (Revised 2018) (上海证券交易所公司债券上市规则) • Measures for the Suitability Management of Investors in the Bond Market of the Shanghai Stock Exchange (Revised 2017) (上海证券交易所债券市场投资者适当性管理办法) • Shanghai Stock Exchange Non-Public Placement of Corporate Bonds Listing and Tranding Rules, 2018 (上海证券交易所非公开发行公司债券挂牌转让规则)
SZSE	• Shenzhen Stock Exchange Corporate Bond Listing Rules (深圳证券交易所公司债券上市规则) (Revised 2018) • Measures for the Suitability Management of Investors in the Bond Market of Shenzhen Stock Exchange (Revised 2017) (深圳证券交易所债券市场投资者适当性管理办法) • Shenzhen Stock Exchange Non-Public Placement of Corporate Bonds Listing and Trading Rules 2018 (深圳证券交易所非公开发行公司债券挂牌转让规则)

[11] See http://www.sac.net.cn/en/.

SAC	• Administrative Measures for the Filing Management of Non-Publicly Placed Corporate Bonds, 2015 (非公开发行公司债券备案管理办法) • Non-Publicly (Privately) Placed Corporate Bonds Filing Notice, 2015 (非公开发行公司债券备案须知) • Corporate Bond Trustee's Guide to Dealing with Default Risks of Corporate Bonds, 2017 (公司债券受托管理人处置公司债券违约风险指引)
Regulations for cross-market transfer between exchange bond market and CIBM	• Measures for the Management of Cross-Market Transfer and Custody of Government Bonds, 2003 (国债跨市场转托管业务管理办法) • Operating Guidelines of China Securities Depository and Clearing Co., Ltd. for the Cross-Market Transfer of Custody of Treasury Bonds (Revised 2015) (中国证券登记结算有限责任公司国债跨市场转托管业务操作指引)
Self-regulatory organizations and their powers	• SAC as market participant SRO • SSE and SZSE as listing, trading, and approving authorities for public issuance of corporate bonds to Qualified Investors only, under the authority delegated by CSRC • Listing and issuance examination process by the exchange are carried out concurrently; once the issuance is approved, listing approval is given.
Investors for public offering	• Insurance companies, fund management companies, securities companies, trust and investment companies, affiliated finance companies of enterprises, retail investors, listed commercial banks, and commercial banks in the CIBM through cross-market transfer • QFII and RQFII
Features specific to public offering (公开发行)	• Public offerings of corporate bonds may be limited to Qualified Investors or Qualified Institutional Investors at an issuer's discretion.
Investors for non-public placement (非公开发行)	• Qualified Investors (合格投资者) or Professional Investors (专业投资者) only • Non-Public placement (非公开发行) is the official term in the exchange bond market for private placements.
Features specific to non-public placement (非公开发行)	• No approval from CSRC is required. • Underwriting securities companies are responsible for the selling and transfer restrictions relative to non-professional investors. • The prevailing number of investors who hold non-publicly placed bonds shall not exceed 200 through the life of the bond. This number cannot include general and retail investors.

CIBM = China Inter-Bank Bond Market, CNY = Chinese renminbi, CSRC = China Securities Regulatory Commission, QFII = Qualified Foreign Institutional Investor, RQFII =Renminbi Qualified Foreign Institutional Investor, SAC = Securities Association of China, SRO = self-regulatory organization, SSE = Shanghai Stock Exchange, SZSE = Shenzhen Stock Exchange.
Sources: CSRC, SAC, SSE, and SZSE.

Debt securities must be registered and deposited with CSDC for the respective instrument to be eligible for trading, transfer, settlement, and safekeeping in the exchange bond market.

F. Debt Securities Issuance Regulatory Processes

There is no universal approval procedure for the issuance of debt securities in the PRC. In principle, the issuer needs to determine the necessary issuance qualifications under prevailing laws and regulations. After approval by or filing with the relevant regulatory authorities, bonds can be issued in the exchange bond market and/or other bond market segments.

Public offerings of debt securities in the exchange bond market should meet the conditions prescribed in the Securities Law and the Company Law, as well as in administrative regulations and exchange rules, and require an application to CSRC and its approval, as well as an application to the listing and trading place (for verification or examination) and its approval.

Pursuant to Article 30 of the 2015 measures, the non-public placement (private placement) of securities shall be applied for issuance on one of the stock exchanges, the NEEQ, the quotation and trading system for products privately offered between securities companies, or the over-the-counter market.

If a bond is intended to be listed and traded on the exchange, a listing approval would have to be sought from the SSE or SZSE, regardless of the form of issuance. The listing eligibility review (where applicable) and listing application and approval process is further explained in Chapter III.I.

1. Regulatory Processes by Issuer Type

Table 2.6 provides an overview of these regulatory processes by corporate issuer type and identify which regulatory authority or market institution will be involved. In order to make the issuance process by issuer type more comparable across ASEAN+3 markets, the table features common issuer-type distinctions that are evident in regional markets.[12] Not all markets will distinguish all such issuer types or prescribe approvals. Sovereign issuers are typically exempt from corporate issuance approvals but may be subject to different regulatory processes.

All publicly offered issuances require an application to and approval from CSRC. Separate listing approval is required from the SSE, SZSE, or NEEQ if the debt securities are to be listed and traded on one or more exchanges. The submission of post-issuance reports to the SAC is required only if corporate bonds are issued via a non-public placement.

[12] ASEAN+3 refers to the 10 members of the Association of Southeast Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

Table 2.6: Authorities in the Regulatory Process for the Exchange Market by Issuer Type

Type of Issuer	**MOF (NDRC, SAFE, PBOC)** (pre-approval or registration)	**CSRC** (issuance approval)	**SAC** (post-issuance reporting for non-public placement)	**SSE or SZSE** (listing and trading)
Resident issuer				
Resident nonfinancial institution	X (NDRC)[a]	X[b]	X[c]	X[d]
Resident financial institution	For banks: N.A.[e]	For securities companies: N.A.[e]	X[c]	X[d]
Resident issuing FCY-denominated bonds	N.A.	N.A.	N.A.	N.A.
Nonresident issuer				
Nonresident nonfinancial institution	X (MOF)[f]	X[b]	X[c]	X[g]
Nonresident financial institution	X (MOF)[h]	X[b]	X[c]	X
Nonresident issuing FCY-denominated bonds	N.A.	N.A.	N.A.	N.A.

CSRC = China Securities Regulatory Commission, FCY= foreign currency, MOF = Ministry of Foreign Affairs, N.A. = not applicable, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, SAC = Securities Association of China, SAFE = State Administration of Foreign Exchange, SSE = Shanghai Stock Exchange, SZSE = Shenzhen Stock Exchange.

[a] Approval required from NDRC for enterprise bonds.

[b] Corporate bonds issued via public offerings in the exchange bond market are subject to the approval of CSRC. Where a corporate bond is publicly offered to Qualified Investors, CSRC delegates the issuance approval procedure to the exchanges. Corporate bonds via non-public (private) placement are not subject to the approval of CSRC.

[c] Submission of post-issuance reporting for recording and filing purposes is required, only in the case when corporate bonds are issued via non-public (private) placement.

[d] Corporate bonds are issued via public offerings to Qualified Investors only and corporate bonds via non-public (private) placement require examination for issuance and review for listing by the exchange.

[e] At present, the financial institutions that issue corporate bonds in the exchange bond market are mainly securities companies, who issue without the prior approval of the CSRC. The China Banking and Insurance Regulatory Commission does not permit banks to issue corporate bonds in the exchange market.

[f] Approval is required from MOF for nonresident issuers.

[g] Corporate bonds issued by foreign nonfinancial corporate legal persons (Panda bonds) may also be listed on the SSE or SZSE.

[h] Approval is required from MOF; for other institutions, it may depend on the nature of the issuer and bond type.

Note: X indicates approval is required.
Source: ABMF SF1.

2. Regulatory Process Overview

The overview in Table 2.7 gives an indication of the regulatory processes applicable when using different issuing types in the exchange bond market in the PRC.

Table 2.7: Principal Steps in the Regulatory Process for Corporate Bond Issuance and Listing by Issuing Type

Principal Step	Public Offering to Public Investors	Public Offering to Qualified Investors only	Non-Public Placement to Qualified Investors
1. Application for Issuance and Listing of Corporate Bonds	Submit to CSRC Corporate Bond Supervision Department (No need to submit listing application to exchange at the same time)	Submit (债券上市预审核申请) to exchange (for examination for issuance and review for listing) as integrated process before issuance and listing	Submit (债券挂牌转让申请) to exchange No CSRC approval needed
2. Examination for Issuance of Bonds or Review for Listing of Bonds	Examination by CSRC (No need to review listing application by exchange at the same time)	Exchange will examine for issuance of bonds At the same time, exchange will conduct review for listing of bonds upon receipt of application, using a simplified approval procedure No need for issuer or underwriter to send application to CSRC	Exchange will examine for issuance This process does not need approval from CSRC; exchange is responsible for listing (挂牌转让) process A no-objection letter (无异议函) (official name: Notice on Acceptance of Issuance) is provided to the issuer
3. Feedback letter or approval letter and material submission for listing	If no feedback letter is issued by CSRC, or all feedback has been addressed to CSRC satisfaction, issuer will receive approval letter from CSRC, after which issuer may issue bonds After that, official listing materials are submitted to exchange	If no feedback letter is issued by exchange, or all feedback has been addressed to the satisfaction of the exchange, exchange will send approval report to CSRC within 6–25 working days from receipt of application and CSRC will issue approval letter within 10 working days Exchange will publish notice on its website for public information After that, official listing materials are submitted to exchange	If no feedback letter is issued within 5 working days, or if all feedback has been addressed to the satisfaction of the exchange, exchange will issue a Notice on Acceptance of Issuance to the issuer within 10–25 working days Exchange will publish notice on its website for public information After that, official listing materials are submitted to exchange

CSRC = China Securities Regulatory Commission.
Sources: Shanghai Stock Exchange and Shenzhen Stock Exchange.

