

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 PRC. 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 *jǐǎnhuàzì* (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 may provide official or unofficial English translations of the laws, regulations, and directives for which they are responsible. For example, NAFMII carries on its website a selection of the relevant laws and regulations for the CIBM and selected self-regulatory rules and guidelines in English.⁸ CFETS also carries on its website a selection of relevant regulations, market rules, and guidelines for the CIBM in English.⁹

Some market institutions provide unofficial English translations of the laws, regulations, and directives under their own purview. These English translations are typically available from an institution's websites, market observers, or the law departments of universities.¹⁰

The English version of the PBOC website contains a list of selected laws and regulations related to the CIBM and other market segments, which are available for

⁸ See http://www.nafmii.org.cn/english/lawsandregulations/relevantlaws_e/index.html/ or http://www.nafmii.org.cn/english/lawsandregulations/selfregulatory_e/index.html.

⁹ CFETS rules and regulations related to nonresident issuers and investors can be found at <http://www.chinamoney.com.cn/english/rarmrud/>.

¹⁰ As an example of a regulatory institution's website, SHCH posts rules and regulations with relevance for nonresident issuers and investors on its English language website. See <http://english.shclearing.com/ccpservices/rules/?xyz=0.8713127992131637>. For an example of a university law department's website, see the Peking University Center for Legal Information (北大英华科技有限公司) <http://en.pkulaw.cn/>.

viewing or download.¹¹ 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.¹² CSRC has an English website. Hence, some English translations of laws and regulations, in particular those pertaining to the QFII and RQFII regimes, may be available from this site. At the same time, the CSRC website does not contain rules and regulations related to the CIBM. 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 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 financing instrument issuance documentation and Appendix 5 for a list of Chinese technical terms and their interpretations in English.

C. Legislative Structure

The legal framework of the China 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 Inter-Bank Bond Market.

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 its 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, 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 NAFMII. Industry provisions and business rules are issued by bond market infrastructure or market institutions such as CCDC, CFETS, and SHCH.

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

¹¹ See <http://www.pbc.gov.cn/english/130733/index.html>.

¹² CSRC. Laws and Regulations. http://www.csrc.gov.cn/pub/csrc_en/laws/rfdm/.

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

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, and guidelines (issued by NAFMII and bond market infrastructure institutions such as CCDC and SHCH)
Sixth tier	Business agreements (service agreements signed by and between the bond market infrastructure institutions and customers)

CCDC = China Central Depository & Clearing Co., Ltd.; NAFMII = National Association of Financial Market Institutional Investors; NPC = National People's Congress; SHCH = Shanghai Clearing House.
Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team based on CCDC. 2016. *China Bond Market Overview 2015*. Beijing.

In practice, market laws and regulations are the general terms 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 China Inter-Bank Bond 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)	<ul style="list-style-type: none"> • Law of the People's Republic of China on the People's Bank of China, 2003 • Law of the People's Republic of China on Banking and Supervision, 2004 • Law of the People's Republic of China on Funds for Investment in Securities, 2009 • Company Law of the People's Republic of China, 2013 • Securities Law of the People's Republic of China, 2014
Administrative regulations	<ul style="list-style-type: none"> • Administrative Measures for Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market, 2008, No.1 PBOC (银行间债券市场非金融企业债务融资工具管理办法) • Administrative Measures for the Registration, Depository and Settlement of Bonds in the Inter-Bank Bond Market, 2009, No. 1 PBOC (银行间债券市场债券登记托管结算管理办法) • Regulations on the Administration of Enterprise Bonds, 2011 Revision

continued on next page

Table 2.2 *continued*

	<ul style="list-style-type: none"> • Interim Regulation on Enterprise Information Disclosure, 2014 • Guidelines for Book Building in Issuance of Enterprise Bonds (Interim), 2014 • Interim Measures for Administration of the Bond Issuance by Overseas Institutions in the National Inter-Bank Bond Market (全国银行间债券市场境外机构债券发行管理暂行办法) (PBOC and MOF Notice 2018, No.16)
Departmental rules	<ul style="list-style-type: none"> • Administrative Measures for the Cross-Market Transfer of Government Bonds, 2003 • Regulation of the People's Republic of China on Foreign Exchange Administration, 2008 Revision • Regulation on Treasury Bonds of the People's Republic of China, 2011 • Administrative Measures for the Issuance and Transactions of Corporate Bonds, 2015 • Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong SAR, 2017, No. 1 (内地与香港债券市场互联互通合作管理暂行办法)
Self-regulatory rules, industry provisions, business rules and guidelines	<ul style="list-style-type: none"> • Rules for the Registration and Issuance of Debt Financing Instruments of Non-Financial Enterprises (非金融企业债务融资工具注册发行规则2016版), 19 February 2016 • Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具信息披露规则), 8 December 2017 • Rules and Procedures for the Registration of Debt Financing Instruments of Non-Financial Enterprises for Private Placement, (非金融企业债务融资工具定向发行注册工作规程) 29 August 2017 • Provisions for the Selection of Specialized Institutional Investors of Private Placement Notes (定向债务融资工具专项机构投资者遴选细则(2018版)) and the List of the Specialized Institutional Investors of Private Placement Notes (2018年度定向债务融资工具专项机构投资者名单), 14 December 2018 • Model Investor Protection Clauses 2019 (投资人保护条款示范文本(2019版)的公告), 10 April 2019 • Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (for Trial Implementation) (境外非金融企业债务融资工具业务指引(试行)), 17 January 2019 • Guidelines for Default and Risk Disposal on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具违约及风险处置指南), 27 December 2019 • Meeting Rules and Procedures for Holders of Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (2019 Revision) (银行间债券市场非金融企业债务融资工具持有人会议规程) (修订稿), 27 December 2019 • Guidelines for Bond Trustee Business of Non-Financial Enterprise Debt Financing Instruments in the Inter-Bank Bond Market (for Trial Implementation) (银行间债券市场非金融企业债务融资工具受托管理人业务指引(试行)), 27 December 2019 • Rules and Procedures for the Registration of Debt Financing Instruments of Non-Financial Enterprises for Public Offering (非金融企业债务融资工具公开发行注册工作规程2020版), effective 1 July 2020

MOF = Ministry of Finance, NAFMII = National Association of Financial Market Institutional Investors, OTC = over-the-counter, PBOC = People's Bank of China, SAR = Special Administrative Region.

Notes: www.lawinfochina.com is a website for English-language resources on Chinese law created and maintained by Chinalawinfo Co., Ltd. and the Legal Information Center of Peking University. Chinalawinfo Co., Ltd. is a legal information and education company established by Peking University through its Legal Information Center. For details, see <http://www.lawinfochina.com/search/SearchLaw.aspx>.

Sources: ABMF SF1 and information on laws and regulations from www.lawinfochina.com and the NAFMII website.

D. Inter-Bank Bond Market Regulatory Structure

The CIBM is overseen by the PBOC (as the overall regulatory authority) and administered by NAFMII (as the SRO for the CIBM) under the guidance of the PBOC. The two depositories for the CIBM—the CCDC and the SHCH—issue self-regulatory rules and business rules for its account holders and constituents that are binding.

It is notable that the scale and style of regulation differs between the CIBM and the exchange bond market. Both markets have historically adopted different approaches for setting regulations. For example, in the CIBM, under the mandate and supervision of the PBOC, NAFMII administers much of the market and its participants.

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

Table 2.3: Supervisory Institutions and Instruments under Their Remit

Institution	Subjects
PBOC	Overall supervision for the CIBM, policy bank financial bonds, Panda bonds (issued in the CIBM)
NDRC	Issuances of enterprise bonds and railway bonds
CBIRC	Financial bonds and credit asset-backed securities issued by banking institutions, financial bonds issued by insurance institutions
CSRC	Exchange bond market, National Equities Exchange and Quotations (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)
SAFE	Panda bonds, QFII and RQFII quotas (until September 2019)

CBIRC = China Banking and Insurance Regulatory Commission, CIBM = China Inter-Bank Bond Market, CSRC = China Securities Regulatory Commission, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, QFII = Qualified Foreign Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor, SAFE = State Administration of Foreign Exchange. Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team 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(s)
Commercial paper of securities companies	Securities companies	CSRC, SAC, NAFMII (for registration)
Debt financing instruments	Medium-term notes, commercial paper, short-term commercial paper, private placement notes, SME collective notes, asset-backed notes	PBOC, NAFMII (for registration)
Enterprise bonds	Enterprises	NDRC, NAFMII (for registration)
Financial bonds	Commercial banks, insurance institutions, non-bank financial institutions	CBIRC, PBOC, NAFMII (for registration)
	Asset management companies	
Panda bonds	Foreign financial institutions, foreign nonfinancial enterprises	MOF, PBOC, SAFE, NAFMII (for registration)
Policy bank financial bonds ^a	Policy banks	PBOC, NAFMII (for registration)

CBIRC = China Banking and Insurance Regulatory Commission, CSRC = China Securities Regulatory Commission, MOF = Ministry of Finance, NAFMII = National Association of Financial Market Institutional Investors, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, SAC = Securities Association of China, SAFE = State Administration of Foreign Exchange, SME = small and medium-sized enterprises.

^a Policy bank 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 bank financial bonds are issued both in the 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 Inter-Bank Bond Market.

Notes: Table entries relate to the Inter-Bank Bond Market only. Bond types are presented in alphabetical order.

Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team compilation based on Association of Corporate Counsel. 2017. *Capital Markets Global Guide 2016/2017: Debt Capital Markets in China—Regulatory Overview*. Beijing.

1. Ministry of Finance (中华人民共和国财政部)

The MOF handles fiscal policy, economic regulations, and government expenditure for the state, formulating and implementing policies, rules, and regulations on managing the government's domestic debts and governing treasury bond issuance. The MOF also formulates policies, rules, and regulations on managing the government's external debts. Together with the PBOC, the MOF released the Interim Measures for the Administration on Bonds Issued by Overseas Issuers on the National Inter-Bank Bond Market in September 2018, which regulate the issuance of Panda bonds in the PRC.

As part of its remit to formulate and supervise accounting regulations, the MOF also supervises the accounting firms that help prepare and audit the financial statements of issuers of debt financing instruments in the CIBM.

At the time of compilation of this bond market guide, the website of the MOF was only available in Chinese.

2. People's Bank of China (中國人民銀行)

The PBOC was established on 1 December 1948 through the consolidation of Huabei Bank, Beihai Bank, and Xibei Farmer Bank. In September 1983, the State Council decided to allow the PBOC to function as a central bank. The Law of the People's Republic of China on the People's Bank of China, adopted on 18 March 1995 and amended from time to time, has since legally confirmed the PBOC's central bank status.¹³

The amended Law of the People's Republic of China on the People's Bank of China, adopted on 27 December 2003, provides that the PBOC perform the following major functions:

- i. drafting and enforcing relevant laws, rules, and regulations that are related to fulfilling its functions;
- ii. formulating and implementing monetary policy in accordance with the law;
- iii. issuing the renminbi and administering its circulation;
- iv. regulating financial markets, including the inter-bank lending market, CIBM, foreign exchange market, and gold market;
- v. preventing and mitigating systemic financial risks to safeguard financial stability;
- vi. maintaining the renminbi exchange rate at an adaptive and equilibrium level, and holding and managing the state foreign exchange and gold reserves;
- vii. managing the state treasury as fiscal agent;
- viii. making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;
- ix. providing guidance to anti-money-laundering work in the financial sector and monitoring money-laundering-related suspicious fund movement;
- x. developing a statistical system for the financial industry and being responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecasts;
- xi. administering credit reporting industry in the PRC and promoting the building up of a credit information system;
- xii. participating in international financial activities in the capacity of the central bank;
- xiii. engaging in financial business operations in line with relevant rules; and
- xiv. performing other functions prescribed by the State Council.

In the context of the China bond market, the PBOC regulates and supervises the CIBM and its constituents, and it approves Panda bond issuances by nonresident financial institutions in the CIBM and domestic bond issuances by policy banks. The PBOC appoints and supervises bond settlement agents and market makers. The PBOC's open market operation is also carried out using CIBM infrastructure and practices.

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

¹³ The Law of the People's Republic of China on the People's Bank of China (中華人民共和國中國人民銀行法).

3. China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会)

CBIRC is responsible for the licensing and supervision of the activities of banks and insurance companies, and their issuance of financial bonds and ABS.

CBIRC was officially unveiled on 8 April 2018 as a new regulatory authority, combining the functions of the then China Banking Regulatory Commission (CBRC) and the then China Insurance Regulatory Commission (CIRC).

The main responsibilities of CBIRC are to

- i. regulate and supervise the banking and insurance sectors in the PRC in accordance with laws and regulations; ensure the legal and stable operation of banking and insurance institutions;
- ii. conduct systematic research on reform and opening up as well as on supervisory effectiveness of the banking and insurance sectors; engage in strategic planning for financial reform and development, the drafting of laws and regulations of the banking and insurance sectors, and the establishment of a prudential regulation framework and a financial consumer protection framework; formulate relevant rules and regulations for the banking and insurance sectors, and make recommendations for the formulation and amendment of these rules and regulations;
- iii. formulate supervisory rules for prudential regulation and financial consumer protection in accordance with the framework of prudential regulation and financial consumer protection; develop operational rules and supervisory rules for microfinance companies, financing guarantee companies, pawnshops, leasing companies, commercial factoring companies, local asset management companies, and other institutions; and establish a supervisory framework for the business activities of online lending institutions;
- iv. license banking and insurance institutions and their business scope in accordance with laws and regulations; review and approve the qualification of senior management of relevant institutions; and formulate codes of conduct for banking and insurance employees;
- v. conduct supervision on banking and insurance institutions in terms of corporate governance, risk management, internal control, capital adequacy, solvency, business operation, and information disclosure;
- vi. conduct on-site examination and off-site surveillance on banking and insurance institutions, carry out risk and compliance assessment, protect the legitimate rights of financial consumers, and penalize illegal acts and misconducts;
- vii. compile and publish statistical reports on the banking and insurance sectors, make due disclosure in accordance with requirements and perform the duty of financial statistical work;
- viii. establish risk monitoring, control, assessment, and early warning mechanisms for the banking and insurance sectors; track, analyze, monitor, and forecast the banking and insurance operations;
- ix. make recommendations for and oversee the implementation of the contingent risk resolution plans of depository financial institutions and insurance institutions;
- x. crack down on illegal financial activities in accordance with laws and regulations, including identifying, punishing, and banning illegal fundraising activities and conducting relevant coordination work;
- xi. provide guidance for and monitor the work of local financial regulatory authorities;
- xii. engage in the activities of international banking and insurance organizations, including the international regulatory standard-setting work for the banking and

- insurance sectors; facilitate international cooperation in the banking and insurance sectors;
- xiii. carry out the routine administrative work of the supervisory boards of major banks; and
 - xiv. perform other responsibilities assigned by the central government.

In the context of the CIBM, CBIRC licenses commercial banks and some non-bank financial institutions (such as finance companies) that participate in the CIBM, and it approves the issuance of debt financing instruments of commercial banks in the CIBM and the exchange bond market, pursuant to the Law of the People's Republic of China on Commercial Banks, 2015, which is also known as the Commercial Banks Law.

More information on the role and functions of CBIRC following the merger are available on its website.¹⁴

4. 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. CSRC is a ministerial-level public institution directly under the State Council. It performs a unified regulatory function, according to the relevant laws and regulations, and with the authority granted by the State Council over the securities and futures market of the PRC and some of its constituents across market segments, it maintains an orderly securities and futures market order, and ensures the legal operation of the capital market.

While CSRC is the key regulatory authority for the exchange bond market, it also fulfills some regulatory functions with regard to the CIBM. In this context, CSRC is responsible for the issuance of commercial paper and ABS by securities companies in the CIBM, as well as the issuance of corporate bonds.

At the same time, CSRC is responsible for the regulations underlying the QFII and RQFII market access schemes and, together with the PBOC, governs their eligibility for and activities in the CIBM.

5. National Association of Financial Market Institutional Investors (中国银行间市场交易商协会)

NAFMII acts as the SRO for the CIBM under the supervision and guidance of the PBOC. NAFMII issues self-regulatory rules for its members and constituents in the CIBM and their conduct, including regulatory processes on the registration (注册) and issuance of debt financing instruments.

NAFMII was founded on 3 September 2007, based on the approval of the State Council. NAFMII aims to support and drive the development of the OTC financial market in the PRC, which is composed of the CIBM, interbank lending market, foreign exchange market, commercial paper and SCP market, and gold market.

The mandate for NAFMII as an SRO includes the following responsibilities:

- i. formulate self-regulatory rules, business standards, and professional ethics, and supervise their implementation;
- ii. admit and administer the licenses of lead underwriters, underwriters, and credit rating agencies (CRAs) in the CIBM;

¹⁴ See <https://www.cbirc.gov.cn/en/view/pages/index/index.html>.