The issuance applications are not received directly by CSRC other than for publicly offered bonds to public (all) investors. Applications for publicly offered bonds to Qualified Investors only and non-publicly (privately) placed bonds are received and processed by the exchanges, and issuers are free to select the exchange of their choice.

Individual regulatory processes for issuing debt securities in the exchange bond market, as may be applicable, are explained in the next few sections.

3. Regulatory Process for Public Offerings

The issuance of debt securities via a public offering is subject to approval from CSRC. Proceeds from publicly offered corporate bonds to public investors may be used for objectives previously approved by CSRC. The issuer will also have to appoint a bond trustee.

If the issuer is not a financial enterprise, proceeds from the new issuance should not be onward lent to other parties.[13] The issuer must designate a special account for the receipt, transfer, and payment of proceeds, principal, and coupons.

The necessary actions to be taken by the issuer and the approving authorities are explained in the following steps.

Step 1—Application to the China Securities Regulatory Commission

For the issuance of publicly offered corporate bonds to public investors, the issuer and/or its underwriter(s), or scheme manager(s) in the case of the proposed issuance of asset-backed securities (ABS), will need to submit an application for issuance approval to the CSRC Corporate Bond Supervision Department. In contrast to the other offer types (see sections 4 and 6 in this chapter), the issuer or its agent need not obtain a prior confirmation of listing eligibility for the proposed bond issue from an exchange, as CSRC will determine listing eligibility as part of its examination.

The format and manner of delivery of the application documents to be submitted by an issuer who applies for a public offering of debt securities shall be prescribed by the authority or department legally responsible for verification or examination and approval: in this case, CSRC.

In applying to CSRC for issuing bonds to the public, a company must submit the following documents, pursuant to Article 17 of the Securities Law:

i. certificate of registration of the company;
ii. articles of association of the company;
iii. corporate bond offer procedures; and
iv. other documents (including the prospectus) specified by the department (institutions) authorized by the State Council or CSRC.

According to Article 6 of the 2015 measures, the audit report, asset appraisal report, and credit rating report, as quoted in the bond prospectus and other information disclosure documents, shall be issued by institutions qualified to engage in securities services business.[14] The written legal opinion quoted in the bond prospectus shall be issued by a law firm and signed by two practicing lawyers and the person in charge of the law firm where they work.

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[13] According to Article 15 of the 2015 measures (公司债券发行与交易管理办法), except for financial enterprises, the raised funds may not be transferred to other parties.

[14] According to Announcement No. 3 of the China Securities Regulatory Commission— Announcement on Issuing the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 24—Application Documents for the Offering of Corporate Bonds to the Public (Revised 2015) (effective 3 February 2015) (中国证券监督管理委员会公告 (2015) 3 号—关于公布《公开发行证券的公司信息披露内容与格式准则第 24 号—公开发行公司债券申请文件 (2015 年修订) 》的公告), for publicly offering bonds, the issuer needs to submit an asset appraisal report as part of the application documents only if the issuer experienced material assets reorganization in the past 3 years; otherwise, the issuer does not need to submit asset appraisals.

Step 2—Review and Approval from the China Securities Regulatory Commission

CSRC shall examine and approve the application for the issuance of corporate bonds. CSRC shall make a decision on the application documents for the issuing of debt securities within 3 months from the date of acceptance of the same. In practice, the review process and approval may be faster, depending on the quality of the application documents. CSRC has the right to ask the issuer for clarification or the provision of additional information at its discretion (反馈意见). If so necessary, CSRC will issue a feedback letter to which the issuer must respond accordingly within a stipulated timeframe.

If CSRC refuses to verify the application documents or to grant approval to the same upon examination, it shall provide its reasons, as stated in Article 21 of the 2015 measures.

In the case of approval, CSRC will issue an approval letter to the issuer, who may commence the issuance process thereafter, including the application for listing on an exchange.

Step 3—Actual Issuance

Bonds are basically issued and kept in dematerialized form. In issuing bonds in physical form, the bonds shall bear the name, face value, interest rate, and time of repayment, the signature of the chairman of the board of directors and seal of the company.

Under Article 18 of the 2015 measures, a corporate bond whose credit standing reaches the following criteria may be publicly offered to general investors or, at the issuer's discretion, publicly offered to Qualified Investors only if

i. the issuer has not breached the contract or delayed the payment of principal and interest on any debt in the last 3 years;
ii. the issuer's average annual distributable profits in the last 3 fiscal years are not less than 1.5 times the annual interest on the bond;
iii. the credit rating of the bond equals AAA; and
iv. other conditions are met as set out by CSRC for the purpose of protecting investors.

A public offering of corporate bonds that fails to reach the aforementioned criteria shall be issued to Qualified Investors only, pursuant to Article 18 of the 2015 measures (see also section 4 below).

Once an application for the issuance of debt securities has been verified or approved upon examination, the issuer shall publish the public offering documents prior to the public offering of the securities, as prescribed in the relevant laws and administrative regulations, and make said documents available at designated places for the public to inspect.

Before information about the issuing of securities is announced according to the law, no person with knowledge of plans to issue such debt securities may make public or divulge such information. No issuer may issue securities before publishing the public offering documents.

If an event occurs that makes the issuer no longer able to meet the criteria after the approval but before the actual launch of the public offering, the issuer should suspend the issuance and send a report to CSRC on the suspension in a timely manner. On such occasions, underwriters should stop underwriting and insist on the issuer submitting an incident report to CSRC as soon as possible.

For publicly offered bonds to public investors, an issuance shall be completed within 6 months from the date of approval for a one-time issuance. If the issuer wishes to issue in multiple tranches, the first issuance shall be completed within 12 months, and all issuances shall be completed within 24 months from the date of approval.

Step 4—Listing Process

Bonds may be listed for trading on the SSE, SZSE, or NEEQ. A listing requires the examination by and approval from the exchange or trading place and is subject to the prescriptions from CSRC and the listing rules of the exchange or trading place. Both issuer and debt securities to be listed must fulfill specific eligibility criteria in order to be able to list.

For a comprehensive description of the listing process and the underlying eligibility criteria, please refer to Chapter III.I.

4. Simplified Approval for Issuance of Publicly Offered Corporate Bonds to Qualified Investors

The CSRC has simplified the regulatory process (issuance approval procedure) for a corporate bond that is publicly offered to Qualified Investors only. As a result, in the case of a public offering to Qualified Investors only, the issuer may submit the issuance application and supporting documents to the exchange, not to CSRC. The review of the issuance and listing eligibility of issuer and bonds, delegated by CSRC to the exchanges, represents the key regulatory process for public offers to Qualified Investors only and, hence, is mentioned here.

The timeframe for the issuance review process by the exchange depends on the issuer’s credit rating, the completeness and quality of the application documents, and whether the exchange does have feedback and requires further input from the issuer or underwriter.

Upon successful review by the exchange, the exchange will submit an approval report to CSRC, upon which CSRC will issue a formal approval letter to the issuer, which is typically passed in physical form or as a scanned document to the underwriter. The exchange will publish the notice of approval for the issuance on its website to make it available to the public. CSRC commits to giving the issuer a formal approval within a short time (typically less than 10 working days) upon the receipt of the report from the exchange. The issuer may then commence the listing and issuance process (see Chapter III.I for details). The timeframe to market for the issuance review, approval, and listing process typically takes about 4–6 weeks for a AAA issuer, again depending on the need for clarifications during the review process.

In the case of publicly offered bonds to Qualified Investors only, an issuance shall be completed within 6 months from the date of approval for a one-time issuance. If the issuer wishes to issue multiple tranches, the first issuance shall be completed within 12 months, and all issuances shall be completed within 24 months from the date of approval.

In relation to offerings of corporate bonds to Qualified Investors, as well as for non-public placements (see also section 6), there is no clear-cut concept of an exemption from full disclosure requirements or a process to allow simplified or concise disclosure in the issuance documentation. However, according to Article 43 of the 2015 measures, when a corporate bond is publicly offered to Qualified Investors only, the timeline and the contents of disclosure items between publicly offered corporate bonds and non-publicly placed corporate bonds may be different.

5. Regulatory Process for Issuances by a Nonresident Issuer

At present, issuing Panda bonds is the only way for nonresident issuers to access the CNY-denominated domestic bond market. For Panda bonds issued in the exchange bond market, CSRC would be the primary regulator and approval of Panda bond issuances in the exchange bond market would follow the approval process for the respective issuance type for domestic corporate bonds.

While the issuance of Panda bonds in the exchange bond market was still based on a pilot program in line with provisions in the 2015 measures for corporate bonds at the time of compilation of this bond market guide, CSRC had already been in consultations with other policy bodies and regulatory authorities about formally establishing a Panda bond issuance regime for the exchange bond market.

As of May 2019, the proposed Interim Measures for Panda Bond Issuance in the Exchange Bond Market was in process, bringing Panda bond issuance in the exchange bond market in line with treatment in the CIBM.

The MOF, PBOC, and SAFE may be the relevant regulatory authorities regarding subjects such as accounting and auditing regulations, CNY-denominated cross-border payments, and foreign exchange receipts and payments.

For more information on Panda bonds, their underlying regulations, and the proposed formalization of their issuance in the exchange bond market, please refer to Chapter I.B.3 (development) and Chapter III.B.7 (description).

6. Regulatory Process for Non-Public (Private) Placement

Non-publicly (privately) placed corporate bonds do not require approval from CSRC. However, CSRC continues to oversee and regulate issuances via non-public offerings, their trading, and transfers according to the law. Non-public placement, non-public offering, or non-public issuance (非公开发行) are the terms used in regulations and rules for a private placement.

Non-publicly (privately) placed corporate bonds can only be issued to Qualified Investors. The solicitation of non-publicly placed corporate bonds may be done for up to 200 Qualified Investors. As a consequence, public advertisements, open publications, seminars, sales campaigns, and road shows may not be used.

Information on corporate bonds issued via a non-public (private) placement needs to be filed with the SAC upon issuance. A credit rating for a non-publicly placed bond is not mandatory but is often used to satisfy a particular investor universe. Therefore, the issuer has no obligation to disclose its own credit rating in the information memorandum (募集说明书).[15] But in many cases, the issuer will disclose the rating in the bond prospectus or information memorandum. Proceeds from a non-public placement may be used for objectives agreed by the parties to the issuance in the issuance documentation.

Bonds issued via a non-public placement may be listed on either one of the stock exchanges, the NEEQ, or the quotation and trading system for products privately offered between securities companies. They can also be traded over-the-counter.

[15] According to Article 28 of the CSRC 2015 measures (公司债券发行与交易管理办法), "whether the credit rating of non-publicly placed corporate bonds is attached or not will be determined by the issuer and should be disclosed in the bond prospectus (information memorandum)."

The action of listing (挂牌转让) a non-publicly placed corporate bond on the exchange is distinguished from the typical listing (上市) process of publicly offered corporate bonds by the use of a different term and different characters in Chinese. Yet, the English interpretation is the same in both cases, being a “listing” of the bonds on exchange.

The actual regulatory process for non-publicly (privately) placed bonds consists of the issuance review process, which determines the issuance and listing eligibility of the issuer and the bonds to be issued, and the listing application and actual listing process once the bonds have been issued. The determination of the issuance and listing eligibility represents the key regulatory process for non-public offers and, hence, is described in this section. For details of the listing application and actual listing process, please see Chapter III.I.

Step 1—Application for Issuance Review to the Exchange

The issuer must submit the required documentation to apply for the issuance review of the non-publicly offered debt securities to the respective exchange. The specific requirements for disclosure documentation and supporting documents are contained in the Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules of the exchanges, and typically include

i. an application for the bond listing and transfer (挂牌转让);
ii. a resolution of the competent decision-making department (board of directors, shareholders' meeting, or general meeting of shareholders) applying for the listing of bonds;
iii. a copy of the company's articles of association and business license;
iv. an announcement of the listing and trading of bonds;
v. issuance documents such as bond information memorandum (债券募集说明书), financial and audit reports, bondholder meeting rules, corporate bond trustee management agreement, credit enhancement measures documents (if any), ratings report (if any), and announcement of publication results;
vi. documentary evidence of the actual fund-raising of the bonds;
vii. a description of the underwriting institution (if any) as to whether the bond meets the listing conditions;
viii. legal opinions related to bond issuance and conditions eligible for listing;
ix. certification from all directors, supervisors, and senior management of the issuer, or those who perform the same duties, that the contents are true, accurate, and complete, and the electronic documents and faxes submitted are consistent with the originals; and
x. other materials required by the exchange.

If the issuer is a listed company, some documents, such as a copy of the company's articles of association and its business license, need not be submitted again.

The contents of the disclosure information are typically determined between issuer, intermediaries, and Qualified Investors. The provision of a credit rating report is likely, though not mandatory, since investors tend to request for a credit rating to be in place.

Step 2—Review and Approval by the Exchange

The exchange will examine the issuance documentation and issue a feedback letter, typically within 5 working days, if it deems the application incomplete, requires clarification on information given, or requests any additional information. Once the review is complete, the outcome will be brought to the Review Committee of the exchange, which will formalize the decision.

If the exchange confirms the eligibility of the issuer and the proposed debt securities, and it finds that the documentation is in order, it will deliver a no-objection letter (无异议函), which is formally known as a Notice on Acceptance of Issuance, to the issuer, typically within 5 working days of the submission of the internal review result to the Review Committee.

After the Notice on Acceptance of Issuance is delivered, the exchange will also publish a corresponding notice on its website to make it available to the public.

The issuance review process can take 10–25 working days, depending on the credit rating of the issuer, whether the issuer is already listed, and whether the application documents are complete or clarifications are required. The application by a AAA-rated issuer can take 2–3 weeks from submission to approval.

Step 3 onward—Listing Application, Issuance, and Actual Listing

The issuer may issue and list the non-publicly (privately) placed debt securities on the exchange after receiving the Notice on Acceptance of Issuance and upon obtaining the registration approval from CSDC (see also Chapter III.H for details of the registration process). The listing process is described in detail in Chapter III.I.

For non-publicly placed bonds, the issuance and listing shall be completed within 12 months from the Notice of Acceptance of Issuance.

The underwriter will have to submit a post-issuance report to the SAC upon the conclusion of the issuance, typically after the listing. A post-issuance report to CSRC is not required.

7. Obligations after Approval and after Issuance

In the exchange bond market, a number of obligations are to be met by the issuer and/or the underwriter(s) after the approval from CSRC and/or from the exchange or trading place, and after the actual issuance of the bonds.

a. Public Offerings

After the bond issuance application has been approved by CSRC, a company must make public the following information on the bond offering:

i. name of the company;
ii. total amount and face value of the bonds;
iii. interest rate;
iv. period and method for payment of principal and interest;
v. starting and closing date of the issue;
vi. net assets of the company;
vii. total amount of corporate bonds having been issued but not yet due; and
viii. the underwriters of the bonds.

b. Submission of Summary Underwriting Reports to CSRC

Securities companies that underwrite publicly offered corporate bonds as the lead underwriter must report a summary of the underwriting exercise, including the book-building process, as a matter of record to CSRC within 10 working days after the expiration of the offering period.[16]

Also, according to Article 39 of the 2015 measures, the issuer and the lead underwriter shall engage a law firm to witness the issuance process, placement, qualifications of the investors participating in the subscription, and allocation of funds, among other subjects, and issue a professional legal opinion. The lead underwriter shall report the professional legal opinions within 10 working days after the publicly offered corporate bonds are listed to CSRC, together with the summary underwriting report and other documents, as may be required.

c. Non-Public (Private) Placement

The (lead) underwriter of non-publicly placed corporate bonds must file the outcome of the issuance with the SAC within 5 working days after completion of the issuance. A report to CSRC is not required.

8. Issuance Process Specific to a Domestic Financial Institution

In principle, all financial institutions could choose to issue debt securities in the exchange bond market under exchange regulations. However, CBIRC presently does not permit commercial banks (except listed commercial banks) to issue debt securities in the exchange bond market. Even if listed commercial banks want to issue bonds in the exchange bond market, they will still need to get approval from CBIRC, plus the exchange will review that approval. Hence, in practice, listed commercial banks rarely issue financial bonds in the exchange bond market. As such, a specific process for the issuance, listing, and trading of financial bonds in the exchange bond market does not exist.

At the same time, non-bank financial institutions that issue corporate bonds in the exchange bond market are mainly securities companies issuing company bonds and short-term notes. Since securities companies and their market activities, including debt securities issuance, are subject to the supervision of CSRC, it is more natural for these issuers to choose to issue bonds in the exchange bond market. The process for approval of said debt securities is the same as the one for corporate bonds, depending on the issuance type.

9. Regulatory Process for Foreign-Currency-Denominated Debt Instruments

It may be principally possible to issue USD-denominated bonds in the exchange bond market in the PRC, other than in Hong Kong, China. However, such an issuance option is still being considered by policy bodies and regulatory authorities and has not yet been announced.

10. Regulatory Process for Overseas Issuance of Corporate Bonds

Enterprises in the PRC that intend to directly or indirectly issue debt securities abroad or to list their securities for trading abroad are subject to approval from NDRC, such as in the case of issuance in Hong Kong, China. After the issuance, foreign debt registration with SAFE and the submission of a post-issuance filing to NDRC are required.

Pursuant to the NDRC Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations, the issuer

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[16] As specified in the Guidelines for the Operation of Shanghai Stock Exchange Corporate Bond Issuance and Listing Business, 2016 (上海证券交易所公司债券发行上市业务操作指南).

must register the bond issuance with NDRC and obtain a certificate from NDRC evidencing such registration.

The issuer undertakes to (i) provide the requisite information on the issuance of the bonds to NDRC within 10 registration business days after the issue date, and (ii) comply with all applicable laws and regulations in connection with the NDRC post-issuance filing.

Any failure to complete the relevant filings under the NDRC circular within the prescribed timeframe following the completion of the issuance of the bonds may have adverse consequences for the issuer of and/or the investors in the bonds.

The obligations of an issuer intending to issue debt securities outside of the PRC are contained in a number of regulations:

i. within 15 registration business days after the issue date, the issuer will register the bond, or file or cause the bond to be registered or filed, with SAFE pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines;
ii. the issuer will use its best endeavors to complete the foreign debt registration and obtain a registration record from SAFE on or before 100 registration business days after the relevant issuance date;
iii. if applicable, as soon as possible upon being required or requested to do so by any relevant governmental authority, the issuer will file the bond or cause for the bond to be filed with SAFE pursuant to the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-Border Financing, and comply with all applicable laws and regulations in relation to the foreign debt registration.

G. Continuous Disclosure Requirements in the Exchange Bond Market

Continuous disclosure in the exchange bond market is subject to the provisions of the 2015 measures and the listing rules of the exchanges, depending on the type of debt securities listed.

Under the 2015 measures, the issuer of publicly offered corporate bonds must disclose interim reports and annual reports audited by an accounting firm that is qualified to engage in securities services during the life of the bonds.