- iii. protect the legitimate rights and interests of NAFMII members and represent them to raise concerns, proposals, and requests they encounter during their business operations to related authorities and legislatures;
- iv. educate members and enhance their awareness to obey relevant state laws and regulations as well as guidelines, norms, and rules promulgated by NAFMII; supervise and examine member's practices and penalize those who violate the NAFMII constitution and self-regulatory rules in a bid to maintain market order;
- v. mediate disputes between NAFMII members and customers;
- vi. organize continuing education and business training programs for practitioners to improve their business skills and vocational capabilities;
- vii. organize research and exchanges among NAFMII members; initiate and manage the research and development of new products that are demanded by members, suitable to the characteristics of the CIBM and in accordance with relevant state stipulations to promote standardized business operation and business management;
- viii. collect, prepare, and publish relevant market data and information to serve NAFMII members;
- ix. conduct studies on issues related to market development, offer NAFMII members suggestions on business expansion, and provide ideas for market development to relevant supervisory authorities;
- x. carry out other work aimed at fulfilling NAFMII's purpose; and
- xi. undertake other duties and responsibilities bestowed by the Congress of NAFMII and those delegated by the PBOC.

Issuers in the CIBM need to register with NAFMII and also have their nonfinancial enterprise debt financing instruments registered with NAFMII prior to issuance (exceptions apply, see section F for details). Other CIBM market participants and intermediaries—including underwriters, accounting and auditing firms, law firms, and CRAs—should be members of NAFMII. NAFMII issues underwriting and lead underwriting licenses for debt financing instruments of nonfinancial enterprises to qualified financial institutions who must be its members; please see section M for a description of what qualifications are to be met by underwriters. NAFMII also tracks and evaluates the performance of underwriters as well as market makers and issues its findings and corresponding rankings on an annual basis. In addition, NAFMII admits CRAs and administers their licenses in the CIBM, and accepts filings from and administers bond trustees.

Investors need not be NAFMII members by default; however, the two types of PPN institutional investors, DIIs and SIIIs, must be members of NAFMII.

For details on the membership, roles, and responsibilities of NAFMII in the context of the issuance, trading, and continuous disclosure on debt financing instruments in the CIBM, as well as governance of the CIBM, please see sections G and H in this chapter.

6. National Development and Reform Commission (国家发展和改革委员会)

NDRC is the government agency responsible for supervising the issuance of enterprise bonds (企业债券); see also Chapter III.B for more information on the types of bonds issued in the CIBM. For historical reasons, enterprise bonds have always been supervised by NDRC, being a government agency overseeing SOE reform. NDRC also oversees credit ratings for enterprise bonds.

The NDRC's Department of Fiscal and Financial Affairs is responsible for studying and analyzing the capital balance of the whole society; studying fiscal and monetary policies and issues of fiscal and financial system reform, and analyzing the

implementation of fiscal and monetary policies and making recommendations in this regard; putting forward development strategies and policy recommendations concerning direct financing; reviewing and approving securities issuance of nonlisted companies; and taking the lead in promoting the development of investment funds and venture funds, as well as the development of relevant systems.¹⁵

7. 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; and 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 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 behavior that violates 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 CIBM, SAFE had been responsible for allocating and supervising the QFII and RQFII quotas (until September 2019), and it continues to provide approval on the issuance of Panda bonds by nonresident issuers. Please also see section N in this chapter for a detailed description of the QFII and RQFII concepts and the related role of SAFE.

¹⁵ See http://en.ndrc.gov.cn/mfod/200812/t20081218_252208.html.

E. Regulatory Framework for Debt Financing Instruments

The regulatory framework for debt financing instruments in the PRC is very much dependent on the type of bond and the market in which it is intended to be traded. For example, for the purpose of issuing bonds, different provisions apply to different types of bonds with respect to their governing regulatory authority, information disclosure, and credit rating, among others (Table 2.5).

Table 2.5: Overview of Regulatory Framework for Debt Financing Instruments in the Inter-Bank Bond Market

Main regulator	People's Bank of China (PBOC)
Additional regulators	<ul style="list-style-type: none"> • China Banking and Insurance Regulatory Commission (CBIRC) • China Securities Regulatory Commission (CSRC) • National Development and Reform Commission (NDRC)
Self-regulatory organization	National Association of Financial Market Institutional Investors (NAFMII)
Trading permission	Yes, admission by China Foreign Exchange Trade System (CFETS) to its platform
Fundamental and key legislation, key regulations	<ul style="list-style-type: none"> • Law of the People's Republic of China on the People's Bank of China, 2003 • Measures for the Administration of Bond Transactions in the National Inter-Bank Bond Market, 2000 • Measures for the Administration of the Issuance of Financial Bonds in the National Inter-Bank Bond Market, 2005
Regulations for cross-transfers between the CIBM and exchange market	<ul style="list-style-type: none"> • Regulation on Central Government Bonds of the People's Republic of China, 2011 • Regulations on Administration of Enterprise Bonds, 2011
Issuance approval	Yes; by responsible regulatory authority and registration with NAFMII (for debt financing instruments issued by nonfinancial enterprises)
Investor approval	Yes; membership with NAFMII required; regulatory approval necessary for nonresident investors under market access programs (QFII, RQFII, QOII)

CIBM = China Inter-Bank Bond Market, QFII = Qualified Foreign Institutional Investor, QOII = Qualified Overseas Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor.

Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team.

In the CIBM, the issuance of bonds and notes—here referred to as debt financing instruments—requires approval from the PBOC for selected instrument types and registration with NAFMII in cases of issuance of debt financing instruments by nonfinancial enterprises. In addition, bonds and other debt financing instruments to be issued by specific entities require the review and approval of NDRC, while debt issuances by commercial banks, finance companies, and insurance companies require approval from CBIRC. Issuances by securities companies in the CIBM, such as commercial paper, also require the consent of CSRC.

Investment in debt financing instruments issued in the CIBM may be subject to specific approvals, particularly if investors are nonresidents, from the responsible regulatory authorities; please see Chapter III.P for details.

F. Debt Financing Instrument Issuance Regulatory Processes

There is no universal approval procedure for the issuance of debt financing instruments 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 CIBM upon registration with NAFMII. When bonds are intended to be issued in the CIBM, approval from the PBOC may be required for selected instrument types and the bonds need to be registered with NAFMII to be traded on the CFETS platform.

Public offerings of debt securities should meet the conditions prescribed in the Securities Law and the Company Law, as well as administrative regulations formulated by NDRC for enterprise bonds and the provisions in the Commercial Banks Law for financial bonds under the purview of CBIRC. Private placements need to observe relevant regulations and rules for an issuance in the CIBM, including the offer mechanism to specific investor types prescribed by NAFMII.

1. Regulatory Processes by Issuer Type

Table 2.6 provides an overview of these regulatory processes by corporate issuer type and identifies which regulatory authority or market institution is involved. 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.¹⁶ 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.

Approval required from regulatory authorities, in fact the involvement of regulatory authorities in the issuance process for debt financing instruments, may depend on the nature of the debt financing instrument and the issuer type. The issuance of debt financing instruments by selected domestic financial institutions (e.g., policy banks) is regulated and approved by the PBOC, while commercial banks, finance companies, and insurance companies require approval from CBIRC. These debt financing instruments need not be registered with NAFMII; NAFMII only undertakes the registration for issuances by nonfinancial enterprises. Nonresident financial institutions are required to obtain issuance approval for their Panda bonds from the PBOC. Nonresident issuers approved or registered to issue bonds in the PRC shall complete the applicable foreign exchange registration with SAFE.

¹⁶ 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 Inter-Bank Bond Market by Issuer Type

Type of Issuer	SAFE	PBOC (supervision of issuances)	NAFMII (registration)	NDRC (approval and registration)	CBIRC or CSRC
Resident issuer					
Resident nonfinancial institution	N.A.	N.A.	X	X ^a	N.A.
Resident financial institution	N.A.	X	N.A.	N.A.	X ^b
Resident issuing FCY-denominated bonds	X	N.A.	N.A.	N.A.	N.A.
Nonresident issuer					
Nonresident nonfinancial institution	X ^c	X	X	N.A.	N.A.
Nonresident financial institution	X ^c	X	N.A.	N.A.	N.A.
Nonresident issuing FCY-denominated	X ^c	X ^d	X	N.A.	N.A.

CBIRC = China Banking and Insurance Regulatory Commission, CSRC = China Securities Regulatory Commission, FCY= foreign currency, MOF = Ministry of Finance, N.A. = not applicable, NAFMII = National Association of Financial Market Institutional Investors, NDRC = National Development and Reform Commission, PBOC = People's Bank of China, SAFE = State Administration of Foreign Exchange.

^a Approval or registration required from NDRC for enterprise bonds.

^b Approval required from CBIRC for bonds issued by financial institutions (including non-bank financial institutions, such as finance companies and insurance companies) or CSRC for bonds issued by securities companies.

^c Approval is not required; a foreign exchange registration with SAFE is required.

^d Bonds denominated in special drawing rights are approved by the PBOC.

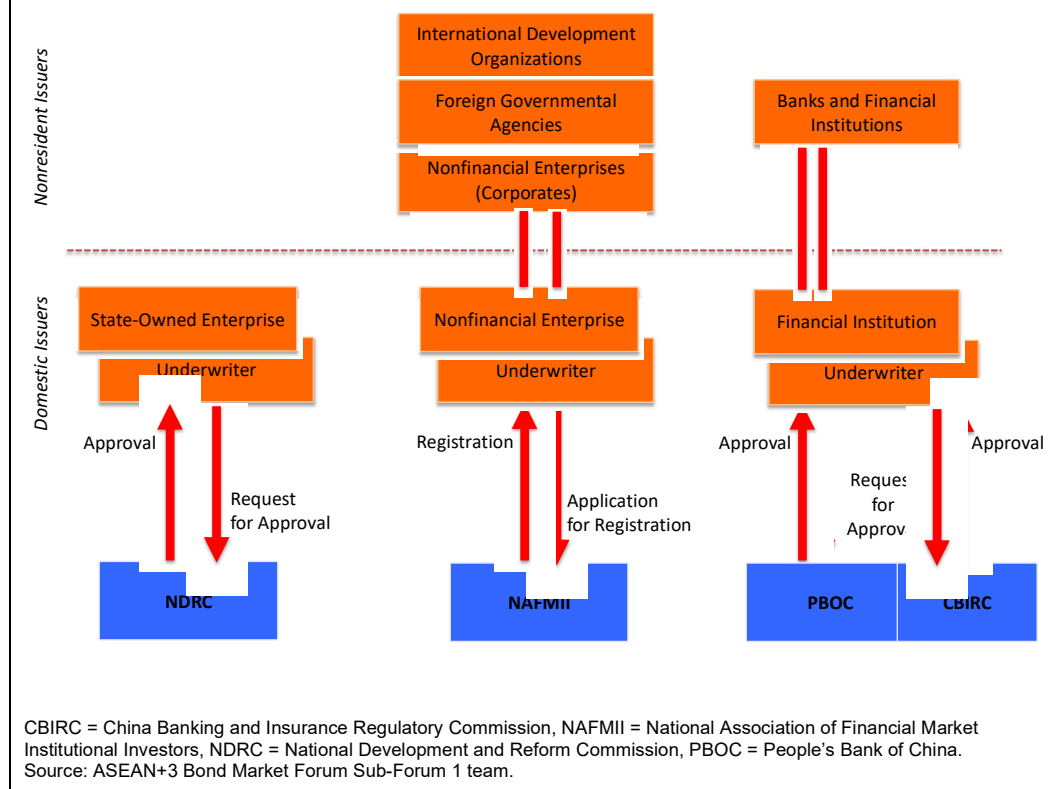
Note: X indicates approval is required.

Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team.

2. Regulatory Process Overview

The regulatory process map may help with the navigation of the regulatory processes applicable to a bond or note issuance in the CIBM (Figure 2). Debt financing instruments may be issued in the CIBM either through public offering or a private placement.

Figure 2: Regulatory Process Map—Debt Financing Instrument Issuance in the Inter-Bank Bond Market



Individual regulatory processes for the issuance of debt financing instruments in the CIBM, as may be applicable, are explained in the next few sections.

3. Regulatory Process for Public Offerings

This regulatory process applies to the issuance of debt financing instruments by nonfinancial enterprises.¹⁷ Please see section 7 for detailed information on the issuance process and necessary approvals for financial bonds issued by financial institutions and insurance companies.

The principal regulatory process for the issuance and registration of debt financing instruments in the CIBM is prescribed in a number of NAFMII regulations:

- Rules for the Registration and Issuance of Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Market, 2016 (非金融企业债务融资工具注册发行规则 2016 版), commonly referenced as RRI: standardized the NAFMII registration procedures for issuance and explained registration for public offering and private placement and two types of issuances to private placement investors;¹⁸
- Rules and Procedures for the Registration of Debt Financing Instruments of Non-Financial Enterprises for Public Offering, 2020 (非金融企业债务融资工具公开发行注册

¹⁷ Please see Chapter III.A for a definition of debt financing instruments in the CIBM.

¹⁸ NAFMII Announcement (2016, No. 4) is available in Chinese at http://www.nafmii.org.cn/ggtz/gg/201602/t20160219_51278.html; the RRI is available in Chinese at <http://www.nafmii.org.cn/ggtz/gg/201602/P020160219637549379178.doc>.

工作规程 2020 版), commonly referenced as RPR: covered the Registration Committee, description of the issuer classification management, and filing requirements to NAFMII;¹⁹

- System of Registration Documents and Forms for Non-Financial Enterprises Publicly Offering Debt Financing Instruments, 2020 (非金融企业债务融资工具公开发行注册文件表格体系 2020 版), commonly referenced as SRP;²⁰ and,
- Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market, 2017 (银行间债券市场非金融企业债务融资工具信息披露规则 2017 版), commonly referenced as RID: standardized the information disclosure behavior of nonfinancial enterprises in issuing debt financing instruments in the CIBM.²¹

The RPR and SRP were further refined in April 2020 (effective 1 July 2020) to streamline the registration and issuance processes and to optimize disclosure obligations via a new issuer subcategorization and the ability to tailor disclosure to specific products or distribution channels. They also now include provisions related to the use of a bond trustee in the CIBM (see also Chapter III.S for details on bond trustee).

Under Article 3 of the RRI, any prospective issuer who intends to issue debt financing instruments in the CIBM is required to register these debt financing instruments with NAFMII, provided the issuer meets the following criteria for the public offering of corporate bonds (including debt financing instruments issued by enterprises), as stipulated in Article 16 of the Securities Law:

- i. The net assets of the company shall not be less than CNY30 million in the case of a joint stock company and not less than CNY60 million in the case of a limited liability company.
- ii. The aggregate amount of bonds issued does not exceed 40% of the total net assets of the company.
- iii. The average distributable profits over the last 3 years are sufficient to cover 1 year's interest payment on the corporate bonds.
- iv. The use of proceeds conforms to the industrial policy of the Government of the PRC.
- v. The interest rate payable on corporate bonds does not exceed the levels set by the State Council.
- vi. The proceeds of newly issued corporate bonds must be used for the purposes approved by the competent authorities and shall not be used to cover losses or for nonproduction expenditures.
- vii. Other requirements apply as prescribed by the State Council.

With regard to item ii. above, the aggregate value of the outstanding principal and interest of all its MTN and commercial paper already issued does not exceed 40% of the issuer's net asset value, as also stipulated in Article 4 of the Guidelines on the Issuance of Non-Financial Enterprise Medium-Term Notes in the Inter-Bank Bond Market and Article 4 of the Guidelines on the Issuance of Commercial Paper by Non-Financial Enterprises in the Inter-Bank Bond Market.²²

The registration with NAFMII only applies to debt financing instruments issued by nonfinancial enterprises (i.e., corporates). NAFMII administers the registration process through a categorization of the issuer and the type of debt financing instrument to be issued. The 2016 RPR contained two categories, which were refined to four categories

¹⁹ The RPR is available in Chinese at http://www.nafmii.org.cn/ggtz/gg/202004/t20200416_79936.html.

²⁰ The SRP is available in Chinese at http://www.nafmii.org.cn/ggtz/gg/202004/t20200416_79936.html.

²¹ NAFMII Announcement (2017, No. 32) for the RID is available in Chinese at http://nafmii.org.cn/zlqz/201712/t20171212_66667.html.