The issuers of non-publicly placed corporate bonds must disclose information according to the timing and content stipulated in the bond information memorandum, and the relevant information disclosure documents must be submitted by the bond trustee to the SAC for filing.

Specifically, according to the Notice on Further Doing a Good Job in the Information Disclosure of Non-Public Placement of Corporate Bonds (关于进一步做好非公开发行公司债券信息披露相关工作的通知) issued by the SSE and SZSE in 2016, issuers of non-publicly placed bonds should also be clearly identified in the bond information memorandum. It was agreed to also disclose annual reports and interim reports, as applicable. This practice became effective on 15 October 2016.

Table 2.8 displays the key disclosure items prescribed in either Article 43 of the 2015 measures or in the abovementioned notice issued in 2016.

Table 2.8: Key Continuous Disclosure Information Components

Issuance Type	Key Disclosure Document	Interim Report	Annual Report Audited
Publicly offered corporate bonds	Bond prospectus	X	X
Non-publicly placed corporate bonds	Bond information memorandum[a]	X	X

Notes: X indicates that the document is required.
[a] This document is also variously known as a private placement memorandum or a bond prospectus; the Chinese term (Chinese characters) for the key disclosure document are the same, regardless of context.
Source: Shenzhen Stock Exchange.

1. Corporate Bonds Issued via a Public Offering

The issuer must disclose updates to the bond prospectus, interim reports (not subject to audit), and audited annual reports through the life of the bond. Under Article 44 of the 2015 measures, issuers must disclose information on the use of proceeds from publicly offered corporate bonds in their regular reports on a periodical basis.

According to Article 45 of the 2015 measures, the issuer shall make timely disclosure of major events that may affect the issuer's financials, business performance, or bond price during the life of the bond. Major events are stipulated as follows:

i. significant changes in the issuer's business policy, business scope, or external conditions of production and operation;
ii. changes in bond credit ratings;
iii. the main assets of the issuer being sealed, seized, or frozen;
iv. the issuer's default in the event of failure to pay off debts;
v. the issuer's accumulated new loans or external guarantees in the current year exceed 20% of the net assets at the end of the previous year;
vi. the issuer waives creditor's rights or property, exceeding 10% of the net assets at the end of the previous year;
vii. the issuer has incurred a significant loss of more than 10% of the net assets at the end of the previous year;
viii. the issuer decides to reduce capital, merge, separate, dissolve, or file for bankruptcy;
ix. the issuer is involved in major lawsuits, arbitrations, or major administrative penalties;
x. significant changes in the guarantor, collateral, or other debt repayment guarantee measures;
xi. significant changes in the issuer's situation results in noncompliance with the listing conditions of corporate bonds;
xii. the issuer is suspected of committing a crime and investigated by the judicial organ; the issuer's directors, supervisors, and senior management personnel are suspected of committing crimes and subject to compulsory measures by the judicial authorities; and
xiii. other matters that have a significant impact on investors' investment decisions.

The issuer has to make disclosure information available to the public; this includes the obligation to file disclosure information with the stock exchange(s) on which the bond is listed (if so applicable), through their dedicated disclosure websites, and to publish the disclosure information in at least one newspaper designated by CSRC for public inspection, pursuant to Article 47 of the 2015 measures.

2. Listed Corporate Bonds

In the case of listed and publicly offered corporate bonds that are traded either on an exchange or another trading place, the issuer shall disclose annual audited financial statements and semiannual financial statements in the media (e.g., newspaper, Internet), as specified by CSRC or in the rules of the exchange or trading place.

The prescribed contents and the format of the semiannual and annual reports to be submitted by a listed company can be found on the CSRC website. The format and requirements were most recently updated in May 2018 when CSRC published its Notice on Content and Format of Corporate Information Disclosure for Publicly Issued Securities—Announcement No. 3 on the Content and Format of the Semi-Annual Report (Revised 2017) (公开发行证券的公司信息披露内容与格式准则第 3 号—半年度报告的内容与格式).[17] Unfortunately, at the time of compilation of this bond market guide, an English version had not yet been made available on the CSRC website.

3. Enterprise Bonds

In the case of enterprise bonds, in addition to the regular disclosure requirements for corporate bonds (see also section 1), any of the following events that occur must also be disclosed in a timely manner under the Notice of the General Office of the National Development and Reform Commission on Further Strengthening the Regulation Work for the Duration of Enterprise Bonds:

i. the business policies and business scope of the issuer changes significantly, or the external conditions of production and operation change significantly;
ii. debt cannot be repaid when falling due;
iii. net asset loss exceeds 10%;
iv. a decision on the reduction of capital, merger, division, dissolution, or filing for bankruptcy;
v. major litigation or arbitration matters commenced;
vi. a major administrative penalty is imposed; and
vii. an application for the issuance of new bonds is filed.

4. Corporate Bonds Issued via a Public Offering to Qualified Investors Only

As mentioned earlier, the continuous disclosure requirements for corporate bonds that are offered only to Qualified Investors via a public offering are the same as those for public offers to general (all) investors.

5. Corporate Bonds Issued via a Non-Public Placement

The timing and contents of disclosure are agreed between the parties to the issuance and must be described in the bond prospectus or bond offering memorandum, and the issuer has to commit to fulfill these disclosure obligations. The issuer should commit to disclose the use of proceeds that will be stipulated in the disclosure document. The bond prospectus or bond offering memorandum and relevant documents are filed with the SAC by the bond trustee.

Based on changes in market practice (see also earlier in this section), effective 15 October 2016, the exchanges stipulated that issuers of non-public offerings also disclose annual reports and interim reports through the lifecycle of the bond.

[17] See http://www.csrc.gov.cn/pub/newsite/flb/flfg/bmgf/xxpl/xxplnr/201805/t20180520_338391.html.

H. Self-Regulatory Organizations in the Exchange Bond Market

An SRO is an organization that exercises some degree of regulatory authority over an industry or profession. In the PRC, an SRO is the organization authorized by the State Council to exercise control over a certain aspect of the industry and support market growth in the financial, securities, foreign exchange, and capital markets.

In addition to other relevant regulations, under Articles 14 and 42 of the 2015 measures, the responsibilities of an SRO for the securities market prescribe that

i. securities SROs may carry out self-regulation of the listing for trading and transfer, non-public issue and transfer, underwriting, due diligence, credit rating, custody, and credit enhancement of corporate bonds in accordance with relevant provisions; and
ii. securities SROs shall develop relevant business rules, provide specific provisions governing the underwriting, recording and filing, listing for trading and transfer, information disclosure, investor suitability management, bondholders' meeting, and custody of corporate bonds, and submit them to CSRC for approval.

The issuer, other information disclosure obligors, and related parties for the proper management of investors and investor qualifications shall perform the information disclosure obligations in accordance with the relevant provisions of CSRC regulations and the respective SROs in the securities market, including the bond market.

In addition, both the SSE and SZSE have been authorized by CSRC, as SROs for the exchange bond market, to approve public offerings of corporate bonds to Qualified Investors only; CSRC will issue a final approval on the basis of the examination carried out by the exchanges. Please see section F in this chapter for a complete description of the regulatory processes for the different offering methods in the exchange bond market.

1. Securities Association of China (中国证券业协会)

SAC is an SRO for the securities industry founded in accordance with Chapter 9 of the Securities Law and the Regulation on the Administration of the Registration of Social Organizations. SAC provides self-regulatory management in the exchange bond market according to the prescriptions of the relevant articles in the 2015 measures.

As a nonprofit association, SAC operates under the guidance and supervision of CSRC and the Ministry of Civil Affairs. SAC was established on 28 August 1991 and is committed to the principles of self-regulation, service, and communication since then.

a. Securities Association of China Membership and Observers

Following SAC's Sixth General Meeting of Members, member categories were adjusted and the number of members changed. As of November 2018, the SAC had 440 members and 779 observers.

SAC constituents include statutory members (securities companies), general members (securities investment consulting companies and CRAs), and special members (regional securities industry associations). Observers include fund management companies, futures companies, and trust companies (Table 2.9).

Table 2.9: Securities Association of China—Member Categories and Number of Institutions

Category	Members	Number of Institutions[a]
Statutory members	Securities companies	131
General members	Securities investment consulting companies, credit rating agencies	230
Special members	Regional securities industry associations	79
	Total Members	**440**
Observers	Fund management companies, futures companies, trust companies	779

[a] Number of institutions as of end-November 2018.
Source: Securities Association of China. Members. http://www.sac.net.cn/en/SAC_Members/1/.

b. Securities Association of China Rule-Making Function

As an SRO for the securities market, the SAC issues notices and guidelines on market-specific practices and activities. Notable regulations published by the SAC include the following:

- Administrative Measures for the Filing Management of Non-Publicly Placed Corporate Bonds, 2015 (非公开发行公司债券备案管理办法)
- Non-Publicly Placed Corporate Bonds Filing Notice, 2015 (非公开发行公司债券备案须知);
- Notice on Guidelines for Asset Securitization Business on the Inter-Agency Quotation and Service System for Private Placement Products (for Trial Implementation), 2015 (中国证券业协会关于发布《机构间私募产品报价与服务系统资产证券化业务指引(试行)》的通知)
- Notice on Issuing the Professional Code of Conduct for Corporate Bond Trustees, 2015 (中国证券业协会关于发布《公司债券受托管理人执业行为准则》的通知)
- Notice on Issuing the Self-Regulatory Rules for Underwriting Corporate Bonds (Annex: Norms of Corporate Bond Underwriting Practice, Guidelines for Corporate Bond Underwriting Practice Due Diligence Investigation), 2015 (中国证券业协会关于发布公司债券承销业务自律规则的通知(附：公司债券承销业务规范、公司债券承销业务尽职调查指引))
- Corporate Bond Trustee's Guide to Dealing with Default Risks of Corporate Bonds, 2017 (公司债券受托管理人处置公司债券违约风险指引)
- Notice on Issuing the Revised Guidelines for the Negative List on the Projects Undertaking of Non-Publicly Placed Corporate Bonds, 2018 (中国证券业协会关于发布修订后的《非公开发行公司债券项目承接负面清单指引》的通知)

The relevant regulations are available for download from the SAC website.[18] For a comprehensive list of relevant regulations for the exchange bond market, including full titles and effective dates, please refer to Appendix 3.

[18] See http://www.sac.net.cn/flgz/zlgz/201805/t20180518_135373.html.

c. Securities Association of China Role in Regulatory Processes

If corporate bonds are non-publicly placed (i.e., issued via a private placement), the issuer or underwriter will need to submit post-issuance reporting to SAC, pursuant to Article 29 of the 2015 measures and in accordance with the Non-Publicly Placed Corporate Bonds Filing Notice, 2015.

Regarding the Guidelines on Negative List for Non-Publicly Placed Corporate Bond Issuances, the SAC is responsible for organizing research to identify and publish negative lists on the association's website.[19]

2. Shanghai Stock Exchange (上海证券交易所)

The SSE acts as the SRO for trading activities on its market and governs its constituents, including securities firms and listed companies. The SSE is under direct supervision of CSRC and derives its status as an SRO from Article 102 of the Securities Law and Article 42 of the 2015 measures.

As an SRO, the SSE performs a variety of functions over listed companies, exchange members, and the exchange bond market at large—such as providing an organized marketplace and facilities for securities trading, formulating business rules, accepting and arranging listings, organizing and monitoring securities trading, regulating members and listed companies, and managing and publicizing market information. Detailed information on the SSE's roles and functions is also available on its website.[20]

For details on listing, disclosure, and the Trading Rules of the SSE and their underlying regulations, please refer to section K in this chapter.

a. Exchange Members and Participants

The SSE distinguishes between members and participants. At the end of 2017, the SSE had 115 securities companies as members. There were 10,880 member sales offices, which was 1,493 more than in 2016. Members and nonmembers held a total of 5,363 seats on the SSE. A total of 18,670 trading units were opened in 2018, compared with 2,222 new trading units in 2016.

Participants, also referred to as nonmember institutions, are entities participating in the business of the SSE, including fund management companies, insurance companies, insurance asset management companies, and listed commercial banks. By the end of 2017, the SSE had 251 participants, among them 113 fund management companies, 43 insurance companies, 18 insurance asset management companies, 16 listed commercial banks, 4 banking asset management companies, 14 banks conducting stock pledge business, 1 social security fund (National Council for Social Security Fund), 26 futures companies, 14 finance companies, and 2 trust and investment companies.

Information on membership rules of the exchanges may be found in section K in this chapter.

[19] See http://www.sac.net.cn/flgz/zlgz/201805/t20180518_135373.html.
[20] See http://english.sse.com.cn/aboutsse/sseoverview/brief/.

b. Dealers and Primary Dealers

Both a member securities company and a participant institution may apply for the roles of primary dealer or dealer. For the function of dealers and primary dealers in the context of debt securities issuance, please also see Market Participants in Chapter III.

i. Dealers

An institution may apply to the SSE for dealer status if it meets the following criteria:

i. it can participate in transactions of debt securities in accordance with the law;
ii. with respect to an applicant that is a securities company, it must be qualified as a proprietary securities business and its net capital must not be less than CNY200 million;
iii. it has a department responsible for debt securities with qualified professionals;
iv. it has safe and reliable technology, and proper business management systems;
v. it has no material breach of laws and regulations in the past 2 years; and
vi. it meets other requirements as prescribed by the SSE.

An eligible applicant for dealer status must submit the following application documents to the SSE:

i. written application;
ii. approval document for securities business;
iii. Master Agreement on Trading of Fixed-Income Securities on the Integrated Electronic Platform it has signed; and
iv. other documents as required by the SSE.

If the application documents are complete, the SSE will accept the application and make a decision on an approval within 5 business days after accepting the application.

ii. Primary Dealers

A securities company or a participant may apply to the SSE for primary dealer status if it meets the following criteria:

i. it has obtained dealer status for trading on the platform;
ii. its net capital is not less than CNY800 million for 6 consecutive months;
iii. it has market-making abilities;
iv. it has in place sound internal control and risk prevention systems;
v. it has strong research ability in the debt securities market; and
vi. it meets other requirements as prescribed by the SSE.

A securities company that is a member of the underwriting syndicate for Treasury bonds issued by the MOF may have priority to obtain primary dealer status. If the application documents are complete, the SSE will accept the applicant and make a decision on an approval within 10 business days after accepting the application.

c. Issuance of Business Rules

In its capacity as an SRO, the SSE issues business rules and notices on the conduct of activities on its markets. The business rules cover listing and disclosure requirements, trading, clearing, and membership practices on the exchange. Most notably, the SSE also issues rules on the management of investors in relation to activities on its market.

A few notable examples of the SSE business rules are shown below:[21]

- Guidelines for the Information Disclosure Management Bylaws of Listed Companies, 2005 (上海证券交易所上市公司信息披露事务管理制度指引)
- Notice on Issuing the Detailed Rules for the Implementation of the Exchangeable Corporate Bond Business, 2014 (上海证券交易所关于发布《上海证券交易所可交换公司债券业务实施细则》的通知)
- Notice on Relevant Issues Concerning Strengthening Risk Controls for Private Placement Bonds of Small and Medium-Sized Enterprises, 2015 (上海证券交易所关于加强中小企业私募债券风险防控工作相关事项的通知)
- Notice on Issuing the Workflow for the Preliminary Review of Corporate Bonds, 2015 (上海证券交易所关于发布《上海证券交易所公司债券上市预审核工作流程》的通知)
- Notice on Issuing the Interim Measures of the Administration of the Business of Non-Publicly Placed Corporate Bonds, 2015 (上海证券交易所关于发布《上海证券交易所非公开发行公司债券业务管理暂行办法》的通知)
- Notice on Issuing the Guidelines for Listed Companies' Postponement of and Exemption from Information Disclosure, 2016 (上海证券交易所关于发布《上市公司信息披露暂缓与豁免业务指引》的通知)
- Notice on Issuing the Guidelines on the Business of the Issuance of Corporate Bonds in Manner of Book-Building, 2016 (上海证券交易所关于发布《上海证券交易所公司债券簿记建档发行业务指引》的通知)
- Notice on Amending Certain Clauses Involving Trading in Bonds of the Trading Rules and the Detailed Implementation Rules for Trading in Bonds, 2017 (上海证券交易所关于修改《上海证券交易所交易规则》及《上海证券交易所债券交易实施细则》涉及债券交易若干条款的通知)
- Measures for the Suitability Management of Investors in the Bond Market of the Shanghai Stock Exchange (Revised 2017) (上海证券交易所债券市场投资者适当性管理办法)
- SSE Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules, 2018 (上海证券交易所非公开发行公司债券挂牌转让规则)
- SSE Corporate Bond Listing Rules (Revised 2018) (上海证券交易所公司债券上市规则)

A comprehensive list of regulations and business rules for the exchange bond market, including full titles and effective dates, is available in Appendix 3.

d. Shanghai Stock Exchange Role in Regulatory Processes

Under the 2015 measures, CSRC empowered the exchanges to be part of the regulatory approval process for targeted corporate bonds in an effort to streamline the issuance process for corporate bonds aimed only at Qualified Investors.

The SSE conducts a pre-examination of the issuance eligibility, qualifications, and disclosure information on behalf of CSRC before CSRC gives its final

[21] Applicable regulations may also be downloaded in Chinese and English from the SSE website. For example, see http://www.sse.com.cn/aboutus/mediacenter/hotandd/c/c_20170628_4334574.shtml.

approval for issuance. This pre-examination is carried out in parallel with the review of the issuer's listing application.

Please also see section F in this chapter for a complete description of the regulatory approval processes for debt securities in the exchange bond market.

3. Shenzhen Stock Exchange

The SZSE is authorized to act as an SRO under the guidance of CSRC, based on Article 14 of the Securities Law and Article 42 of the 2015 measures. Its authority includes the admission of its constituent members and listed companies, and the setting of business rules for such admissions and the listing, trading, and clearing activities on its markets. The SZSE also performs market monitoring and surveillance activities to ensure a fair and orderly marketplace.

For details on listing, disclosure, and the Trading Rules of the SZSE and their underlying regulations, please refer to section K in this chapter.

a. Exchange Members and Participants

Table 2.10 lists the number of member firms, their branches, and total seats held on the SZSE in recent years. The SZSE provides paperless management of memberships through its Online Member Business Zone.

For details on listing, disclosure, and the Trading Rules of the SZSE and their underlying regulations, please refer to section K in this chapter.

Table 2.10: Membership on the Shenzhen Stock Exchange

Year	2014	2015	2016	2017	2018
Number of Member Firms	120	122	114	116	116
Number of Member Branches	7,219	8,212	9,465	10.982	11,557
Number of Seats	9,510	12,456	14,968	19,270	20,890

Note: All totals are year-end figures.
Source: Shenzhen Stock Exchange (SZSE). *SZSE Fact Book*. Shenzhen; SZSE. About—Members. http://www.szse.cn/English/about/members/index.html.

b. Issuance of Business Rules

The SZSE issues business rules as part of its remit as the SRO for participation in and activities on its markets, including for the bond market exchange. Some of the more recent such rules issued include the following:

- Detailed Implementation Rules of Shenzhen Stock Exchange on Block Trades, 2004
- Measures for the Suitability Management of Investors in the Bond Market of Shenzhen Stock Exchange (Revised 2017) (深圳证券交易所债券市场投资者适当性管理办法)
- SZSE Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules, 2018 (深圳证券交易所非公开发行公司债券挂牌转让规则)
- SZSE Corporate Bonds Listing Rules (深圳证券交易所公司债券上市规则) (Revised 2018)

A comprehensive list of regulations and business rules for the exchange bond market, including those issued by the exchanges, is available in Appendix 3.

c. Shenzhen Stock Exchange Role in Regulatory Processes

Under the 2015 measures, CSRC empowered the exchanges to be part of the regulatory approval process for non-publicly offered corporate bonds in an effort to streamline the issuance process for corporate bonds aimed only at Qualified Investors.