²² Please see Chapter III.A for the definition of medium-term notes.

in the 2020 revision to distinguish between mature and basic-level enterprises differentiated by market recognition, experience in information disclosure, and past issuance activities.²³

To be classified as a mature enterprise, an issuer would need to meet the following conditions:

- i. high market recognition or prominent industry status, sound corporate governance, and production and operations that comply with national macroeconomic and industrial policies;
- ii. a stable financial situation with the size, capital structure, and profitability to meet the specific requirements of its industry classification;²⁴
- iii. an established public information disclosure practice (no less than three separate issuances of debt financing instruments or other debt instruments in the last 36 months and debt financing instrument issuance to the public of not less than CNY10 billion during that period);
- iv. no default on or delayed payment of principal and interest within the last 36 months, for both the issuer and parent company, if applicable;
- v. no violation of laws and regulations, breaches of NAFMII self-regulations, investigations by competent authorities, or administrative or criminal penalties; and
- vi. other conditions set by NAFMII in accordance with investor protection requirements.

A mature enterprise may be classified as a Category I issuer if it can show

- i. assets exceeding CNY300 billion, an asset–liability ratio lower than 75%, and a total return-on-assets ratio of more than 3%;
- ii. issuance of debt financing instruments in the past 36 months of not less than CNY50 billion; and
- iii. it plays a key role in the national economy with assets exceeding CNY800 billion.

A Category II issuer represents any enterprise within the mature category that does not meet the Category I criteria above.

Basic-level enterprises are divided into Category III and Category IV issuers. A Category III enterprise is any that does not fall within the mature category but has a history of registration for public issuance of more than 2 years and has issued debt financing instruments via a public offering in the last 2 years. In contrast, a Category IV issuer is any enterprise that does not fall within the mature category and only has a history of registration for public issuance of less than 2 years and/or has not previously issued debt financing instruments via a public offering.

According to Article 6 of the RPR (2020), any enterprise that has defaulted on a debt financing instrument or made a delayed payment of principal and interest, or where default or delay remain, shall not issue debt financing instruments via a public offering.

A comprehensive description of the issuer categories and their respective registration obligations and considerations can be found in Articles 6–14 of the RPR (2020).

²³ “Mature” and “basic-level” enterprises represent the terms in an unofficial English translation of the RPR, which are only available in Chinese; terms used in an official translation by NAFMII or other parties at a later stage may differ.

²⁴ The appendix of the RPR (2020) contains a table detailing the minimum asset size, maximum assets to liabilities ratio and minimum return on assets percentage prescribed for a mature enterprise (issuer) according to four industry groupings.

Issuers may register for the public offering of a single or multiple debt financing instruments, depending on their categorization. Mature enterprises are able to use the same registration documents for a number of different debt financing instrument types. Basic-level enterprises need to prepare separate registrations for each instrument type they intend to issue.

Registration for a single debt financing instrument type (required for Categories III and IV)

Under provisions in the RPR (2020), a Category IV issuer is required to prepare a registration document and make a registration each for the public offering of SCP, commercial paper, and bonds and notes (except for other types of debt financing instruments specified in the relevant rules or guidelines of NAFMII, which require a separate registration, such as ABS and project revenue notes). Issuers registering for SCP and commercial paper are permitted to form a lead underwriting consortium at the time of registration. Categories I and II issuers may register for a single debt financing instrument type as per their requirements.

Registration for multiple types of debt financing instruments (Categories I and II)

Categories I and II issuers may elect to register multiple types of debt financing instruments in one step and are permitted to not specify the actual type and registered quota for each instrument at the time of registration but only need to specify the type, scale, and terms of each issuance at the time of issuance and form a lead underwriting consortium at the time of registration.

Categories I, II, and III issuers may issue their registered debt financing instruments according to the issuer's own plan while the registration is valid. A lead underwriter and, optionally, a joint lead underwriter for each issuance only need to be designated at the time of issuance. Changes in members of the lead underwriting consortium may be made while the registration is valid, with the issuer submitting a description of the change and a recommendation letter for the newly appointed underwriter from the lead underwriter. The number of members of the lead underwriting syndicate is determined by the planned public offering size.

A Category IV issuer may only publicly issue registered SCP according to its own plan within the validity period of the SCP registration. The validity period for such a registration is 12 months.

In case an issuer no longer fulfills the conditions for its original categorization, the issuer shall amend the registration document in accordance with the rules for the category it now complies with during the review period of its registration; if an existing registration is still valid, any subsequent public offering shall comply with the rules for the original category and any issuance after 12 months of registration acceptance shall be filed with NAFMII in advance; if an existing registration has expired, the issuer shall reregister in accordance with the rules for the new category.

The individual steps of the registration process for a public offering are explained next.

Step 1—Application to the National Association of Financial Market Institutional Investors

An issuer who intends to issue debt financing instruments has to appoint a qualified underwriter who will subsequently submit the relevant registration documents to the Registration Office of the Secretariat of NAFMII. The underwriter needs to be a member of NAFMII. The required activities and obligations of the issuer, lead underwriter, and other intermediaries, as well as the necessary forms for registration documents are outlined in the SRP.

The lead underwriter must monitor the business operation and financial situation of the issuing enterprise during the registration review and throughout the period of validity of the registration, and advise the issuer to make supplementary disclosures on material events and other major events.

Due diligence by the underwriter

Separately, NAFMII requires the lead underwriter to conduct due diligence for the proposed registration. The lead underwriter will compile a due diligence report to be filed with NAFMII. The due diligence should cover, but may not be limited to, the following:

- i. qualification of the issuance;
- ii. history of the issuer;
- iii. ownership structure, the controlling shareholder, and actual controller;
- iv. corporate governance;
- v. information disclosure system;
- vi. business scope and main business status;
- vii. financial status;
- viii. credit history; and
- ix. contingent liabilities and other obligations.

The lead underwriter carries out due diligence via access to the issuer, interviews, participation in meetings, field investigations, information analysis, certifications, and discussions.

As stipulated in the Guidelines on the Issuance of Non-Financial Enterprise Medium-Term Notes in the Inter-Bank Bond Market, the registration documents are to be prepared in line with NAFMII requirements and must include the following:

- i. registration report for the debt financing instruments to be publicly issued by the issuer (with the resolution of the authoritative body under the constitutional documents of the issuer attached),
- ii. letter of recommendation from the lead underwriter,
- iii. the prospectus (募集说明书),
- iv. other documents that the issuer intends to publicly disclose, and
- v. any other documents as required by NAFMII.

Documentation to be submitted for registration and official filings with the regulatory authorities need to be in Chinese or are to be translated into Chinese, particularly in the case of a public offering. See also Chapter III.G for more information on the language of documentation and disclosure items.

Any issuer who has made separate registrations for SCP, commercial paper, or MTN may, after an existing registration has expired or the registration quota has been exhausted, submit another registration document for the issuance of the same type of instrument. A Category I or Category II issuer who made a consolidated registration for

SCP, commercial paper, MTN, and other types of debt financing instruments may submit the same kind of registration documents within 3 months before the expiry date of the registration.

The specific use of the proceeds from the debt financing instrument issuance shall be clearly stated in the disclosure document. Any changes made to the use of proceeds before maturity shall be subject to prior disclosure. The corporate credit rating of the issuer should be disclosed in the disclosure document and the credit rating of the debt financing instrument should also be disclosed if the bond contains special terms that may affect the issuer's credit rating.

The issuer shall state the applicable investor protection mechanism(s) in the offering document (发行文件) of the MTN in the event of a deterioration of the financial status of the issuer or other situations that may affect investor interests, as well as details on claim arrangements in case of events of default. The mention of specific measures in the event of a credit rating downgrade of the issuer is not mandated but may be included as one of the situations that may affect investor interests. At present, issuers are only required to disclose a credit rating downgrade once it occurs.

If a downgrade happens after an issuer's registration is accepted (but before bond issuance), the issuer is required to modify their registration documents (i.e., disclosing the relevant adverse events) and submit it to NAFMII for another round of review by the Registration Committee (see also the detailed description in Step 2). The issuer need not redeem the outstanding bonds under such circumstance.

If the credit rating downgrade happens after issuance of the debt financing instruments, the issuer will need to disclose such occurrence as a material event, pursuant to applicable disclosure regulations.

Prospectus (募集说明书)

There is no formal definition of the term prospectus as a key disclosure document in rules and regulations, and the Chinese characters used for the key disclosure document in a public offering do not distinguish between the type of issuance; English translations of the PBOC and NAFMII regulations refer to a prospectus as the key disclosure document for a public offering (other than for Panda bonds). At the same time, market feedback indicates that investors in the CIBM generally consider there to be no material difference between a prospectus and an offering circular and their respective contents.

As stated in the SRP (2020), if an issuer wishes to make a public offering via Bond Connect, a specific disclosure form and supporting documents will need to be submitted with the registration application to NAFMII.

The contents of the prospectus should follow the NAFMII Guidelines for the Prospectus for Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具募集说明书指引), 2010, and the NAFMII Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具信息披露规则), 2017. The provisions in the guidelines and rules represent the minimum requirements and information that could have a significant impact on prospective investors' decision-making. The general prospectus requirements include the following:

- i. Information sources and their retrieval date have to be clearly described. Information disclosure shall be fair, sufficient, and impartial.
- ii. Arabic numbers shall be used instead of Chinese numbers. Currency must be quoted in Chinese renminbi unless otherwise stated.
- iii. Clear, accurate, and standardized wording and descriptions are required. Advertisements and praises should be omitted.
- iv. Paper size shall be A4.

The prospectus cover shall be marked with the accurate name of the issuer and name of the debt financing instruments, guarantee (if so applicable), name of the guarantor, name of the underwriter(s), credit rating and the CRA's name, and date of the release of the prospectus.

The table of contents must indicate the titles of each chapter, sections, and the corresponding page numbers. The arrangement of the table of contents should be logical and clear. The issuer shall interpret the specific meanings of matters discussed in the prospectus for investors to clearly understand the investment risks. The interpretation has to be described in the prospectus.

NAFMII's standard disclaimer statements shall be printed on the title page of the prospectus and convey the following:

- i. confirmation that the issuance of the debt financing instruments has been registered with NAFMII;
- ii. registration does not mean that NAFMII makes any judgment on investment values on behalf of investors;
- iii. investors should carefully read the prospectus, relevant information disclosure documents, and conduct an independent analysis on the authenticity, accuracy, and completeness of the information disclosure;
- iv. confirmation that the board of directors or responsible department has approved the prospectus and that all directors have certified the authenticity, accuracy, and absence of any false record or misleading statements or material omissions (board members are subject to individual and joint legal liabilities);
- v. the person in charge of the issuer and the person in charge of the accounting and auditing firms must ensure that the financial statements in the prospectus are true, accurate, and complete;
- vi. the subscription and transfer of the debt financing instruments of the issuer are accomplished legally and the rights and obligations in the prospectus are deemed as voluntarily accepted as per the agreement; and
- vii. the issuer promises to comply with the applicable provisions in laws and regulations and the prospectus to fulfill the obligations to investors.

The issuer shall make a notice on the audited financial statements of the most recent 3 years of the auditor's opinion. The investors should be instructed to read the audit report, related financial statements, and the related business matters in detail carefully.

The issuer shall disclose all risk factors that may have significant adverse effects on business performance, production, and continuing operations, especially in terms of business, marketing, technology, finance, industrial environments, development prospects, financing channels, financial status, and debt solvency, regardless of whether the impact may be directly or indirectly. Risk factors should be described specifically and in full, accurately, and reflect the actual situation and focus on the most recent fiscal year with quantitative analysis (or otherwise with qualitative analysis). The issuer should not only list the types of risk factors but also describe

details of the risks and possible consequences in bold letters. The issuer shall warn of the following risks:

- i. Investment risk
 - a. interest rate risk
 - b. liquidity risk
 - c. repayment risk of the principle and interest
- ii. Relevant risks of the issuer
 - a. financial risk
 - b. business risk
 - c. management risk
 - d. policy risk
- iii. Potential risks of the debt financing product due to special provisions

The issuer must reference risks according to their degree of importance. If the risk has been erased during the most recent accounting period, the issuer should clearly state so.

If a guarantee is provided, the prospectus shall explain the status of the guarantor's credit or collateral, and the significant changes that may occur to the repayment of the principal. The issuer must disclose the following matters related to the guarantee if the debt financing instrument carries an external guarantee:

- i. Basic information on guarantor
 - a. brief information on guarantor
 - b. major financial indicators such as net assets, asset–liability ratio, return on net assets, and current ratios
 - c. audit
 - d. credit status
 - e. outstanding amount of guarantee
 - f. proportion of balance between accumulated amounts of guarantee and its net assets
- ii. Main contents of the guarantee agreement or a guarantee letter given in favor of the debt financing instrument
 - a. amount of guarantee
 - b. length of guarantee
 - c. definition of guarantee
 - d. scope of guarantee
 - e. relationship among investors, issuer, and guarantor with regard to rights and obligations of a guarantee on the debt financing instrument
 - f. other matters that may be important

If a mortgage was taken out or a pledge was given, the issuer has to disclose the name, amount (book value and mark-to-market asset value) of the collateral, cover ratio (collateral value versus face value), total principal and interest, handling agent, registration and custody of the collateral, and relevant legal procedures.

As for the actual contents, the prospectus shall disclose the details of the full terms of the issuance, including but not limited to

- i. name of the debt financing instrument,
- ii. full name of the issuer,
- iii. business to repay the balance of debt financing instruments,
- iv. amount issued in the current period,
- v. maturity,
- vi. face value,
- vii. method of determining the issue price or interest rate,

- viii. object of issue,
- ix. underwriting,
- x. manner of issuance,
- xi. date of issue,
- xii. interest payment dates,
- xiii. subscription period,
- xiv. method of payment,
- xv. date of redemption,
- xvi. credit rating and name of CRA, and
- xvii. terms and condition of redemption or repurchase (if any).

Debt financing instruments issued by nonfinancial enterprises after 1 July 2020 will need to have an appointed bond trustee, as per NAFMII guidelines. The details of the bond trustee and major provisions from the bond trustee agreement, such as rights and obligations of the bond trustee and disclosure to the meeting of debt financing instrument holders, as well as risk and default resolutions, will need to be included in the issuance documentation (e.g., key disclosure document). The changes were also included in the SRP (2020) to ensure that the key disclosure document would offer greater protection for the parties concerned under the Contract Law.

In the prospectus, the disclosure of basic information on the issuer must include, but may not be limited to

- i. registered issuer's name;
- ii. legal representative;
- iii. paid-in capital;
- iv. date of founding;
- v. business (company) registration number;
- vi. address and post code;
- vii. phone and fax numbers;
- viii. company history of changes in structures, organization, and capital;
- ix. major shareholders and real controlling shareholders as well as their percentage of shareholding;
- x. stakes in other companies (enterprises), including major subsidiaries, holding companies, other joint ventures, and related parties with whom the issuer has significant influence;
- xi. status of major business units, divisions, and departments of the issuer;
- xii. directors, supervisors, and executive officers;
- xiii. scope and situation of major business in detail, as well as the objective of business development
- xiv. positioning in the industry, situation of the industry, and competition in the industry;
- xv. financials and any information that may affect investors' understanding of issuer's financial status, business performance, and cash flows;
- xvi. transactions with affiliates;
- xvii. contingent liabilities; and
- xviii. collateral, pledge, guarantee, and other restrictive arrangements.

The issuer must disclose the credit rating, including but not limited to

- i. a definition of the credit rating and logo for each rating level,
- ii. the main risks that are revealed in the rating report,
- iii. the arrangement for the continuous rating follow-up, and
- iv. other important matters.

The following relevant credit information in connection with the issuer and its subsidiaries have to be disclosed as well:

- i. main banks,
- ii. whether or not there has been any record of default in the past 3 years,
- iii. records on repayments of debt financing instruments in the past 3 years, and
- iv. other credit information relating to the issuer.

The prospectus should also state the issuance arrangements, which include:

- i. book runner,
- ii. distribution,
- iii. payment and settlement,
- iv. custody arrangement, and
- v. listing and secondary trading (as applicable).

The issuer must also disclose the use of proceeds. If the use of proceeds is for working capital, then specific working capital arrangements shall be disclosed. If the use of proceeds is for long-term investment, then the issuer has to disclose specific projects that the proceeds are intended for. If the use of proceeds is changed, the issuer has to express its intension of changing the use of proceeds and disclose the relevant information in a timely manner in advance. In the SRP (2020), the disclosure requirements on the use of proceeds were further improved.

The issuer has to indicate clearly in the prospectus information about applicable taxes and tax payment methods in regard to the debt financing instrument.

The issuer must disclose the names of the following institutions, their address and legal representative, their telephone and fax numbers, and the relevant personnel handling the debt instrument issuance:

- i. issuer;
- ii. underwriters;
- iii. legal counsel;
- iv. accounting firm;
- v. CRAs;
- vi. guarantor (if any);
- vii. registration, custody, and settlement agencies; and
- viii. other institutions related to the issuance.

With regard to these intermediaries and service providers, the issuer must disclose direct and indirect relationships, such as an equity holding, significant interest, or possible conflicts of interest between the intermediary concerned and its responsible persons, senior management personnel, and the handling personnel.