In consequence, the SZSE conducts a pre-examination of the issuance eligibility, qualifications, and disclosure information on behalf of CSRC before CSRC gives its final approval for issuance. This pre-examination is carried out in parallel with the review of the issuer's listing application.

Please also see section F in this chapter for a complete description of the regulatory approval processes for debt securities in the exchange bond market.

I. Licensing and Admission of Market Participants

Market participants in the exchange bond market need to be licensed by their relevant regulatory authority and approved by CSRC. In turn, members of the exchange bond market are subject to eligibility criteria, review, and admission by the exchanges. The exchanges govern their constituents across membership classifications using their membership rules (see section J) and respective listing and trading rules (see section K).

J. Membership Rules of the Exchanges

Under the stipulations of an exchange's constitution, a member of the exchange refers to a securities firm with a legal position that is approved by CSRC to be established by law and admitted by the exchange as its member. Due to the unified guidance approach favored by CSRC, the membership criteria and rules of the SSE and SZSE are fundamentally the same.

At both exchanges, members are required to fulfill the following eligibility criteria:

i. be a securities firm with a legal position that is approved by CSRC to be established by law;
ii. enjoy high creditability and outstanding business performance;
iii. have an organizational framework and business executives that are qualified by CSRC and the exchange, and the firm's precautionary measures against technical risks meet the requirements of the exchange;
iv. accept the constitution and business rules of the exchange and pay member's fee, seat fees, and other fees as required; and
v. meet other qualifications as specified by the exchange.

A securities firm submits its application to the exchange, which will accept the firm as one of its members upon the approval by its board of governors.

A member has the following rights:

i. participate in members' meetings,
ii. elect representatives and be elected,
iii. make suggestions about the exchange's business and vote,
iv. participate in securities trading at the exchange's premises and enjoy the services provided by the exchange,
v. oversee the business of the exchange and of other members,
vi. transfer seats provided that one seat is maintained, and
vii. other related rights.

A member undertakes the following obligations:

i. observe the applicable laws, regulations, rules, and policies, and undertake securities business activities pursuant to the law;
ii. adhere to the constitution, business rules, and other relevant regulations of the exchange, and implement resolutions of the exchange;
iii. dispatch qualified representatives to trade securities at the exchange's premises;
iv. fulfill trading and settlement obligations;
v. protect the legal interests of investors;
vi. maintain stability and promote the development of the market;
vii. pay all required fees and provide relevant information and materials;
viii. accept supervision from the exchange; and
ix. fulfill other related obligations.

Information on the membership categories of the exchanges, membership numbers, and related information can be found in section H in this chapter.

K. Exchange Rules for Listing, Disclosure, and Trading of Debt Securities

This section references rules formulated by the exchanges for activities on their markets and that of their constituents. For more details on the roles and functions of the SSE and SZSE as SROs, please see section H in this chapter.

The listing of bonds means that the stock exchange acknowledges and accepts certain types of bonds to be traded in the exchange bond market. Following the unified approach pursued by CSRC, the rules for the listing and trading of corporate bonds and enterprise bonds in the exchange bond market are fundamentally the same on each exchange. However, the SSE and SZSE each publish, manage, and enforce their own rules, subject to the approval from CSRC.

1. Debt Securities Listing Rules

Debt securities intended to be traded or transferred (e.g., through repo or bond lending transactions) in the exchange bond market need to be listed. In order to be listed, the issuer and its bonds need to fulfill certain eligibility criteria specified in the listing rules of the exchanges.

As SROs for their respective markets, the SSE and SZSE are empowered to issue relevant rules for listing and disclosure. The rules that the SSE and SZSE set individually contain similar provisions. Both exchanges stipulate clear provisions on listing conditions, the application for listing and listing approval, information disclosure and sustaining obligations (continuous disclosure), as well as the suspension of listing, resumption of listing, and termination of listing, among other provisions.

Both the SSE and SZSE revised their listing rules, effective 7 December 2018, in order to further standardize relevant business rules and practices for the listing and transfer of corporate bonds, facilitate the stable development of the exchange bond market, and strengthen the protection of rights and interests of bond investors. The new rules cover corporate bonds and other bonds approved by the authorized department of the State Council, as well as listed transactions of bonds issued by overseas registered companies (Panda bonds).

The SSE officially announced the SSE Corporate Bond Listing Rules, 2018 (上海证券交易所公司债券上市规则) and the SSE Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules, 2018 (上海证券交易所非公开发行公司债券挂牌转让规则), while the SZSE officially announced its Corporate Bond Listing Rules, 2018 (深圳证券交易所公司债券上市规则) and the Non-Public (Private) Placement of Corporate Bonds Listing and Trading Rules, 2018 (深圳证券交易所非公开发行公司债券挂牌转让规则).[22]

Further details on the actual listing processes of debt securities on both the SSE and SZSE can be found in Chapter III.I. For provisions stipulating continuous disclosure requirements in the exchange bond market, please refer to section G in this chapter.

2. Trading Rules

The SSE and SZSE each define their respective trading rules for the activities on their markets and platforms. The SSE last revised its Trading Rules (上海证券交易所交易规则) in August 2018, while the SZSE issued its revised Trading Rules (深圳证券交易所交易规则) in September 2016. Their respective trading rules are available in English on the websites of the SSE and SZSE.

Rules for Primary Dealers

The exchanges also issue rules for eligibility criteria, the application process, and the conduct of dealers and primary dealers in their markets. An excerpt below from the SSE rules for primary dealers is provided as an illustration of the contents of such trading rules:

> During the trading hours of the [SSE], a primary dealer shall continuously provide bilateral quotations for the particular fixed-income securities it has selected and the sum of interruption time in its bilateral quotations shall not be more than 60 minutes in [1] trading day. A primary dealer shall determine a special securities account for making markets in fixed-income securities and file the same to the SSE for the record. SSE will appraise the market-making activities of primary dealers on a regular basis and adjust primary dealers accordingly based on the appraisal results.
>
> If a primary dealer wants to terminate making markets in particular fixed-income securities, it shall apply to the SSE [3] trading days in advance and continue to meet its market-making obligation before obtaining approval from SSE.

For further details on the actual trading of debt securities in the exchange bond market, please refer to Chapter IV.

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[22] The Listing Rules are presently only available in Chinese on the SSE website at http://www.sse.com.cn/lawandrules/sserules/listing/bond/c/c_20181207_4689321.shtml; and http://www.sse.com.cn/lawandrules/sserules/listing/bond/a/20181207/748906691a26f6822a6449ea02c09eb9.doc; and on the SZSE website at http://www.szse.cn/disclosure/notice/general/t20181207_563444.html; and http://docs.static.szse.cn/www/disclosure/notice/general/W020181207680391162930.pdf.

L. Market Entry Requirements (Nonresidents)

1. Nonresident Issuers

Nonresident issuers with business operations in the PRC (e.g., the head offices or treasury centers of international corporations) have the opportunity to raise funding in the PRC bond market using the Panda bond concept. This issuance concept is the only avenue for nonresidents to issue debt securities in the PRC.

The use of proceeds from a Panda bond issuance outside the PRC is possible. If a nonresident issuer plans to remit the proceeds from a Panda bond issuance outbound, CSRC may offer help to get approval from the PBOC and SAFE in advance.

Please also see Chapter III.B for a description of Panda bonds and Chapter III.E for information on issuance methods.

2. Foreign Investors

The PRC's overall capital market, and its bond market in particular, have become more accessible for foreign investors in recent years. As a major development in the free flow of capital and the liberalization of the Chinese renminbi, nonresidents may enter the PRC's capital market, including the exchange bond market via one of the approved investment channels for foreign investors. These approved channels include the QFII and RQFII schemes.

Please also see section N in this chapter for more details on the QFII and RQFII schemes.

M. Market Exit Requirements (Nonresidents)

1. Nonresident Issuers

There are no specific requirements for nonresident issuers following the redemption of a Panda bond.

2. Foreign Investors—Repatriation of QFII Quota

QFIIs who wish to exit the PRC bond market, including the exchange bond market, or who wish to repatriate all or part of their quota or investment amount, may do so while observing specific provisions in the QFII regulations. See also section N in this chapter for a full description of the QFII concept.

On 12 June 2018, the PBOC and SAFE issued the Regulations on Foreign Exchange Administration for Domestic Securities Investment by QFII and the Circular on the Administration for Domestic Securities Investment by RQFII to facilitate the repatriation of capital and management of foreign exchange risks associated with the securities investments of QFIIs and RQFIIs.

Under these new regulations, the monthly repatriation limit of 20% of a QFII's assets was removed, as was the requirement for a 3-month capital lockup period for redeeming the investment principal for both QFII and RQFII, allowing a QFII to repatriate the principal and profits of its securities investment in the PRC at any time based on its needs. Under the previous rules, a QFII could only repatriate the principal and profits of its securities investments by installment after the lapse of a 3-month lockup period.