The following documents shall be construed as part of the prospectus, including but not limited to

- i. audit report (if any);
- ii. supplementary audit opinion (if any); and
- iii. relevant supporting documents (if any), such as a guarantee.

Pursuant to Article 10 of the NAFMII Rules for the Registration and Issuance of Debt Financing Instruments of Non-Financial Enterprises (非金融企业债务融资工具注册发行规则), amended on 6 November 2015, each prospective issuer shall deliver the registration documents to the Registration Office through a qualified underwriter. The registration documents shall include the following:

- i. the registration report for the debt financing instruments to be publicly offered by the issuer (with the resolution of the authoritative body under the constitutional documents of the issuer attached thereto),
- ii. a letter of recommendation from the lead underwriter,
- iii. the prospectus (募集说明书),
- iv. other documents that the issuer intends to publicly disclose, and
- v. any other documents as required by NAFMII.

Both the procedures of registration for a public offering and the registration documents involved in the process shall be publicly disclosed through the Debt Capital Market Filing Analysis Notification System (DCM-FANS) to offer timely information to the public.²⁵ At the same time, enterprises shall publish any current issue documents through websites accredited by NAFMII per Article 5 of the Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具信息披露规则), issued and effective on 18 December 2017.

Step 2—Review by the National Association of Financial Market Institutional Investors

After receiving the registration documents, the Registration Office conducts a preliminary review to assess the completeness of the registration documents within 1 working day. The Registration Office may then accept the registration documents or advise the issuer or related intermediaries to explain, supplement, or revise the registration documents.

The preliminary review is done based on a two-person system. The Registration Office enforces a conflict of interest avoidance system for the preliminary review. If an assigned reviewer has a potential or existing conflict of interest that could affect the fairness of the performance of duties, then such a reviewer shall be withdrawn from the review.

The Registration Office appoints two reviewers to conduct the preliminary review separately and concurrently on the registration documents to assess the completeness of disclosure information in the registration documents in accordance with applicable self-regulatory rules and guidelines. The Registration Office designates one of the two reviewers as the lead reviewer who shall be responsible for follow-up communications and feedback. If the reviewers find the information disclosure incomplete, the lead reviewer shall aggregate the opinions from the preliminary review and advise the issuer or intermediary through a letter, referred to as the “Suggestion Letter,” to furnish additional information. The Suggestion Letter shall be sent out within 2 working days to a Category I issuer, within 5 working days of receiving the registration documents for a Category II issuer, and 10 working days for a Category III or Category IV issuer. Some specific time frames may apply to different debt instrument types.²⁶

The issuer or relevant intermediaries are required to submit any supplements or amended registration documents (“Supplement Documents”) to the Registration Office within 10 working days of receiving a Suggestion Letter. A written explanation shall be submitted for failing to meet the above time limit. Where the written explanation is not provided or the delays in providing responses during the phase of registration review (including both the preliminary review and the review at the Registration Committee

²⁵ DCM-FANS is a key system for information disclosure in the CIBM; it includes NAFMII’s comments to the issuer during the registration process.

²⁶ For the issuance of SCP and commercial paper, the Suggestion Letter will be sent out within 5 working days from the receipt of the registration documents. For ABN, project revenue notes, or other special types of instruments, it will be sent out within 10 working days. Where alternative provisions are given by other applicable rules and guidelines of NAFMII, such provisions shall prevail.

meeting) have reached more than 60 working days in total, NAFMII will suggest to the issuer or intermediary to withdraw the registration documents.

If the supplement documents are still considered incomplete, the Registration Office will collate its feedback and issue another Suggestion Letter within 5 working days from the receipt of the supplement documents. If the registration documents are considered complete, the reviewers appointed by the Registration Office will write their preliminary review report and submit the report and the registration documents to the Registration Committee.

Upon being satisfied with the result from the preliminary review, the Registration Office will submit the registration documents to the Registration Committee, which is organized by NAFMII and follows the process stipulated in the RPR. The Registration Committee consists of five participants from within the ranks of the registration specialists, who are selected by the Registration Office on a random basis, with a convener appointed to preside over the meeting. The Registration Committee will evaluate the completeness of the information disclosure in the registration documents.

The Registration Committee meets once a week in principle. The Registration Office delivers the preliminary reviewed registration documents to the registration specialists at least 2 working days in advance. At the Registration Committee meeting, each registration specialist will listen to and discuss the preliminary review report from the Registration Office and pronounce independent opinions on the subjects under review. A registration specialist may issue one of three opinions: "registration acceptance," "conditional registration acceptance or qualified registration acceptance," or "deferred registration acceptance." The Registration Committee will (i) accept if all five registration specialists indicate registration acceptance, (ii) defer if two or more registration specialists indicate a deferred registration acceptance, and (iii) accept with conditions attached if the registration specialists' opinions are between (i) and (iii).

The Registration Office will aggregate all opinions from the registration specialists, send feedback to the issuer or intermediary within 1 working day after the conclusion of the Registration Committee meeting, and proceed with any next steps.

If two or more registration specialists indicate Deferred Registration Acceptance, NAFMII shall defer the acceptance of registration and advise the issuer to withdraw its registration documents. If the Registration Committee judges to defer the registration, the issuer may resubmit the registration documents after 3 months.

If all five registration specialists indicate Registration Acceptance, NAFMII shall accept the registration and send the Notice of Acceptance of Registration to the issuer. For any other combination of opinions, NAFMI shall accept the registration with conditions attached and publish the anonymized specialist opinions through DCM-FANS.

In case of a conditional registration acceptance, the issuer or intermediary has to supplement or revise the registration documents within 10 working days after receiving the Notice of Acceptance of Registration with the opinions from the registration specialists and submit such supplemented or revised documents to the Registration Office. A registration specialist shall be deemed to indicate Registration Acceptance if he or she does not provide a response within 5 working days.

If the Registration Committee accepts the registration, the registration becomes valid for 2 years, or for 1 year in the case of a registration from a Category IV issuer for SCP.

If the issuer experiences any of the following events, then the Registration Office shall resubmit the registration documents as amended by the issuer to the Registration Committee meeting for review:

- i. default on a major debt obligation by failing timely payment;
- ii. material losses that exceed 10% of net assets;
- iii. actual controller of the issuer comes under investigation or is suspected of a violation of law;
- iv. capital reduction, merger, division, dissolution, bankruptcy, or shut down;
- v. qualified opinion, adverse opinion, or disclaimer opinion by the auditor;
- vi. losing de facto control of a major subsidiary (the issuer has more than 35% of assets or net assets or operating revenue or net profit);
- vii. downgrading of credit rating;
- viii. difficulty in maintaining operation, dire liquidity, or hard to repay outstanding debts; and
- ix. other circumstances that may have a major impact on the value of the issuer.

If the issuer experiences any of the following events, the Registration Office shall resubmit the registration documents as amended by the issuer to the Registration Committee meeting for review:

- i. default on a major debt obligation by failing to make timely payment;
- ii. material losses that exceed 10% of net assets;
- iii. actual controller of the issuer comes under investigation or is suspected of a violation of law;
- iv. capital reduction, merger, division, dissolution, bankruptcy, or shut down;
- v. qualified opinion, adverse opinion, or disclaimer opinion by the auditor;
- vi. losing de facto control of a major subsidiary (the issuer has more than 35% of assets or net assets or operating revenue or net profit);
- vii. downgrading of credit rating;
- viii. difficulty in maintaining operation, dire liquidity, or hard to repay outstanding debts; and
- ix. other circumstances that may have a major impact on the value of the issuer.

The review process of the amended registration documents by the Registration Committee follows the process described above. If a Registration Committee decision leads to a Deferred Registration Acceptance, an existing registration will become invalid, and the issuer may submit a fresh registration application immediately.

The progress of the procedure of the registration for public issuance as well as the related registration documents are publicly disclosed through DCM-FANS to ensure transparent disclosure to the public.

Step 3—Actual Issuance

The issuer must formulate an issuance plan within which the terms, including interest rates and term structure of the various notes, may be flexibly designed. The issuer has to disclose the complete issuance plan for bonds in the CIBM on the date when the first issuance is announced.

Categories I, II, and III issuers registered for issuing SCP, commercial paper, and other product types may do so according to their own plan while the registration is valid. A Category IV issuer may issue its registered SCP according to its own plan within 12 months following registration acceptance; the issuer shall file with NAFMII in advance if it intends to issue after 12 months.

The lead underwriter shall, before the issuance of each installment of registered debt financing instruments, write a supplementary due diligence report that reflects the most updated business and financial status as well as significant changes that have occurred since the commencement of the registration and file it with NAFMII. The lead underwriter needs to file this report and any other supplementary disclosure with NAFMII prior to each actual issuance. NAFMII will formally accept the filing and issue a recommendation letter within 2 working days after accepting the supplementary documents, indicating to the issuer and lead underwriter that they may proceed or that further information may be required. If so required, the issuer and lead underwriter need to submit additional information within 10 working days thereafter or provide an explanation if that period will be exceeded. If no written explanation is received within 30 days, or the total time for feedback and remediation exceeds 30 days, NAFMII will recommend to the issuer that it withdraw the issuance filing.

Once the issuance filing is complete, the issuer shall carry out a public offering within 6 months.

Issuers shall publish current issuance documents through websites accredited by NAFMII. The release documents should include at least the following:

- i. issuing notices,
- ii. prospectus (募集说明书),
- iii. credit rating reports and rating tracking (跟踪评级) arrangements,
- iv. legal opinions, and
- v. audited financial statements of the issuer for the last 3 years.

In this context of debt financing instrument issuance, a legal opinion is expected to contain confirmation of the legal status of the issuer, the delegation and approval process for the issuance within the issuing company, legal risks or pending litigation, as well as the eligibility of the agents appointed by the issuer. The legal opinion is issued in Chinese.

4. Regulatory Process for Issuance by a Nonresident Issuer

At the time of compilation of this bond market guide, issuances of bonds and notes in the PRC by nonresidents were referred to as Panda bonds and represented the only path for nonresident issuers to issue debt financing instruments in the CIBM. The issuance of Panda bonds is regulated by the Interim Measures for the Administration on Bonds Issued by Overseas Issuers on the National Inter-Bank Bond Market jointly promulgated by the PBOC and MOF on 8 September 2018. Specific requirements for the approval of debt financing instruments are divided into issuances by nonresident financial institutions (the interim measures use the term “overseas financial institutions”) and other types of nonresident issuers. The interim measures also include other specific requirements for all overseas issuers. Proposed issuances of Panda bonds by nonresident financial institutions are subject to the approval of the PBOC only, whereas issuances by nonresident nonfinancial enterprises need to be registered exclusively with NAFMII.

NAFMII issued the Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (for Trial Implementation) on 17 January 2019, which further clarified details of Panda bond issuance registration and information disclosure for nonfinancial enterprises, including international development organizations and government agencies.

For additional information on Panda bonds, please refer to Chapter III.B.5.

a. Overseas Financial Institutions

Overseas financial institutions issuing bonds in the CIBM are subject to approval by the PBOC.²⁷ NAFMII is not involved in the issuance approval for Panda bond issuers that are financial institutions.

Overseas financial institutions shall possess the following qualifications to issue bonds as stipulated in Article 6 of the interim measures:

- i. actual paid-in capital not less than CNY10 billion or an equivalent foreign currency amount;
- ii. sound corporate governance and robust risk management systems;
- iii. stable financial conditions, good credit standing, and profitability for the most recent 3 consecutive years;
- iv. experience in bond offerings and sound debt repayment ability; and
- v. subject to effective regulation by the financial regulatory authorities of the country or region where the issuer is located, and key risk regulatory indicators in compliance with the requirements of such financial regulatory authorities.

According to Article 7 of the interim measures, the documents required to be submitted to the PBOC by an overseas financial institution for approval to issue bonds shall include the following:

- i. an application letter for the issuance of bonds;
- ii. valid resolutions of the issuer's competent decision-making body or other evidencing document(s) approving the proposed issuance;
- iii. an offering circular (募集说明书);²⁸
- iv. financial statements and audit reports for the most recent 3 financial years and the latest interim financial statements (if any);
- v. regulatory document(s) evidencing the consent of the financial regulatory authorities of the country or region where the issuer is located on the issuer's operation of relevant financial business shall also be provided by the overseas financial institution issuing bonds;
- vi. a credit rating report and credit tracking assessment arrangements (if available);
- vii. the guarantee document (担保协议), also referred to as deed of guarantee and the guarantor's credit information (担保人资信情况说明) (if applicable); and
- viii. legal opinions issued by a law firm qualified in the issuer's home jurisdiction and by a PRC law firm.

The application and supporting documents to be submitted for registration and official filings with the regulatory authorities need to be in Chinese or have to be translated into Chinese if issued in another language. See also Chapter III.G for more information on language of documentation and disclosure items.

²⁷ Joint Announcement of the People's Bank of China and the Ministry of Finance (2018, No. 16); see <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3634065/index.html> (Chinese version) and <http://www.pbc.gov.cn/en/3688253/3689009/3788480/3789754/index.html> (English version).

²⁸ In Article 7, the PBOC uses the translation "offering circular" for 募集说明书, instead of "prospectus." As a matter of CIBM market practice, the word prospectus is not used when discussing Panda bonds. Furthermore, the term prospectus is not used in the NAFMII Panda bond guidelines.

b. **Foreign Government Agencies, International Development Organizations, and Overseas Nonfinancial Enterprises**

Foreign government agencies, international development organizations, and nonfinancial enterprises (corporates) domiciled outside the PRC shall submit an application for bond issuance registration to NAFMII. PBOC approval is not necessary.

According to Article 8 of the 2019 NAFMII Guidelines, debt financing instruments issued by overseas nonfinancial enterprises shall be underwritten by financial institution(s) possessing the relevant qualification to act as underwriter(s) for debt financing instruments. The 2019 NAFMII Guidelines also stipulate that these issuers will have to appoint an underwriter that has a branch or affiliate in the country or region where the nonfinancial enterprise is incorporated, or where the principal place of its business is located, to ensure that such underwriter(s) have the capability to perform its duties including conducting due diligence.

Pursuant to Article 9 of the 2019 NAFMII Guidelines, foreign governmental agencies, international development institutions, and overseas financial institutions that are seasoned issuers in overseas markets, or that have (previously) issued bonds in the PRC and complied with the ongoing disclosure obligations for more than 1 year, may apply for the registration of multiple issuances in a series up to a total amount.

According to the NAFMII Guidelines, in an offering of debt financing instruments by a nonresident nonfinancial enterprise, the rules or requirements of the relevant regulatory authorities in the PRC shall apply to the accounting and audit standards under which the financial statements of such issuer are prepared. This may be interpreted as financial accounting, or reporting standards in the market of domicile of the nonresident issuer may be accepted by PRC regulators.

c. **Issuance on a Stand-alone Basis or in Tranches**

Nonresident issuers may apply to issue bonds on a stand-alone basis or as multiple issuances in a series up to a total amount.

d. **Foreign Exchange Registration**

Nonresident issuers approved or registered to issue bonds in the PRC shall complete the applicable foreign exchange registration with SAFE. The account opening, fund remittances and transfers, cross-border settlements, and information reporting in connection with the proceeds shall be in compliance with the relevant rules of the PBOC and SAFE.

The subsequent steps in the Panda bond issuance procedure and related regulatory process are explained in detail next, using the example of a nonfinancial enterprise.

Step 1—Preparation and Submission of Registration Documents to the National Association of Financial Market Institutional Investors

The registration process for Panda bond issuances of overseas nonfinancial enterprises are further prescribed in the Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (for Trial Implementation) (境外非金融企业债务融资工具业务指引(试行)) published by NAFMII on 17 January 2019.²⁹

The nonresident issuer will need to engage an eligible lead underwriter (see also section 4.b) and other intermediaries (see also Chapter III.M for a description of the typical intermediaries in the context of debt financing instrument issuance in the CIBM). The nonresident issuer, lead underwriter, and appointed intermediaries will prepare the registration documents which, upon completion, should be delivered to NAFMII by the lead underwriter.

Table 2.7: Registration Documents Required for a Public Offering and Private Placement of Panda Bonds

	Public Offering	Private Placement
i.	Registration report (attaching its certificate of incorporation, constitutional documents, and the resolutions of its competent decision-making body or other evidencing document[s])	
ii.	Letter of recommendation from each lead underwriter	
iii.	Offering circular	Private placement agreement or a private placement offering memorandum
iv.	Audited financial statements for the most recent 3 financial years and the latest interim financial statements (if any)	Audited financial statements for the most recent 2 financial years and the latest interim financial statements (if any)
v.	Credit rating report (one rating is sufficient) and credit tracking assessment arrangements (if available)	Credit rating report is not mandatory to submit
vi.	Legal opinions issued by a law firm in the People's Republic of China and a law firm qualified in the issuer's home jurisdiction; the legal opinions are expected to contain confirmation of the legal status of the issuer, the delegation and/or approval process for the issuance at the issuer, legal risks or pending litigation, and the eligibility of the agents appointed by the nonresident issuer; the legal opinion of the law firm in the issuer's home jurisdiction should be translated into Chinese	
vii.	Consent letter from the issuer's overseas auditors (if applicable)	
viii.	Underwriting agreement	
ix.	Other documents as required by the National Association of Financial Market Institutional Investors	

Source: National Association of Financial Market Institutional Investors. 2019. Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (for Trial Implementation).

The registration documents for a public offering and a private placement of Panda bonds are detailed in Table 2.7.

There is no formal definition for an offering circular in the rules and regulations for the CIBM, and there is no distinction in the Chinese characters used for the key disclosure document between domestic bonds and Panda bonds issued via a public offering. The English term is based on the use in English translations of the PBOC and NAFMII

²⁹ See http://nafmii.org.cn/ggtz/gg/201902/t20190201_75766.html (Chinese version) and http://www.nafmii.org.cn/english/lawsandregulations/selfregulatory_e/201902/t20190201_75773.html (English version).

regulations as the key disclosure document for a Panda bond offering, as well as the use in market practice. Market practice research found that investors in the CIBM generally consider there to be no material difference between a prospectus and an offering circular. At the same time, in this bond market guide, the term offering circular is used in the context of a public offering of Panda bonds since, according to market participants, it is the term most often used.

NAFMII provides guidance on the minimum information disclosure requirements in an offering circular, which is presently only available in Chinese.³⁰

The registration request and supporting documents to be submitted for registration with NAFMII need to be in Chinese or have to be translated into Chinese if issued in another language. See also Chapter III.G for more information on the language of documentation and disclosure items.

Step 2—Acceptance and Prereview of Registration Documents by the National Association of Financial Market Institutional Investors

NAFMII will review the completeness of the registration documents within 1 working day upon receipt of the registration documents. NAFMII will accept the registration documents if all types of required documents are complete. If the required documents are incomplete, it will recommend that the issuer or the relevant intermediary supplement or modify the registration documents.

The NAFMII Registration Office will conduct a prereview of the completeness of the registration documents to be disclosed and give its feedback on the result of the prereview within 10 working days. The issuer or the relevant intermediary should submit supplementary documents within 10 working days of the receipt of NAFMII's feedback.

After receipt of the supplementary documents from the issuer or the relevant intermediary, NAFMII Registration Office staff who conducted the prereview may issue a new feedback letter on the result of the latest prereview if they deem that the information to be disclosed in the supplementary documents remains incomplete, or they may submit the registration documents to the Registration Committee if they deem that the information provided meets the requirements set out in the relevant rules and guidelines.

Step 3—Registration Committee Meeting and Approval by the National Association of Financial Market Institutional Investors

After the completion of prereview, NAFMII staff who conducted the prereview will submit the registration documents to the Registration Committee for review, and the Registration Committee will decide whether to accept the registration for the issuance of the debt financing instrument.

The Registration Committee is composed of five registration experts who are selected randomly by NAFMII from the list of registration experts. Each registration expert will deliver an opinion on the registration documents: either "registration accepted," "registration accepted with conditions," or "registration to be postponed."

If all five experts give the opinion of "registration accepted," NAFMII will accept the registration; if two or more experts give the opinion of "registration to be postponed," NAFMII will postpone the acceptance of the registration; in any circumstance other than those above, NAFMII will conditionally accept the registration, in which case the

³⁰ See http://www.nafmii.org.cn/zlgz/201202/t20120226_1653.html.

issuer will be required to supplement or modify the registration documents, according to the opinions of the Registration Committee, and be subject to another review by the experts who previously indicated "conditional acceptance."

Step 4—Acceptance and Registration by the National Association of Financial Market Institutional Investors

After accepting the registration, NAFMII will deliver a formal Notice on Acceptance of Registration to the nonresident issuer. If it is the first time for the nonresident issuer to complete a registration, NAFMII will hold an informational meeting with the senior management of the nonresident issuer or the representative from the nonresident issuer's domestic subsidiary, as well as the lead underwriter, and deliver the Notice on Acceptance of Registration in person so that NAFMII can be in a better position to understand the details of the nonresident issuer and carry out post-registration supervision of the debt financing instrument.

If this is not the first time that the nonresident issuer completes a registration, NAFMII will deliver the Notice on Acceptance of Registration electronically via its online information service platform instead of holding an informational meeting in person.

After the Notice on Acceptance of Registration is delivered, NAFMII will publish the notice on its official website to make it available to the public.³¹

Step 5—Actual Issuance

After receiving the Notice on Acceptance of Registration, the nonresident issuer may proceed with the issuance of its Panda bond. The nonresident issuer should issue its Panda bond in accordance with the following principles stipulated by NAFMII:

- i. in the case of SCP and commercial paper, it may issue them at its discretion within a period of 2 years;
- ii. in the case of commercial paper and MTN, it may issue them at its discretion within 12 months after the acceptance of the registration; the issuer should make a prior filing with NAFMII if it intends to issue them after the 12-month period; and
- iii. in the case of ABN, project revenue notes, and perpetual notes, the time of issuance and prior filing shall comply with the corresponding rules issued by NAFMII.

Panda bonds may be issued through a public offering or via a private placement. The book-building procedure for both is consistent with the generally adopted process for domestic bond issuance.

Prior to the issuance, the issuer and the lead underwriter should prepare and disclose the issuance program and submit it to NAFMII for filing.

The nonresident issuer (nonfinancial enterprise) shall submit to NAFMII a written plan on the use of proceeds from the proposed issuance no later than 3 business days prior to the publication of the offering documents for each series of debt financing instruments. The written plan on the use of proceeds is not required to be submitted for the first issuance or issuances that are subject to a pre-issuance filing with NAFMII. The proceeds from the issuance of debt financing instruments may—in accordance with applicable laws, regulations, and regulatory requirements—be used within or outside the PRC.

³¹ See www.nafmii.org.cn.

The nonresident issuer (nonfinancial enterprise) shall ensure that their use of proceeds is in compliance with the requirements of relevant laws, regulations, and national policies, and strictly in accordance with the use of proceeds disclosed in the offering circular. Nonresident issuers shall also meet all relevant information disclosure obligations. If there is a need to change the use of proceeds during the life of the debt financing instrument, the issuer shall complete relevant procedures and disclose such change at least 5 business days prior to such change. The use of proceeds after such change shall also be in compliance with the requirements of relevant laws, regulations, and national policies.

5. Regulatory Process for Private Placements

Private placements in the CIBM refer to the issuance of debt financing instruments only to DIIs (特定机构投资者) or SIIIs (专项机构投资者). The placement and transfer of private placement bonds and notes is limited to such DIIs or SIIIs and is not intended for the public. Private placements must be underwritten by qualified underwriter(s) who meet certain eligibility criteria and requirements, including being a member of NAFMII. The issuer appoints a lead underwriter who may form an underwriting syndicate if necessary.

Registration and issuance of private placements in the CIBM is also self-regulated by NAFMII. The issuer of a private placement in the CIBM has to register the private placement with NAFMII, pursuant to the Rules for Private Placement of Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具非公开定向发行规则) (2011, No. 6), which are generally referred to as the RPP. The corresponding Registration Documents and Forms for Privately Placed Non-Financial Enterprises Debt Financing Instruments were revised with effect from 1 July 2020 to help streamline the registration process and to accommodate other recent changes such as the introduction of a bond trustee (voluntary for private placements).

Similarly to the changes for public offerings, the new categorization of issuers by NAFMII, announced in April 2020, also became relevant for private placements, with a distinction of disclosure obligations between mature and basic-level enterprises (see section F.3 for details on the new issuer categorization and Chapter III.M for more information on the industry classification of mature enterprises).

Key among the disclosure distinctions is the focus on the use of the private placement agreement (in comparison to a prospectus for a private placement), especially for mature enterprises, to allow for concessions in disclosing the use of proceeds and financial statements.

From 1 July 2020, issuers can also register and issue private placements under a shelf-registration (previously only available for public offerings). Should an issuer wish to conduct a private placement via Bond Connect, the issuer will need to also submit disclosure information specific to Bond Connect in a prescribed format.

Step 1—Application to the National Association of Financial Market Institutional Investors

A prospective issuer shall prepare the registration documents in accordance with NAFMII's requirements and deliver them to the Registration Office through a qualified underwriter. The list of the necessary documents for private placement registration is contained in Attachment 2 of the RPP and includes the items and entity responsible for each document as shown in Table 2.8. NAFMII may specify other documents as required.

Table 2.8: Documentation Requirements for a Private Placement Registration

Documentation Item	Responsible Party
Private placement agreement or private placement offering memorandum 定向发行协议	Issuers, investors, and other parties involved
Submission letter for private placement registration document 非公开定向发行注册材料报送函	Issuer
Resolutions of internal authority bodies 内部有权机构决议	Issuer
Copy of business license or document equivalent to a business license of an enterprise (legal person) 企业法人营业执照（副本）复印件或同等效力文件	Issuer
Audited financial statements for the most recent year 最近一年经审计的财务报表	Issuer
Private placement registration information form 非公开定向发行注册信息表	Lead underwriter
Letter of recommendation for registration of private placement 非公开定向发行注册推荐函	Lead underwriter
Private placement legal opinion(s) 非公开定向发行法律意见书	Law firm
Qualification certificate of relevant institutions and practitioners 相关机构及从业人员资质证明	Accounting firms, law firms, other intermediaries
Instruments Investor Confirmation Letter 定向工具投资人确认函	Investors

Source: National Association of Financial Market Institutional Investors. 2019. Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (for Trial Implementation).

Pursuant to requirements refined by NAFMII in the Registration Documents and Forms for Privately Placed Non-Financial Enterprises Debt Financing Instruments (2020 version), a form-based system that outlines all necessary disclosure subjects, the private placement agreement, which in market practice is also referred to by the English term “private placement offering memorandum,” should cover but may not be limited to the following information:

- i. basic situation of the issuer;
- ii. use of proceeds and its appropriateness, and compliance;
- iii. list of investors and terms and conditions of the private placement;
- iv. rights and obligations of the issuer and investors in relation to the private placement;
- v. name, amount, issue period and price, and the way of determining the coupon rate;
- vi. timeline of appropriation of use of proceeds or details of new use if use of proceeds changes before maturity;
- vii. specific standards and the way of information disclosure;
- viii. conditions and range of secondary circulation of the private placement;
- ix. risk factors;
- x. application of law and dispute resolution;
- xi. confidentiality clause; and
- xii. enforceability of private placement agreement.

If the issuer is categorized as a mature enterprise, the private placement agreement for a PPN need not contain specific information on the use of proceeds and other

issuance terms. Other issuers will need to disclose information on the use of proceeds and other details depending on the enterprise category they fall into.

All issuers can take advantage of NAFMII's concessions on disclosure when using a private placement agreement and will only need to disclose the most recent 1 year of audited financial statements, instead of 2 years of financial statements when using any other key disclosure document type. At the same time, the key disclosure document for a private placement may now contain a new chapter in which the issuer may describe specific risks or proposed actions to the investors, allowing them to conduct a more detailed risk assessment.³²

Debt financing instruments issued by nonfinancial enterprises from 1 July 2020 will also need to have an appointed bond trustee, as per NAFMII guidelines. The details of the bond trustee and major provisions from the bond trustee agreement will need to be included in the issuance documentation such as the key disclosure document.

The registration request and supporting documents to be submitted for registration of a private placement with NAFMII need to be in Chinese or must be translated into Chinese if issued in another language. NAFMII guidelines permit the private placement agreement to be in English if the issuer and investors so agree, but, in market practice, the use of English is typically limited to continuous disclosure as stipulated in the private placement agreement. See also Chapter III.G for more information on the language of documentation and disclosure items.

Step 2—Formality Review by the National Association of Financial Market Institutional Investors and Approval

The Registration Office should receive the qualified private placement registration documents and verify the completeness of the format of the registration materials. The registration of private placements is not subject to a full review by the Registration Committee in NAFMII. NAFMII only conducts a formality check on the private placement registration documents.

The Registration Office may advise the issuer or intermediary to supplement or revise the registration documents, as may be applicable.

If private placement registration documents are complete in format, NAFMII will issue a Notice of Registration Acceptance. The private placement registration is valid for 2 years.

Step 3—Actual Issuance

Any issuer issuing debt financing instruments via a private placement shall make private placement disclosure of the issuance documents pertaining to the current issuance to the private placement investors in a manner recognized by NAFMII. Private placement disclosure refers to disclosure information that will be negotiated and agreed between issuer and the private placement investors, potentially aided by the lead underwriter.

Please also see Chapter III.N for a definition and comprehensive explanation of private placement investors.

³² The key changes in the disclosure requirements and the focus on the private placement agreement are described in the announcement by NAFMII published on 17 April 2020 and are available at http://www.nafmii.org.cn/english/news_e/202004/t20200430_80044.html.

6. Obligations after Registration and after Issuance

In the CIBM, a number of obligations need to be met by the issuer after the registration by NAFMII of the debt financing instruments issued by nonfinancial enterprises and after the actual issuance of the bonds. Some specific provisions apply to nonresident issuers of Panda bonds.

Enterprises shall publish current issuance documents through websites accredited by NAFMII. The release documents should include at least the following:

- i. issuing notices,
- ii. prospectus (募集说明书),
- iii. credit rating reports and rating tracking (跟踪评级) arrangements,
- iv. legal opinions, and
- v. audited financial statements of the enterprise for the last 3 years.

If a debt financing instrument is issued in the first issue, the issuance documents shall be published at least 5 working days before the date of issue, and the issuance documents shall be published at least 3 working days before the date of issue for any subsequent tranches.

a. Public Offerings

Any issuer that issues debt financing instruments via a public offering shall publish the issuance documents pertaining to the current issue through a platform recognized by NAFMII, specifically,

- i. no later than 3 working days before the issuance date for the first public offering,
- ii. no later than 2 working days before the issuance date for subsequent public offerings, or
- iii. no later than 1 working day before the issuance date for any public offering of short-term instruments such as commercial paper.

After the successful issuance of the debt financing instruments, the issuer must disclose the disclosure documents on a new issue through websites recognized by NAFMII such as DCM-FANS. The information on the new issue shall cover

- i. an issuance announcement,
- ii. the prospectus (募集说明书),
- iii. the credit rating report and arrangements for follow-up ratings,
- iv. the legal opinion issued by the law firm retained by the issuer, and
- v. issuer's audited financial statements in the most recent 3 years.

According to Article 7 of the Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market, for the new issue announcement, the issuer releases information via the websites recognized by NAFMII no later than the next working day after the date of registration (债权债务登记日) (to the central securities depository [CSD], after actual issuance), including

- i. actual issuance size,
- ii. price,
- iii. maturity of the debt instruments, and
- iv. other information of the debt financing instrument.

During the validity period of the registration, where an issuer's current corporate credit rating falls below the rating it held when registering an MTN, the issuer

will have to report the event and such registration shall automatically become void; NAFMII will release an announcement regarding such an event.

b. Private Placements

The issuer must report the completion of the distribution of the private placement to NAFMII in writing through the lead underwriter by the next working day after the day of the completion.

The registration of the debt financing instruments with CCDC and the transfer to the private placement investors (i.e., the actual distribution) must be reported to NAFMII in a timely manner (i.e., within 5 working days of the month following the date of the distribution).

In addition, intermediaries involved in the registration, safekeeping, and settlement services (e.g., the CSDs) for privately placed debt financing instruments shall report to NAFMII holdings and settlement statistics for a given month within 5 working days of the following month.

c. Financial Bonds

The issuer has to form an underwriting syndicate upon issuing a financial bond. The issuer and the underwriters will need to execute an underwriting agreement and disclose it to the general public. The lead underwriter should submit a due diligence report to the PBOC.

Upon approval of the issuance of financial bonds by the PBOC (see also next section for a description of the regulatory process for financial bonds), the issuer has to disclose the prospectus (募集说明书) and the new issuance announcement within 3 working days prior to the issuance of each financial bond. The new issuance announcement for the financial bond should include at least the following information:

- i. seniority or preference in repayment and risk factors;
- ii. the basic situation of the issuer including business conditions for the past 3 years, the basic situation of business development, financial reports and summary of financial indicators for the most recent 3 years, as well as governance and capital structures;
- iii. terms and conditions of the financial bond and use of proceeds;
- iv. method of underwriting and syndication, rights, and liabilities agreed in the underwriting agreement;
- v. contact details of parties involved (issuer, underwriters, auditor, legal counsel, rating agency, bond register, and depository); and
- vi. website where disclosure documents and press release are available for investors to inspect or download.

The information in the new issuance announcement shall not conflict with the corresponding information provided in the prospectus.