In the case of liquidation, including product liquidation, the QFII custodian may handle the outward remittance of relevant funds and/or close the account for the QFII in accordance with the investor's written application or instruction, the special audit report on returns on investment issued by a certified public accountant in the PRC, and the relevant tax clearance or tax filing certificates.

Please also refer to the SAFE website for QFII and RQFII rules about injection and repatriation of quota.[23]

N. Regulations and Limitations Relevant for Nonresidents

The applicable regulations and possible limitations for nonresidents in relation to the exchange bond market are provided below in detail and grouped according to the key topics of interest for nonresidents.

1. Qualified Foreign Institutional Investor Scheme

The QFII scheme is a transitional arrangement that allows institutional investors who meet certain qualifications to invest in a defined scope of securities products in the domestic capital market in the PRC. The QFII scheme was introduced in 2002 as one of the first efforts to internationalize the Chinese renminbi. It allows global institutional investors to directly invest in the CNY-denominated capital market on a selective basis. Once licensed by CSRC, foreign institutional investors are permitted to buy, within a quota approved by SAFE, CNY-denominated debt securities in the exchange bond market.

Based on CSRC Decree No. 36, promulgated in 2006, a QFII may invest in the following financial instruments denominated in Chinese renminbi within the approved investment quota:

i. stocks, bonds, and warrants traded in or transferred in stock exchanges;
ii. fixed-income products traded in the CIBM;
iii. securities investment funds;
iv. stock index futures; and
v. other financial instruments permitted by CSRC.

A QFII may participate in the issuance of new shares, issuance of convertible bonds, additional issuance of shares, and the purchase of allotted shares. However, QFIIs and RQFIIs are not eligible to participate in bond repos.[24]

A QFII must meet certain eligibility criteria and remit the approved quota amount in foreign currency, then convert the amount into Chinese renminbi.

The first QFII license was awarded in July 2003. Since then, 284 QFIIs—including commercial banks, trust companies, insurers, asset managers, securities firms, sovereign wealth funds, pension funds, and endowment funds—have been approved

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[23] Announcement No. 1 of the State Administration of Foreign Exchange (12 June 2018) http://www.safe.gov.cn/en/2018/0612/1453.html; Regulations on Foreign Exchange Administration for Domestic Securities Investments by Qualified Foreign Institutional Investors (10 June 2018) (PDF file in English) http://www.safe.gov.cn/en/file/file/20180913/6d2d8858afe04753916f7f1c3f39840f.pdf?n=Regulations%20on%20Foreign%20Exchange%20Administration%20for%20Domestic%20Securities%20Investments%20by%20Qualified%20Foreign%20Institutional%20Investors.

[24] See http://bond.sse.com.cn/disclosure/announ/release/c/c_20161212_4213651.shtml.

via this avenue into the PRC's domestic listed securities market, with a total investment quota of USD99.5 billion as of 31 May 2018. The current list of QFIIs can be downloaded from the website of CSRC.[25]

On 12 June 2018, the Government of the PRC stated that it would ease restrictions on foreign institutional investors in a step to further open its financial markets. The new rules for the QFII and RQFII programs will make it even easier for these investors to move funds out of the PRC. Already, the 20% cap on the amount of capital that users of the QFII program were able to remit out of the country at any time has been removed.

2. QFII and RQFII Milestones

Table 2.11: Milestones Related to Foreign Issuer and Investor Participation

Date	Description
8 Sep 2018	The PBOC and MOF jointly issue regulations clarifying qualifications and filing procedures for Panda Bond issuance in the CIBM via public offering or private placement.
8 Aug 2018	CSRC announces the further opening of the exchange market, with entry requirements for QFIIs and RQFIIs to be relaxed, standardized, and harmonized, and the investment scope expanded.
12 Jun 2018	The PBOC and SAFE jointly issue regulations to facilitate the repatriation of capital and the management of foreign exchange risks for securities investment by QFIIs and RQFIIs.
3 Jul 2017	Bond Connect debuts.
Mar 2017	The first Panda bond is issued by a country along the Belt and Road Initiative and is listed on the SSE.
23 Sep 2016	CSRC verbally advises and removes asset allocation restrictions on QFIIs and RQFIIs; QFIIs and RQFIIs are now allowed to decide asset allocation at their discretion.
5 Sep 2016	SAFE further relaxes the RQFII rules on quota application and control, resulting in a simplified quota application process, easier inward and outward remittances, and a shorter lockup period.
May 2016	The CIBM Direct Scheme is launched, which allows foreign institutional investors direct access to the CIBM using a registration approach and bond settlement agent concept.
Feb 2016	Authorities announce foreign institutional investors will be given quota-free access to the CIBM, which will be known as the CIBM Direct Scheme.
Sep 2015	The PBOC eases restrictions on issuers of Panda bonds, allowing proceeds to be used within and outside the PRC.
Jul 2015	The PBOC introduces the CIBM Direct Scheme for foreign central banks, supranational financial institutions, and sovereign wealth funds without a quota and with registration.
Jun 2015	The PBOC permits banks carrying out offshore Chinese renminbi business to engage in bond repurchase agreements in the CIBM.
1 Oct 2014	A single identification code is assigned to QFIIs, RQFIIs, and RMB Special Deposit Accounts for securities trading in order to record investors' identity and securities assets.
2 May 2013	The PBOC announces new rules on account opening, account management, and asset allocation for the RQFII scheme; RQFIIs are permitted access to the CIBM.
Mar 2013	The scope of the RQFII scheme is expanded by CSRC, SAFE, and the PBOC to relax investment restrictions, the 1-year lockup period, and monthly repatriation frequency.
Dec 2012	QFII regulations on foreign exchange are revised, including the quota limit and monthly remittances.
Dec 2011	The RQFII Pilot Program is launched.
Dec 2010	The PBOC, MOF, NDRC, and CSRC amend Panda bond regulations and expand the scope of qualified issuers and use of Chinese renminbi proceeds, including outbound remittances.

[25] See http://www.csrc.gov.cn/pub/csrc_en/OpeningUp/RelatedLists/.

29 Sep 2009	QFII regulations on foreign exchange are revised, including the upper quota limit and capital transfer.
24 Aug 2006	CSRC, the PBOC, and SAFE jointly formalize QFII rules and lower QFII qualifications.
18 Feb 2005	The first Panda bond regulation is issued by the PBOC, MOF, NDRC, and CSRC.
May 2003	The QFII Pilot Program is launched; bonds are limited to listed bonds in the exchange bond market.
5 Nov 2002	The QFII scheme is introduced by CSRC and the PBOC to allow foreign capital to access financial markets in the PRC.

CIBM = China Inter-Bank Bond Market, CSRC = China Securities Regulatory Commission, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, PRC = People's Republic of China, QFII = Qualified Foreign Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor, SAFE = State Administration of Foreign Exchange, SSE = Shanghai Stock Exchange.
Sources: News releases and other material from BNP Paribas, Citibank N.A., Deutsche Bank, HSBC, Mizuho Securities, SSE, Standard Chartered Bank, and other publicly available sources.

Table 2.11 provides an overview of the milestones in the QFII and RQFII schemes, and of the participation of foreign issuers in relation to the general efforts of the Government of the PRC in opening its markets and internationalizing the Chinese renminbi.

Information on individual milestones can be found in the respective chapters and sections of this bond market guide. To see the development of the QFII quota since the inception of the QFII scheme, please refer to Chapter I.7. For individual allocations of RQFII quotas by market or region, please refer to section N in this chapter.

3. Application Process

The application process to obtain a QFII license and corresponding quota has been significantly simplified in recent years. The necessary steps are outlined below:

i. appoint a designated QFII Custodian;
ii. submit QFII application to CSRC via the designated QFII custodian;
iii. obtain QFII license from CSRC;
iv. submit quota application to SAFE via the designated QFII custodian;
v. obtain QFII investment quota;
vi. apply to open special Chinese renminbi and foreign exchange accounts with the designated QFII custodian;
vii. appoint up to three dedicated QFII brokers;
viii. open up to three securities accounts in CSDC, depending on the number of brokers appointed;
ix. remit funds (quota amount) in foreign currency; foreign exchange transactions are required to be done via the designated QFII custodian;
x. finalize agreements among QFIIs, the designated QFII custodian, and designated broker(s); and
xi. commence investments.

Further details on the eligibility criteria for QFIIs, as well as the application and approval process for a QFII license and quota, are available from the SSE and SZSE websites.[26]

[26] See SSE. Investors—QFII. http://english.sse.com.cn/investors/qfii/procedure/; SZSE. About—QFII. http://www.szse.cn/main/en/QFII/include/About_QFII.html.

4. Renminbi Qualified Foreign Institutional Investors Scheme

Established in 2011, the RQFII scheme is a policy initiative that allows foreign investors who hold an RQFII quota to invest directly in the PRC's equity and bond markets using offshore Chinese renminbi.[27] The introduction of the RQFII scheme relaxed existing restrictions on currency settlement, added permissible asset classes, and expanded investor eligibility.

Table 2.12: RQFII Quotas Granted by Economy and Region

No.	Granted Month and Year	RQFII Quota Granted to Country or Region	Investment Quota (CNY billion)	Allocated Quota (CNY billion)
1	Dec 2011 Jul 2017	Hong Kong, China (originally CNY270 billion)	500	315.137
2	Oct 2013	United Kingdom	80	46.484
2	Oct 2013	France	80	24.0
2	Oct 2013 Nov 2015	Singapore (originally CNY50 billion)	100	74.655
5	Jul 2014	Republic of Korea	120	72.887
5	Jul 2014	Germany	80	10.543
7	Nov 2014	Canada	50	8.653
7	Nov 2014	Australia	50	32.006
7	Nov 2014	Qatar	30	0.0
10	Jan 2015	Switzerland	50	7.0
11	Apr 2015	Luxembourg	50	15.187
12	May 2015	Chile	50	0.0
13	Jun 2015	Hungary	50	0.0
14	Nov 2015	Malaysia	50	1.6
15	Dec 2015	Thailand	50	1.1
15	Dec 2015	United Arab Emirates	50	0.0
17	Jun 2016	United States	250	29.82
18	Dec 2016	Ireland	50	1.1
19	May 2018	Japan	200	0.0
Total			1,940	640.172 (203 entities)

CNY = Chinese renminbi, RQFII = Renminbi Qualified Foreign Institutional Investor.
Note: Data as of 29 September 2018.
Source: ABMF SF1 compilation from information collected from publicly available sources, including http://fund.jrj.com.cn/2018/10/06123625163046.shtml (Chinese version only).