The issuer shall submit to the PBOC a written report about the completion of the financial bond issuance within 10 working days after the completion of the issuance of the financial bond. Underwriters have to submit to the PBOC a bond underwriting report within 10 working days after the issuance of a financial bond.

d. Panda Bonds

Nonresident issuers issuing Panda bonds in the CIBM are also subject to the obligations for information disclosure, among others, contained in the Interim Measures for the Administration on Bonds Issued by Overseas Issuers on the National Inter-Bank Bond Market, which were jointly published by the MOF and PBOC in September 2018. These measures stipulate that, similar to domestic issuers, the nonresident issuer shall ensure that its information disclosure is truthful, accurate, complete, and made in a timely manner without any false records, misleading statements, or material omissions.

In practice, these obligations of the nonresident issuer are carried out or supported by the so-called post-registration manager, typically the lead underwriter of the Panda bond in their capacity as representative in the domestic market for the nonresident issuer, as prescribed in the interim measures.

In addition, nonresident issuers that already need to provide disclosure information in another securities market also have the obligation to publish such information in the CIBM, either simultaneously or as soon as reasonably possible. In practice, the release of continuous disclosure information in English may be possible but must have been specified in the offering circular or the private placement agreement of the Panda bond at the time of offering.

Financial institutions and international development organizations issuing Panda bonds can state the accounting or financial reporting standard according to which their financial information is compiled, but also need to provide information on the salient differences between the standard adopted and the PRC Enterprise Accounting Standards, if the chosen accounting standard is not recognized by the MOF.

In addition, the overseas accounting firm(s) that audits the financial statements of the Panda bond issuer shall file with the MOF no later than 20 business days prior to the submission by the overseas issuer of an application for the issuance of bonds; they must annually file such statements with the MOF during the life of the bonds.

Information disclosed by nonresident issuers for public offerings need to be provide in simplified Chinese or accompanied with a simplified Chinese translation. Information disclosed for private placements may be published according to the provisions agreed between issuer and investors, including on the language. Please also see Chapter III.G for more details on language of issuance documentation and information disclosure.

7. Issuance Process Specific to a Domestic Financial Institution

Bonds issued in the CIBM by a financial institution—commercial banks, finance companies, or non-bank financial institutions including insurance companies—are referred to as financial bonds. Policy bank financial bonds issued by the three policy banks are treated separately from ordinary financial bonds due to their government-linked nature. For instance, a policy bank wishing to issue debt instruments has to submit to the PBOC an application for issuing bonds on an annual basis. The application should include the volume of issuance, proposed time frame, method of issuance, and other relevant details.

Financial bonds are a distinct asset class in the CIBM, and their issuance is approved by CBIRC—for commercial banks, finance companies, and insurance companies—

and supervised by the PBOC. Pursuant to the Commercial Banks Law and relevant CBIRC regulations, a commercial bank must meet the following conditions for issuing bonds:

- i. a sound corporate governance mechanism,
- ii. core capital adequacy ratio of at least 4%,
- iii. a favorable balance sheet for 3 consecutive years,
- iv. adequate reserves for loan losses,
- v. risk control indicators conforming to the relevant provisions of the regulatory institution,
- vi. no record of a serious violation of any law or regulation during the recent 3 years, and
- vii. other conditions as prescribed by CBIRC.

Upon application by a commercial bank, CBIRC may exempt the commercial bank from one or more of these conditions.

The reply deadlines for the PBOC to examine and approve an application for issuance of financial bonds by the financial institutions it directly supervises are defined in the relevant provisions of the Measures of the People's Bank of China for the Implementation of Administrative Licensing.

The issuer should begin to issue financial bonds within 60 working days after the PBOC approves its issuance and shall complete the issuance within the specified time frame. If the issuer fails to complete the issuance of the financial bonds within the time limit, the former financial bond issuance approval document will become invalid and the issuer is automatically prohibited from continuing the issuance process for financial bonds. If the issuer still needs to issue the financial bonds, it should pursue a new application.

The financial bond may be issued publicly or to particular investors in the CIBM.³³ The financial bond can be issued at the full amount of bonds at one time or divided into a series of separate placements within a prescribed period and in a limited amount each time. If the financial bond is issued in the form of installments, the issuer shall state the issuance arrangement in the prospectus for each installment.

The issuer (excluding policy banks) shall, no later than 5 working days before the issuance of each installment of the financial bond, submit the prescribed application documents (see list below) to the PBOC for archival purposes and disclose the relevant information required by the PBOC. A policy bank shall, no later than 5 working days prior to the issuance of each placement of the financial bond, submit the prescribed application documents to the PBOC for archival purposes and disclose the relevant information as required by the PBOC.

If the financial bond is issued to particular investors, the financial bond may, upon consent of the underwriters, be exempted from credit rating. A financial bond issued to particular investors can only be transferred among the underwriters themselves. If a financial bond is issued to particular investors, the content and form of its information disclosure shall be stipulated as limited to its subscribers.

The issuance of debt financing instruments in the CIBM by commercial banks and other financial institutions licensed and supervised by CBIRC is regulated and approved separately.

³³ Issuing to particular investors could be regarded as a kind of private placement in the CIBM; a designated private placement concept exists otherwise only for nonfinancial enterprises placing MTN to SIs or DIs.

a. Application Documents

Financial institutions, excluding policy banks, need to provide the following application documents to the PBOC for approval of issuance of a financial bond:

- i. application for the issuance of the financial bond,
- ii. articles of association of the issuer and other constituent documents,
- iii. approval document of the relevant regulatory authority on the issuance of the financial bond,³⁴
- iv. issuer's most recent 3 years of audited financial statements and audit reports,
- v. prospectus (募集说明书),
- vi. announcement or procedures for the issuance of the financial bond,
- vii. underwriting agreement,
- viii. issuer's plan on the payment of the bond in the present phase and its special report about the guarantee measures,
- ix. financial bond credit rating report issued by a credit rating institution as well as the arrangements for the follow-up tracking rating,
- x. legal opinion issued by the law firm retained by the issuer, and
- xi. other documents as required by the PBOC.

In the case of a secured bond, the applicant should, apart from the documents above, provide a guarantee agreement and a description of the credit situation of the guarantor.

Policy banks wishing to issue financial bonds will have to submit these application documents to the PBOC:

- i. application for the issuance of financial bonds,
- ii. issuer's most recent 3 years of audited financial statements and audit reports,
- iii. the measures for the issuance of financial bonds,
- iv. the underwriting agreement, and
- v. other documents as required by PBOC.

b. Contents of the Prospectus

For the issuance of financial bonds to the public, the following matters have to be covered in the prospectus (募集说明书):

- i. prospectus summary;
- ii. seniority or preference in repayment and risk factors;
- iii. terms and conditions of the financial bond and use of proceeds;
- iv. the basic situation of the issuer including business conditions for the past 3 years, basic situation of business development, financial reports, and the summary of financial indicators in the most recent 3 years, as governance and capital structures;
- v. management discussion and analysis (issuer's management, operation, and financial status analysis);
- vi. disclosure details of all outstanding bonds including the history of bond issuance activities and use of proceeds;
- vii. board of directors and senior management;
- viii. taxation subjects relevant for the financial bonds and related issues;
- ix. credit rating;

³⁴ As the primary regulator for banks and insurance companies, CBIRC may be required to approve financial bond issuance in principle before the PBOC will consider the application for financial bond issuance in the CIBM.

- x. legal opinion issued by the issuer's legal counsel;
- xi. contact details of parties involved (issuer, underwriters, auditor, legal counsel, rating agency, bond register, and depository); and
- xii. website where disclosure documents and press releases are available for investors to inspect or download.

In case a financial bond is issued to particular investors, a prospectus is still required. Its contents shall not conflict with the information in the public issuance prospectus and should include the following details:

- i. seniority or preference in repayment and risk factors;
- ii. the basic situation of the issuer including business conditions for the past 3 years, basic situation of business development, financial reports, summary of financial indicators for the most recent 3 years, as well as governance and capital structures;
- iii. terms and conditions of the financial bond and use of proceeds;
- iv. underwriting and distribution methods; and
- v. contact details of parties involved (issuer, underwriters, auditor, legal counsel, rating agency, bond register, and depository).

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

There is evidence that the issuance of foreign-currency-denominated debt financing instruments in the CIBM is possible. The first USD-denominated MTN in the CIBM was issued in 2009. In September 2016, the World Bank successfully issued its first tranche of special drawing rights (SDR)-denominated bonds in the CIBM (see also Chapter IX.A.9 for more details). In 2017, the Government of the PRC issued USD-denominated government bonds in the CIBM for the first time in 13 years.

Issuance of debt financing instruments in foreign currency by nonfinancial enterprises and international development institutions is expected to follow the regulatory process for Panda bonds since the issuance process is thought to be comparable except for the issuance currency. Sovereign issuers may require specific approval or consent from the MOF or regulatory authorities.

9. 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 is the case of issuances in Hong Kong, China. After the issuance, foreign debt registration with SAFE and the submission of a post-issuance filing to NDRC are required. Overseas issuances of corporate or enterprise bonds are not governed by NAFMII.

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 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 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 time frame 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 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 business days after the relevant issuance date; and
- 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 People's Bank of China 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 Inter-Bank Bond Market

Continuous disclosure in the CIBM may depend on the type of debt instrument and is subject to the provisions of PBOC regulations, as well as NAFMII rules.

In principle, for debt financing instruments issued via a public offering, in addition to the prescribed disclosure requirements at regular intervals during the tenor of the bond or note, the issuer should report to NAFMII any case of a significant adverse event that may affect its performance or solvency. In contrast, for private placements, the content and frequency of continuous disclosure should be determined between issuer and parties concerned and specified in the issuance documentation.

1. Public Offerings

According to Article 8 of the NAFMII Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具信息披露规则), effective 18 December 2017, the enterprise shall continuously disclose the following information during the lifetime of the debt financing instrument:

- i. annual reports and audit reports for the previous year prior to 30 April of each year;
- ii. balance sheet, profit statement, and cash flow statement for the first half of the year prior to 31 August of each year; and
- iii. balance sheet, profit statement, and cash flow statement for the first and third quarters of the year prior to 30 April and 31 October of each year.

The first quarter information may not be disclosed earlier than the previous year's disclosure time, and the above information should be disclosed no later than the time when the enterprise has publicly disclosed it on the stock exchange (if listed), in designated media, or on other occasions.

During the lifetime of a debt financing instrument, an enterprise should disclose to the market in a timely manner any significant event that may affect its ability to service its debt. Disclosure information is to be provided in Chinese.

An enterprise that is already a listed company may be exempted from disclosing financial information on a regular basis, subject to disclosure in accordance with the relevant requirements of the regulatory body of its place of listing, and by means of a link to the information page on the website approved by NAFMII or a text indicating its way of disclosure.

The enterprise information disclosure document shall be delivered to NAFMII's Integrated Business and Information Service Platform (交易商协会综合业务和信息服务平台), known as DCM-FANS, in a form consistent with the prescribed content and format. After completing the audit of the information disclosure document format in accordance with these rules, the integrated platform sends the information disclosure documents in accordance with the prescribed format to CCDC, CFETS, SHCH, the Beijing Financial Assets Exchange (CFAE), and other information disclosure service platforms, and publishes the content on the official website in a timely manner. NAFMII authorizes the CFAE to conduct a format review of the information disclosure documents sent to the integrated platform.

2. Financial Bonds

Financial bond is the term used in the PRC to denote a bond issued by a financial institution, including policy banks, non-bank financial institutions such as finance and leasing companies, and insurance companies.

The issuer shall fulfill its obligation of information disclosure before and during the issuance of the financial bonds. Disclosure information is to be provided in Chinese if a public offering or if not otherwise specified for a private placement. As designated by the PBOC, information disclosure should be conducted through the Chinamoney Network (of CFETS) and the ChinaBond information network operated by CCDC. If the contents of already disclosed information need to be changed or amended, the issuer has to report such changes to the PBOC and will have to announce the changes to the public together with the reasons for such change or amendment.

Upon approval of the issuance of financial bonds by the PBOC, the issuer discloses the prospectus and the new issue announcement within 3 working days prior to the issuance of each financial bond. During the life of a financial bond, the issuer shall disclose the annual report to the investors by 30 April of each year.³⁵

The annual report shall include, among other information, the operating conditions of the issuer in the previous year, the financial statements audited by a certified public accountant, and information on any major litigations involving the issuer.

In the case of issuing guaranteed financial bonds, the issuer has to disclose in its annual report a description of the operation of the guarantor in the previous year, the audited financial statements, and information on any material lawsuits in which the guarantor is involved. The issuer also has to disclose the follow-up credit rating process by 31 July of each year as long as the financial bonds exist.

The financial statements should be audited by a certified public accountant, and an audit report should subsequently be issued. Any legal opinion issued during the lifecycle of the debt instrument shall be issued by a practicing solicitor while any credit rating report shall be issued by a CRA that has the ability to rate the bonds and is recognized to provide bond credit rating services in the CIBM.

³⁵ The financial year in the PRC is the same as the calendar year.

The issuer shall announce interest payments 2 working days prior to each interest payment date and 5 working days before the last interest payment and redemption payment.

Where financial bonds are issued to private placement investors, the content and format of information disclosure shall be stipulated in the prospectus and the issuance instructions. The information shall be disclosed to the private placement investors of the financial bond at the agreed intervals.

According to the PBOC Guidelines on National Inter-Bank Bond Market Management, financial institutions issuing financial bonds should report their market activities to the PBOC branch at or nearest their domicile either quarterly or periodically.

3. Nonfinancial Enterprise Bonds Issued via a Private Placement

With regard to information disclosure for the private placement of bonds and notes, the issuer and investor(s) should agree on a specific disclosure standard in the private placement agreement, potentially aided by the lead underwriter; this includes the language of the disclosure (see also Chapter III.G for details). The issuer may announce only basic information of the private placement, such as the issue size, maturity, and transferability through a website approved by NAFMII.

The issuer has to inform investors of the details of coupon payments and redemption payments 5 days prior to the payment date.

Other specific reporting requirements may apply and differ depending on the instrument type. In principle, NAFMII issues specific rules for each instrument other than government bonds and financial bonds.

H. Self-Regulatory Organizations in the Inter-Bank 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. NAFMII is the sole SRO in the CIBM.

National Association of Financial Market Institutional Investors

NAFMII was founded on 3 September 2007 with the approval of the State Council. NAFMII aims to support and drive the development of the China OTC financial market, which comprises the CIBM, interbank lending market, foreign exchange market, commercial paper market (which is often subsumed into the CIBM), and gold market.

Issuers of debt financing instruments and relevant intermediaries shall be members of NAFMII. Membership is not mandatory for investors unless they would like to invest in PPN in the CIBM. Other market participants are not subject to prescribed membership of NAFMII. As an SRO, NAFMII adopts a registration mechanism for the admission of debt financing instruments issued by nonfinancial enterprises to the CIBM. In addition, NAFMII admits and administers the licenses of lead underwriters, underwriters, as well as CRAs active in the CIBM (see subsection b).

Table 2.9: NAFMII Membership by Category and Details

Category	Member Institutions	Chinese Designation	Number of Members ^a
Banking or financial institutions 银行类金融机构 (1,517)	Rural financial institutions (e.g., credit cooperatives and credit unions)	信用合作社, 信用联社等 农村金融机构	384
	Foreign banks	外资银行	49
	Rural commercial banks	农村商业银行	921
	City commercial banks	城市商业银行	142
	Policy banks	政策性银行	3
	National banks	全国性银行	18
Non-bank financial Institutions 非银行类金融机构 (572)	Other non-bank financial institutions	其他非银行类金融机构	24
	Asset management companies	资产管理公司	82
	Futures companies	期货公司	37
	Trust companies	信托公司	62
	Finance companies	财务公司	111
	Fund management companies	基金管理公司	110
	Securities companies	证券公司	108
	Insurance companies	保险公司	33
Currency brokerage companies	货币经纪公司	5	
Credit enhancement agencies 信用增进机构 (20)	Credit enhancement agencies (e.g., guarantee companies, credit re-guarantee companies, and credit enhancement companies)	信用增进机构 (担保股份有限公司/信用再担保股份有限公司)	20
Issuer members 发行人会员 (3,736)	Issuer members	发行人会员	3,736
Intermediary institutions 中介机构 (906)	Other intermediaries	其他中介机构	43
	General accounting firms	一般会计师事务所	38
	Law offices	律师事务所	656
	Rating agencies	评级机构	12
	Gold Coin Market members	金币市场类会员	117
	Securities accounting firms	证券从业会计师事务所	40
Special members 特别会员 (60)	Special members (e.g., asset management companies, Hong Kong, China branches or affiliates of banks)	特别会员 (资产管理有限公司/银行香港分行/银行(香港)有限公司他)	60
Other - intermediary platforms 其他 - 中介平台 (5)	CCDC	中央国债登记结算有限责任公司	1
	CFETS	中国外汇交易中心	1
	Shanghai Gold Exchange	上海黄金交易所	1
	Beijing Financial Assets Exchange Co., Ltd.	北京金融资产交易所有限公司	1
	Interbank Market Clearing House Co., Ltd.	银行间市场清算所股份有限公司	1
Other institutions 其他机构 (2)	National Social Security Fund Council	全国社会保障基金理事会	1
	China Gold Coin Corporation	中国金币总公司	1
Institutional members (6,818)	Subtotal: Institutional members		6,818
Individual member (11)	Individual member (person)	个人会员 (人)	11
Total			6,829

CCDC = China Central Depository & Clearing Co., Ltd.; CFETS = China Foreign Exchange Trade System; NAFMII = National Association of Financial Market Institutional Investors.