As pilot institutions, subsidiaries in Hong Kong, China of mainland firms and securities companies were able to use their Chinese renminbi raised from business activities in Hong Kong, China to conduct securities investment business in the mainland (bond) market within the approved investment quota. The RQFII quota for a single investor is limited to CNY20 billion.

[27] On 16 December 2011, the PBOC, CSRC, and SAFE jointly issued the Measures for Pilots of Domestic Securities Investment by Qualified Foreign Institutional Investors of Fund Management Companies and Securities Companies to allow fund management companies to meet certain qualifications.

As of 29 September 2018, the Government of the PRC had granted a total investment quota amounting to CNY1,940 billion to investors in 20 countries and regions. At the same time, CSRC had granted 203 individual RQFII licenses, with a total allocated quota of CNY640.2 billion (Table 2.12).

5. RQFII Application Process

The application process to obtain an RQFII license and corresponding quota has been significantly simplified in recent years. The actual steps necessary are comparable to those for a QFII (see section 3), with the exception that there is no need to open a foreign currency account.

SAFE typically allocates a RQFII quota within 1 month of receipt of the application but distinguishes between quotas for open-ended funds and for other products or funds.

6. Foreign Exchange Controls

The Chinese renminbi is the currency of the PRC. While the official currency code for the Chinese renminbi is “CNY,” the currency is most often abbreviated or referred to as “RMB,” including in official publications. The Chinese renminbi is freely convertible from and into other currencies, but it may not be used outside of the PRC. Instead, the PRC offers the use of offshore Chinese renminbi, which is referred to as “CNH,” to be held in accounts and transacted outside the PRC, but not in its domestic market. Commercial banks and other financial institutions in Hong Kong, China; the PRC; and in designated Chinese renminbi offshore centers, which are known officially as “offshore RMB centers,” are able to facilitate the exchange from onshore to offshore Chinese renminbi and vice versa.

Foreign exchange transactions, with the exception of the initial remittance of QFII or RQFII quota amounts, are required to observe the real demand principle; that is, the customer must prove to the executing financial institution that an underlying transaction exists to support a foreign exchange transaction. In the context of the investment of debt securities, the custodian of the investor will normally keep records for both the securities and foreign exchange transaction to fulfill this requirement. Violations may attract heavy fines.

7. Bank Accounts in Domestic or Foreign Currency

Under the provision of the QFII and RQFII schemes, nonresident investors in the exchange bond market can open a foreign currency account for their funding currency as well as a Chinese renminbi account for the settlement of foreign exchange and securities transactions. The CNY-denominated account is referred to as a “Special CNY Account” since it is opened for a particular purpose. Transactions were originally limited to foreign exchange and securities trades, as well as the placement of funds to maximize returns. The latest regulations promulgated in June 2018 allow QFIIs and RQFIIs to hedge exchange rate risk through entering into CNY–foreign currency derivative transactions, using their Special CNY Account. While the opening of CNY-denominated accounts by foreign institutions is subject to regulations issued by the PBOC, the opening of a Special CNY Account itself is not subject to the approval of the PBOC.

8. Intermediary Limitations

When investing in the PRC’s capital market, including the exchange bond market, QFIIs and RQFIIs are required to appoint one designated QFII custodian and (up to) three RQFII custodians as well as three designated brokers for all their transactions. QFIIs may only appoint one custodian, while for RQFIIs, it could be up to three custodian banks. The intention of this limitation is that transactions of QFIIs and RQFIIs are easier to be managed against the QFII or RQFII provisions on limitations in investment or ownership in certain products or debt securities.

9. Foreign Ownership Limitations and Other Information Disclosure Requirement

There are no outright foreign ownership limitations in the exchange bond market. At the same time, foreign ownership disclosure obligations for debt securities may apply to QFIIs and are limited to the acquisition and holding of convertible bonds.

If a QFII were to acquire or hold more than 20% of the total amount of convertible bonds issued by a listed company, a specific disclosure obligation will need to be observed. This amount (20%) represents the initial threshold for reporting on convertible bonds. Further purchases of the same convertible bond would constitute another reporting event.[28]

The Substantial Shareholder Reporting Entity (SSRE), which is so referred to in applicable regulations, here a QFII, must submit a report to CSRC, the exchange on which the stock of the company issuing the convertible bonds is listed, and the listed company itself. It must also make an announcement to the general public via one of the media designated by the CSRC, which include the China Securities Journal, Securities Times, and Shanghai Securities News. Such report must include the following:

i. name and domicile of the SSRE;
ii. name of the listed company;
iii. change in the number of shares held or controlled by the SSRE;
iv. how the changes in the shareholding were effected (i.e., through securities trading, a contractual share transfer, an administrative allocation, or a court ruling); and
v. all transactions in the shares of the listed company conducted by the SSRE over the previous 6 months.

10. Borrowing and Lending

Nonresident investors are not permitted to formally borrow or lend money through their Special CNY Account. This excludes treasury transactions, such as the placement of funds from the account in return for the payment of interest.

Currently, QFIIs and RQFIIs are not able to participate in exchange bond repo transactions. The Administrative Measures on Domestic Securities Investment of Qualified Foreign Institutional Investors and the Regulations on Implementing the Relevant Issues Concerning the Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors specify that Qualified Investors may, within the approved investment quota, invest in those CNY-denominated financial instruments that are shown on the included positive list; repo transactions are presently not included on that list.

Please see also Chapter IV.I for more information on repo transactions in the exchange bond market.

[28] For further information on the foreign ownership disclosure obligation for QFIIs, please refer to the SSE website at http://english.sse.com.cn/overseasinvestors/qfii/disclosure/.

O. Regulations on Credit Rating Agencies

This section covers the regulations and requirements applicable to CRAs operating in the PRC. For the actual credit rating requirements in the PRC bond market and the application of such credit ratings in the issuance process of bonds, please refer to Chapter III.O.

At present, there are eight major CRAs in the PRC bond market. Two of these are joint domestic–foreign ventures; one is engaged in technical cooperation with a foreign enterprise, and the remaining five are domestically funded agencies.

The PBOC serves as the main supervisory authority of the credit rating industry. As such, it is mainly responsible for drafting the relevant rules and regulations governing the credit rating system, and drawing up development strategies and policies, among many other responsibilities. CSRC supervises credit rating activities in the exchange bond market while NDRC oversees credit ratings for enterprise bonds.

As of December 2018, only domestic rating agencies had been accredited in the PRC bond market. However, both Fitch Ratings and Standard & Poor's have indicated that they will seek licenses to launch credit rating units in the PRC.

On 12 May 2017, the MOF issued the Initial Results of the 100-Day Action Plan of the China–United States Comprehensive Economic Dialogue in which Article 5 sets out that by 16 July 2017, the PRC was to allow wholly foreign-owned financial services firms to provide credit rating services and begin the licensing process for credit investigation. CSRC shared this approach toward opening up the credit rating industry and removed the equity cap on foreign ownership in the administrative licensing process, effective 16 July 2017, and permitted wholly foreign-owned enterprises and the holding subsidiaries of overseas rating agencies in the PRC to apply for a securities credit rating license.

Subsequently, in September 2018, the PBOC and CSRC jointly released Announcement No. 14, which stipulated the gradual unification of the CIBM and exchange bond market credit rating business qualifications. It was aimed at strengthening the sharing of information on the supervision of CRAs, promoting the improvement of the internal system of CRAs, unifying the rating standards, and improving the quality of credit ratings.

P. Regulations on Securities Pricing Agencies

This section explains the regulations and requirements applicable to securities pricing agencies operating in the PRC. Information on the pricing of bonds in the exchange bond market can be found in Chapter III.K.

Presently, there are no dedicated securities pricing agencies operating in the exchange bond market. Both the SSE and SZSE provide quotations and traded prices on a daily basis but leave the calculation of projected prices or those for debt securities without a daily traded price to a joint subsidiary.

The China Securities Index Co., Ltd. (CSI) (中证指数有限公司) was established on 25 August 2005 as a joint venture between the SSE and SZSE, under guidance from the chairman of CSRC at the time of formation. CSI is a professional business entity specializing in the creation and management of indices and index-related services; it also carries out securities pricing to support the index's calculation. CSI is registered with the Free Trade Pilot Zone Market Authority.

CSI is dedicated to serving the capital market and promoting financial innovation, relying on the information and technical advantages of the two exchanges. Focusing on the series of CSI indices, exchange indices, and customized indices, CSI aims to become the leading index provider in the PRC.

CSI's significant policies and procedures included the following:

- Control Framework of Index Business of China Securities Index Co., Ltd., issued 14 December 2018;
- Terms of Reference of the Index Oversight Committee of China Securities Index Company Limited, issued on 17 December 2018; and
- the Current Members of the Index Oversight Committee of China Securities Index Company Limited, issued on 17 December 2018.

In March 2017, CSI was also officially approved to engage in credit rating services for the PRC's securities market. More information on CSI and its services is available from its website.[29]

[29] See http://www.csindex.com.cn/.