^a Number of institutions as of 10 September 2019.

Source: National Association of Financial Market Institutional Investors. <http://www.nafmii.org.cn/hygl/hyfl/>.

a. NAFMII Members and Participants

As the SRO for the CIBM, the membership of NAFMII includes policy banks, commercial banks, credit cooperative banks, insurance companies, securities companies, fund management companies, trust and investment companies, finance companies affiliated with corporations, CRAs, accounting firms, as well as companies in nonfinancial sectors (Table 2.9).

Institutions wishing to participate in the CIBM as an intermediary or service provider will need to become a NAFMII member to ensure their commitment to compliance with the market rules and regulations.

Admission and member management procedures for institutional members and their employees, as well as self-regulatory principles governing membership, are contained in the Membership Rules of the National Association of Financial Market Institutional Investors, last adopted by the NAFMII Governing Council on 29 August 2017.³⁶ There are separate membership rules for the few individual members of NAFMII.

In 2011, NAFMII introduced the separate category “debt financing instruments underwriting business members (债务融资工具承销业务相关会员)” for member institutions engaged in debt financing instruments underwriting for nonfinancial enterprises. In 2016, NAFMII established a market-oriented evaluation mechanism for them.

b. Licensing of Intermediaries and Service Providers

Under the mandate given by the PBOC, NAFMII issues licenses to and admits lead underwriters, underwriters, and CRAs to the CIBM (see section I for details). It also administers the ongoing licensing criteria for these intermediaries and service providers and tracks their performance.

c. Issuance of Self-Regulatory Rules

Under the mandate given by the PBOC, NAFMII is able to define, issue, and implement self-regulatory rules, business standards, and codes of conduct for the CIBM constituents and their activities in the market. These rules and standards range from eligibility to participate and membership (see also section J) in the CIBM to the registration of debt financing instruments issued by nonfinancial enterprises and the stipulation of trading practices and conventions.

A few notable examples of the NAFMII rules are shown. A complete list of relevant rules and regulations issued by NAFMII for the CIBM can be found in Appendix 3.

- Self-Regulatory Rules for Bond Transactions in the Inter-Bank Bond Market (银行间债券市场债券交易自律规则) (2013 Revision)
- Guidelines for the Due Diligence for Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具尽职调查指引)
- Code of Conduct for Underwriting Staff of Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具承销人员行为守则)

³⁶ For the full text of the membership rules, please see http://www.nafmii.org.cn/english/lawsandregulations/selfregulatory_e/201801/t20180110_67082.html.

- Market Self-Disciplinary Rules Relating to Debt Financing Instruments of Non-Financial Enterprises (非金融企业债务融资工具市场自律处分规则)

d. Enforcement of Self-Regulatory Rules

NAFMII conducts member inspections and reviews the mandated periodical reporting against set benchmarks. For any member (or its employees) who has violated the self-regulatory rules, NAFMII may, depending on the severity of the violation, communicate its concern, circulate a notice of criticism, send a warning or serious warning, or issue a public reprimand. It may also, based on the specific circumstances, order the member to make corrections or offer an apology, restrict its relevant businesses, suspend its membership rights, or revoke its membership. Where a violation of law or regulations is suspected, NAFMII may refer the case to the competent authorities for further action.³⁷

I. Licensing and Admission of Inter-Bank Bond Market Participants

Market participants in the CIBM are licensed by their relevant regulatory authority according to the nature of their business (e.g., commercial banks and insurance companies are licensed by CBIRC and securities companies are licensed by CSRC). Any entity wishing to participate in the CIBM as an intermediary will need to be admitted as a member of NAFMII to ensure a commitment to and the enforceability of the rules for the CIBM issued by NAFMII in its capacity as the SRO for the OTC bond market under a mandate from the PBOC.

NAFMII also issues underwriting licenses for debt financing instruments of nonfinancial enterprises and tracks and evaluates the performance of underwriters, lead underwriters, and market makers, the results of which may have an impact on licensing and admission to the CIBM.

NAFMII also issues licenses to and admits CRAs servicing the CIBM, stipulates their admission criteria, and tracks their performance. Pursuant to PBOC policies admitting foreign-owned CRAs to the CIBM, NAFMII issued the Rules for Credit Rating Agencies' Registration and Participation in Market-Based Evaluation in the Inter-Bank Bond Market in March 2019; the rules are presently only available in Chinese and list the requirements for admission and licensing documentation.

The PBOC appoints market makers for the CIBM as well as bond settlement agents as service providers to investors, including foreign investors.

Please also see Chapter III.M for more information on licensing individual market participants.

J. Membership Rules of the Inter-Bank Bond Market

Membership in NAFMII is subject to the NAFMII Membership Rules (see also section H), as the underlying self-regulatory rules issued by NAFMII. The membership rules are supplemented by the Guidelines for NAFMII Membership as Institutional Members, which detail eligibility criteria and the application and admission process for new members, as well as other matters.

³⁷ Adopted by SF1 from Article 22 of NAFMII Membership Rules, 2017.

The guidelines are formulated with a view to facilitating market participants to join NAFMII as members and are in accordance with the constitution of NAFMII and the relevant rules and regulations.

According to the guidelines, the prerequisites for membership are that an institution wishes to join NAFMII and accept its self-regulatory management; that it will uphold the constitution of NAFMII; that it is a legal person domiciled in the PRC and intends to engage in relevant businesses in the CIBM; and that it meets other qualifications that NAFMII may set.

If the applicant is a nonfinancial enterprise wishing to issue debt financing instruments in the CIBM, such an issuer shall also meet the following conditions:

- i. production and management are in conformity with national macro-control policy, industrial policy, environmental protection policy, and relevant laws and regulations; and
- ii. no major violation of laws or regulations for the preceding 3 years and no administrative punishment by national administrative authorities have occurred.

To facilitate the admission process, the applicant will have to submit the following documents to NAFMII:

- i. application form (affiliated institutions also need to submit written documents of permit or authorization);
- ii. constitution of the corporation;
- iii. copies of business license duplicate or practice license duplicate;
- iv. introduction to the corporation's profile and resumes of major persons in charge;
- v. briefings on relevant businesses engaged in the CIBM, including but not limited to the following contents: primary market business, secondary market business, derivative products business, business qualifications obtained and business development briefings, innovative business progress, and description of capability of analysis and research;
- vi. relevant business regulations, business procedures, and risk control system;
- vii. proof of no major violations of laws and regulations;
- viii. audit report of the preceding year; and
- ix. membership registration form.

The above materials should be affixed with the official seal and paging seal of the corporation.

The completed membership application form and supporting documents should be emailed to the Members and Laws Affairs Department of NAFMII, where the materials will be reviewed to confirm whether they meet the requirements of NAFMII. After such confirmation and notification by NAFMII, the applicant should submit paper versions of all materials to the Secretariat of NAFMII.

Applications that meet the requirements will be forwarded to the Secretary General Office for deliberation. Once a decision has been reached, NAFMII will send the Notice of NAFMII Membership Record to the applicant upon payment of membership fees, confirming that they are now a member of NAFMII, while updating the member list on the NAFMII website at the same time.

K. Rules Related to Disclosure and Trading of Debt Financing Instruments

This section references applicable rules for activities in the CIBM as formulated by NAFMII and CFETS for their constituents. Disclosure rules apply primarily to the issuers of debt financing instruments and the intermediaries servicing them, while trading participants are required to comply with the trading rules.

The primary provisions for disclosure requirements are contained in the Rules for Information Disclosure on Debt Financing Instruments of Non-Financial Enterprises in the Inter-Bank Bond Market (银行间债券市场非金融企业债务融资工具信息披露规则), issued by NAFMII and last revised on 18 December 2017, pursuant to the Measures for the Administration of Listed Corporation Information Disclosure and other regulations issued by the PBOC. In addition, initial disclosure and follow-up disclosure requirements are contained in the specific issuance and registration rules and guidelines for individual types of instruments.

A detailed description of the actual disclosure provisions for debt financing instruments in the CIBM may be found in section G in this chapter, and a list of relevant regulations and rules is available in the appendix. For more details on the role and functions of NAFMII as an SRO, please see section H.

NAFMII also published the Self-Regulatory Rules for Bond Transactions in the Inter-Bank Bond Market (银行间债券市场债券交易自律规则) in 2009, which were revised in 2013 and contain the basic principles for trading participants to adhere to in the CIBM. The rules contain risk management and control principles and describe a code of conduct. In the rules, NAFMII actively encourages trading participants to look out for suspicious transactions or unethical behavior and report those to NAFMII for further investigation. These NAFMII rules are also binding for indirect participants, such as corporates, who route their orders through the CFAE for execution on CFETS.

In addition, CFETS, as the central trading platform for the CIBM, formulates and publishes its own trading rules and other rules pertaining to the transactions executed on its platform. The Rules for Bond Transactions of the National Inter-Bank Market were last revised in 2016 and were issued pursuant to the Provisions on the Administration of National Inter-Bank Bond Market Makers (PBOC Document 2007, No. 1) and other relevant rules and regulations issued by the PBOC.

For further details on the actual trading of debt financing instruments in the CIBM, related practices, and the underlying trading market infrastructure, please refer to the individual sections in Chapter IV.

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 funds in the China bond market using the Panda bond concept. This issuance concept is the only avenue for nonresidents to issue debt financing instruments or debt securities in the PRC. The issuance of Panda bonds is subject to the review and consent of the MOF, as well as necessary approvals by the relevant regulatory authorities. The approvals required differ with the nature of the nonresident institutions planning to issue Panda bonds.

The PBOC is setting a high standard for issuers in the Panda bond market through their regulations, particularly for nonresident financial institutions, for which it approves issuances. The regulations even state that sovereign and supranational international agencies must have experience in debt offerings and issuers must have a proven debt repayment ability.

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, approval from the PBOC and SAFE will be required.

Please also see Chapter III.B for a description of Panda bonds and Chapter III.E for information on issuance methods. Section E in this chapter contains a detailed description of the Panda bond issuance regulatory process for nonresident issuers.

2. Foreign Investors

The PRC capital market overall, and the bond market in particular, has become more open and accessible for nonresident or foreign investors in recent years. As a major development in the context of the free flow of capital and the liberalization of the Chinese renminbi, nonresidents may enter the domestic capital market, including the CIBM, via one of the approved investment channels for foreign investors: (i) the QFII scheme, (ii) the RQFII scheme, (iii) CIBM Direct, and (iv) Bond Connect. Section N in this chapter provides a detailed explanation of these investment avenues. Please also see Table 1.3 in Chapter I for a practical comparison of these investment channels for foreign investors.

M. Market Exit Requirements (Nonresidents)

1. Nonresident Issuers

In the past, if a nonresident issuer wanted to remit foreign exchange from abroad for use as bond principal and interest payments, the issuer was required to get the approval of SAFE. To transfer offshore Chinese renminbi held by the issuer outside the PRC for bond principal and interest payments in Chinese renminbi in the PRC, the issuer was required to submit an approval request to the PBOC for filing. In May 2010, the rules were liberalized and more issuers were allowed, with the restriction on outbound remittance of proceeds being lifted. There are no specific requirements for nonresident issuers following the redemption of a Panda bond.

2. Foreign Investors—Repatriation of Qualified Foreign Institutional Investor Quota or Investment

QFIIs who wish to exit the China bond market, including the CIBM, 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 QFIIs and RQFIIs, 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 September 2019, SAFE announced the immediate abolition of the quota system for both the QFII and RQFII schemes; however, there was no direct impact on the repatriation of investments by foreign investors since any repatriation limitations had already been removed.

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, special audit report on returns on investment issued by a certified public accountant in the PRC, and 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 or investment amounts.³⁸

N. Regulations and Limitations Relevant for Nonresidents

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

1. CIBM Direct

CIBM Direct was introduced in July 2015, initially to a limited number of participants (e.g., foreign central banks, supranational financial institutions, and sovereign wealth funds). It allowed eligible institutions to access the CIBM under a registration concept with the PBOC instead of requiring preapproval. No quota has been required for CIBM Direct participants since its inception.

In February 2016, the PBOC announced that a wider range of foreign institutional investors—including commercial banks, insurance companies, securities firms, and asset managers—would be able to access the CIBM through CIBM Direct. The announcement also introduced the official term “Qualified Overseas Institutional Investor,” or QOII, which summarized the constituents of CIBM Direct. QFIIs and RQFIIs were also included in the list of eligible QOIIIs. The changes were implemented in May 2016 and featured the ability to remit funding in Chinese renminbi or foreign currency and execute necessary foreign exchange transactions overseas or with the bond settlement agent (custodian) in the CIBM. A lockup period for investment capital was not introduced.

Registration with the PBOC should be done with the prescribed registration form and mention the intended investment amount. A QOII must invest (within a 9-month period) at least 50% of the investment amount mentioned in the registration form.

Chapter I.D contains a detailed description of the implementation and development milestones of CIBM Direct and other market access schemes for foreign investors. Please also see section 8 for more information on applicable intermediary limitations in the context of CIBM Direct.

³⁸ For Announcement No. 1 of the State Administration of Foreign Exchange (12 June 2018), see <http://www.safe.gov.cn/en/2018/06/12/1453.html>. For Regulations on Foreign Exchange Administration for Domestic Securities Investments by Qualified Foreign Institutional Investors (10 June 2018), an English version in PDF is available at <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>.

2. 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 allowed global institutional investors to directly invest in the CNY-denominated capital market on a selective basis. Once licensed by CSRC, foreign institutional investors were permitted to buy, within a quota approved by SAFE, CNY-denominated debt financing instruments in the CIBM.

Based on CSRC Decree No. 36, promulgated in 2006, a QFII was able to 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 had to 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, more than 310 QFIIs—including commercial banks, trust companies, insurers, asset managers, securities firms, sovereign wealth funds, pension funds, and endowment funds—have been approved via this avenue into the PRC's domestic securities market, with a total investment quota of USD111.04 billion at the end of September 2019 (Table 2.10). The current list of QFIIs can be downloaded from the website of CSRC.³⁹

Limitations on the asset allocation of QFII were relaxed in September 2016, with only a limitation on cash and cash equivalent holdings remaining. 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 20% cap on the amount of capital that users of the QFII program were able to remit out of the country at any time had already been removed.

In September 2019, SAFE subsequently stated that it had abolished the quota system for the QFII and RQFII schemes in the latest move to open up Chinese financial markets. SAFE also mentioned that restrictions limiting entry to the two schemes to specific countries and regions would be removed as well. However, new investors will still have to apply and meet regulatory requirements to gain entry to the two investment schemes.

³⁹ The current list of QFIIs can be downloaded from the CSRC website at http://www.csrc.gov.cn/pub/csrc_en/OpeningUp/RelatedLists/QFIIs/.

Table 2.10: QFII Quotas Granted by Economy or Region

No.	QFII Quota Granted to Economy or Region	Allocated Quota		Number of Approved QFIIs ^b
		(USD billion) ^b	(CNY billion) ^a	
1	Hong Kong, China	25.51	179.33	77
2	United Kingdom	11.40	80.13	27
3	Taipei, China	10.86	76.34	37
4	United States	9.44	66.36	48
5	Singapore	7.92	55.67	23
6	Republic of Korea	7.75	54.48	19
7	Macau, China	5.00	35.14	1
8	France	3.68	25.86	7
9	United Arab Emirates	3.50	24.60	1
10	Japan	3.48	24.46	16
11	Switzerland	3.17	22.28	8
12	Canada	3.06	21.51	10
13	Australia	2.60	18.27	4
14	Norway	2.50	17.57	1
15	Malaysia	2.06	14.48	3
16	Kuwait	2.00	14.04	1
17	Germany	1.42	10.03	4
18	Portugal	1.20	8.43	2
19	Qatar	1.00	7.02	1
20	Sweden	0.89	6.25	4
21	Netherlands	0.76	5.34	4
22	Luxembourg	0.40	2.88	4
22	Thailand	0.40	2.88	2
24	Belgium	0.21	1.47	1
25	Brunei	0.20	1.44	1
25	Ireland	0.20	1.44	1
27	South Africa	0.15	1.05	1
28	Lithuania	0.10	0.72	1
28	Spain	0.10	0.72	1
30	Italy	0.08	0.57	1
Total		111.04	780.59	311

CNY = Chinese renminbi, QFII = Qualified Foreign Institutional Investor.

^a USD1 = CNY6.9762 as of 31 December 2019.

^b As per data published by the Bank of New York Mellon.

Note: Data as of 30 September 2019.

Sources: ASEAN+3 Bond Market Forum Sub-Forum 1 team compilation from information collected from publicly available sources including the State Administration of Foreign Exchange (www.safe.gov.cn) and Bank of New York Mellon (<https://www.bnymellon.com/apac/en/rqfii/index.jsp>).

Section 4 of this chapter contains a tabulated list of QFII and RQFII milestones, while Chapter I.D contains a detailed description of the implementation and development milestones of the QFII scheme and other market access schemes for foreign investors. Please also see section 8 of this chapter for more information on applicable intermediary limitations in the context of the QFII scheme.

a. Supervising Institutions

A number of regulatory authorities act as supervising institutions for the QFII scheme as well as for the RQFII scheme (Table 2.11).

Table 2.11: Supervising Institutions for the QFII and RQFII Schemes

Supervising Institution	Supervisory Activities
PBOC	Manage the opening of CNY-denominated bank accounts by QFIIs and RQFIIs; monitor and manage the capital inflows and outflows of QFIIs and RQFIIs
CSRC	Conduct supervision and administration of the securities investments of QFIIs and RQFIIs; review applications filed by QFIIs and RQFIIs for the business qualification of securities investment; make a decision within 60 days upon receipt of completed application materials
SAFE	Set and monitor investment quotas for QFII and RQFII schemes; manage the overall investment quotas for QFIIs and RQFIIs (until September 2019); monitor and manage the capital inflows and outflows of investments by RQFIIs and as a result of the issuance of Panda bonds

CNY = Chinese renminbi, CSRC = China Securities Regulatory Commission, PBOC = People's Bank of China, QFII = Qualified Foreign Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor, SAFE = State Administration of Foreign Exchange.

Source: ASEAN+3 Bond Market Forum Sub-Forum 1 team from publicly available sources.

b. Qualified Foreign Institutional Investor 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 a QFII application to CSRC via the designated QFII custodian;
- iii. obtain a QFII license from CSRC;
- iv. apply to open special Chinese renminbi and foreign exchange accounts with the designated QFII custodian;
- v. appoint up to three dedicated QFII brokers;
- vi. open securities account(s) in CCDC or SHCH via the designated QFII custodian, depending on the number of brokers appointed;
- vii. remit funds (quota amount) in foreign currency; foreign exchange transactions are required to be done via the designated QFII custodian;
- viii. finalize agreements among QFIIs, the designated QFII custodian, and designated broker(s); and
- ix. commence investments.

Further details on the eligibility criteria for QFII, as well as the application and approval process for a QFII license and quota, to the extent still applicable, are available from the SAFE website.⁴⁰

3. Renminbi Qualified Foreign Institutional Investor Scheme

Established in 2011, the RQFII scheme is a policy initiative that allows foreign investors who held an RQFII quota to invest directly in the PRC's equity and bond markets using offshore Chinese renminbi.⁴¹ The quota requirement was abolished by SAFE on 10 September 2019.⁴² The introduction of the RQFII scheme relaxed existing restrictions on currency settlement, added permissible asset classes, and expanded investor eligibility.

As pilot institutions, subsidiaries in Hong Kong, China of PRC-based firms and securities companies were able to use Chinese renminbi raised from business activities in Hong Kong, China to conduct securities investment business in the China (bond) market within the approved investment quota. Until 10 September 2019, the RQFII quota for a single investor was limited to CNY20 billion.

Limitations on the asset allocation of RQFIIs were relaxed in September 2016, with only a limitation on cash and cash equivalent holdings remaining. Effective June 2018, any cap on the repatriation amounts for RQFIIs was also removed, and RQFIIs were granted the ability to place foreign exchange hedges in relation to their debt financing instrument holdings. Chapter I.D contains a detailed description of the implementation and development milestones of the RQFII scheme and other market access schemes for foreign investors.

As of September 2019, when the quota requirement was abolished, the Government of the PRC had granted a total investment quota amounting to CNY1,990 billion to investors in 20 economies and regions. At the same time, CSRC had granted 243 individual RQFII licenses, with a total allocated quota of CNY691.6 billion.

Please also see section 6 of this chapter for more information on applicable intermediary limitations in the context of the RQFII scheme.

a. Renminbi Qualified Foreign Institutional Investor Quota Development

Table 2.12 gives a representation of the pace of approval and allocation of the original quotas under the RQFII scheme since its inception in 2011. As of September 2019, 243 individual RQFII licenses had been issued.⁴³

⁴⁰ See <http://www.safe.gov.cn/en/>.

⁴¹ 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.

⁴² See <https://www.safe.gov.cn/en/2019/0910/1552.html> / <https://www.safe.gov.cn/en/2019/0910/1553.html>.

⁴³ The current list of RQFIIs can be downloaded from the CSRC website at [http://www.csrfc.gov.cn/pub/csrfc_en/OpeningUp/RelatedLists/meRQFII/](http://www.csrc.gov.cn/pub/csrfc_en/OpeningUp/RelatedLists/meRQFII/).

Table 2.12: RQFII Quotas Granted by Economy and Region

No.	Month and Year Granted	RQFII Quota Granted to Economy or Region	Investment Quota (CNY billion)	Allocated Quota (CNY billion)	Number of Approved RQFIIs
1	December 2011 July 2017	Hong Kong, China (originally CNY270 billion)	500	344.94	109
2	October 2013	United Kingdom	80	48.46	22
2	October 2013	France	80	24.02	9
2	October 2013 November 2015	Singapore (originally CNY50 billion)	100	78.27	33
5	July 2014	Republic of Korea	120	72.90	35
5	July 2014	Germany	80	10.58	3
7	November 2014	Canada	50	8.65	3
7	November 2014	Australia	50	32.02	3
7	November 2014	Qatar	30	0.00	0
10	January 2015	Switzerland	50	9.58	2
11	April 2015	Luxembourg	50	15.15	7
12	May 2015	Chile	50	0.00	0
13	June 2015	Hungary	50	0.00	0
14	November 2015	Malaysia	50	1.57	1
15	December 2015	Thailand	50	2.07	3
15	December 2015	United Arab Emirates	50	0.00	0
17	June 2016	United States	250	32.52	8
18	December 2016	Ireland	50	1.86	3
19	May 2018	Japan	200	9.01	2
20	June 2019	Netherlands	50	0.00	0
Total			1,990	691.60	243

CNY = Chinese renminbi, RQFII = Renminbi Qualified Foreign Institutional Investor.

Note: Data as of 30 September 2019.

Sources: ASEAN+3 Bond Market Forum Sub-Forum 1 team compilation from information collected from publicly available sources including the State Administration of Foreign Exchange (www.safe.gov.cn) and Bank of New York Mellon (<https://www.bnymellon.com/apac/en/rqfii/index.jsp>).

b. Renminbi Qualified Foreign Institutional Investor 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 of this chapter), with the exception that there is no need to open a foreign-currency-denominated account.

4. Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor Milestones

Table 2.13 provides an overview of the milestones in the QFII and RQFII schemes, and of the participation of nonresident issuers in relation to the general efforts of the Government of the PRC in opening its markets and internationalizing the Chinese renminbi.

Table 2.13: Milestones Related to Nonresident Issuer and Investor Participation

Date	Description
10 September 2019	SAFE announces the immediate abolition of the investment quota for QFIIs and RQFIIs.
January 2019	SAFE increases the overall investment quota for QFIIs from USD150 billion to USD300 billion.
8 September 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 August 2018	CSRC announces the further opening of the exchange market, with entry requirements for QFIIs and RQFIIs to be relaxed, standardized, and harmonized, and their investment scope expanded.
12 June 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 July 2017	Bond Connect debuts.
March 2017	The first Panda bond is issued by a country located along the Belt and Road Initiative and is listed on the SSE.
23 September 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 September 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.
February 2016	Authorities announce foreign institutional investors will be given quota-free access to the CIBM, which will be known as the CIBM Direct scheme.
September 2015	The PBOC eases restrictions on issuers of Panda bonds, allowing proceeds to be used within and outside the PRC.
July 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.

continued on next page

Table 2.13 *continued*

June 2015	The PBOC permits banks carrying out offshore Chinese renminbi business to engage in bond repurchase agreements in the CIBM
1 October 2014	A single identification code is assigned to QFIIs, RQFIIs, and RMB Special Deposit Accounts for securities trading 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.
March 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.
December 2012	QFII regulations on foreign exchange are revised, including the quota limit and monthly remittances.
December 2011	The RQFII pilot program is launched.
December 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.
29 September 2009	QFII regulations on foreign exchange are revised, including the upper quota limit and capital transfer.
24 August 2006	CSRC, the PBOC, and SAFE jointly formalize QFII rules and lower QFII qualifications.
18 February 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 November 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.

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 Table 2.8 in this chapter. For individual allocations of RQFII quotas by market or region, please refer to Table 2.10 in this chapter.

5. Bond Connect

Bond Connect was launched in July 2017 and introduced by Prime Minister Li Keqiang as a way to accelerate the process of opening the CIBM. Bond Connect is a mutual market access scheme that eventually will allow investors from the PRC and overseas to trade in each other's bond markets through connections between the relevant financial infrastructure institutions in the PRC and Hong Kong, China.

Northbound Trading commenced on 3 July 2017, allowing foreign investors from Hong Kong, China and other regions to invest in the CIBM through mutual access arrangements with respect to trading, custody, and settlement. Southbound Trading,

where investors from the PRC can access the Hong Kong bond market, may be explored at a later stage.

Apart from the CIBM Direct scheme, Bond Connect is another channel that allows foreign investors to participate in the CIBM. Compared to the CIBM Direct scheme, Bond Connect utilizes the international practice of an omnibus account structure, under which nonresident investors no longer need to open accounts with the domestic infrastructures and sign additional agreements with settlement agents.

Bond Connect also utilizes the Cross-Border Interbank Payment System as the domestic payment system for cash settlement, supporting two types of delivery-versus-payment settlement. At the same time, Bond Connect has the arrangement of a see-through structure, which still allows regulators to identify the end investors accessing the CIBM.

Overseas investors qualified to enter the CIBM can choose to access the market via CIBM Direct and Bond Connect simultaneously.

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 investment amounts, are required to observe the real demand principle; that is, the customer must prove to the executing financial institution that an underlying transaction or commitment exists to support a foreign exchange transaction.

In the context of the investment in debt financing instruments, the custodian of the investor will normally keep records for both the debt financing instruments and foreign exchange transactions to fulfill this requirement. Violations may attract heavy fines.

7. Bank Accounts in Domestic or Foreign Currency

Under CIBM Direct, approved nonresident investors are able to open cash accounts in Chinese renminbi and foreign currency with their bond settlement agent (custodian) without further approval from the PBOC or SAFE.

Under the provision of the QFII and RQFII schemes, nonresident investors 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 QFIs and RQFIs to hedge exchange rate risk by 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.

According to SAFE regulations, a QFII or RQFII shall open a foreign exchange account with its custodian for its own funds, client funds, or open-ended funds based on the information filed with or approved by SAFE on the investment amount.⁴⁴

8. Intermediary Limitations

A number of intermediary limitations or prescriptions exist for each of the investment avenues available to nonresident investors in the CIBM.

a. CIBM Direct

Under the CIBM Direct Scheme, foreign institutions may trade bonds directly through securities companies or banks. If the foreign investor wishes to use a bank, this institution will have to have a so-called Type A license, which means it can trade, settle, and provide custody for CIBM instruments both for itself and on behalf of institutional investors, including foreign investors.

b. Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor

When investing in the PRC's capital market, including the exchange bond market, QFIs and RQFIs are required to appoint one designated QFII custodian and (up to) three RQFII custodians as well as three designated brokers for all their transactions. QFIs may only appoint one custodian, while RQFIs may appoint up to three custodian banks.

c. Bond Connect

Nonresident investors that access the CIBM via Bond Connect are required to establish a trading relationship with at least one Onshore Participating Dealer, being the official term used for a trading participant in CFETS to execute the nonresident investors' trade orders. This requirement exists regardless of which order routing platform the investors use.

By definition of the Bond Connect concept, the Central Moneymarkets Unit (CMU) of the Hong Kong Monetary Authority, which is the central depository for debt instruments in Hong Kong, China, acts as the depository participant (custodian) on behalf of the nonresident investor.

9. Foreign Ownership Limitations

In contrast to equities, there are no foreign ownership limitations when acquiring or holding debt financing instruments in the CIBM.

⁴⁴ See <http://www.safe.gov.cn/en/2018/0612/1453.html>.

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.

At the same time, QOIs, QFIs, and RQFIs are able to participate in bond lending transactions, while foreign central banks, international financial organizations, sovereign wealth funds, foreign RMB clearing banks, and participating banks are allowed to participate in bond repo transactions, despite bond lending representing a loan of assets and the nature of the repo being in pledged form (see also Chapter IV.G for more information on repo transactions in the CIBM and Chapter IV.H for information on bond lending practices in the CIBM).

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 China bond market and the application of such credit ratings in the issuance process of bonds, please refer to Chapter III.O.

In the CIBM, the credit rating business is examined and supervised by the PBOC. As such, it is mainly responsible for drafting relevant rules and regulations governing the credit rating system, and drawing up development strategies and policies. CSRC supervises credit ratings in the exchange bond market, while the NDRC oversees credit ratings for enterprise bonds. In the CIMB, CRAs will need to be admitted as members of NAFMII to provide services to market participants.

The PBOC is also responsible for the examination and publication of the rating results, including legal rating activities by the CRAs as well as any potential illegal activities, such as a breach of rating procedures, unfair competition, and inappropriate pricing based on awarded credit rating levels.

At the time of the compilation of this bond market guide, 11 accredited CRAs were active in the China bond market providing rating services based on local and international methodologies, models, and criteria (Table 2.14).

In addition, NAFMII established a company called China Bond Rating, which is a CRA funded by NAFMII on behalf of all its members (i.e., institutional investors in the CIBM) and focuses on investor-paid rating or the so-called unsolicited rating model.⁴⁵ In the case of an investor-paid rating, institutional investors should check the veracity of a credit rating awarded to an issuer and/or their issued bonds and notes. They may request that the issuer and/or their bonds and notes be rated again for comparison against either the original result or the investor's internal assessment.

On 16 July 2017, the PRC began to allow wholly foreign-owned financial services firms to provide credit rating services and begin the licensing process for credit investigation. In March 2018, NAFMII published the Rules for Credit Rating Agencies' Registration and Participation in Market-Based Evaluation in the Inter-Bank Bond Market.⁴⁶ The NAFMII CRA rules also specified the required documentation.⁴⁷ NAFMII

⁴⁵ Reference to the information on China Bond Rating Co., Ltd. (中债资信评估有限责任公司) is available at <https://www.chinaratings.com.cn/AboutUs/Profile/Overview/>.

⁴⁶ The rules are available on the NAFMII website in Chinese, at http://www.nafmii.org.cn/zlgz/201803/t20180327_68266.html.

⁴⁷ This information has been partly adopted from International Capital Market Association. 2018. *Development in China's Interbank Bond Markets*. Zurich.

is responsible for the licensing and admission of CRAs to the CIBM (see section I in this chapter for details).

Subsequently, in September 2018, the PBOC and CSRC jointly released Announcement No. 14, officially entitled Enhance Unified Management of Credit Rating and Facilitate Connectivity of the Bond Market, which stipulated the gradual unification of the CIBM and exchange bond market credit rating business qualifications.⁴⁸ It was aimed at strengthening the sharing of information on the supervision of CRAs, promoting improvement of the internal system of CRAs, unifying rating standards, and improving the quality of credit ratings.

Table 2.14: Credit Rating Agencies Active in the China Bond Market

Credit Rating Agency	CIBM	Exchange Market
China Chengxin Securities Rating (CCXR) 中诚信证券评估有限公司		○
China Chengxin International Credit Rating (CCXI) 中诚信国际信用评级有限责任公司	○	
United Credit Ratings 联合信用评级有限公司		○
China Lianhe Credit Rating 联合资信评估有限公司	○	
Dagong Global Credit Rating 大公国际资信评估有限公司	○	○
Shanghai Brilliance Credit Rating & Investors Service 上海新世纪资信评估投资服务有限公司	○	○
CSCI Pengyuan Credit Rating 中证鹏元资信评估股份有限公司	○	○
Golden Credit Rating 东方金诚国际信用评估有限公司	○	○
China Bond Rating 中债资信评估有限责任公司	○	
S&P Global (China) Ratings 标普信用评级(中国)有限公司	○	
Fitch (China) Bohua Credit Ratings Ltd 惠誉博华	○	

Note: All information as of 1 June 2020.

Source: National Association of Financial Market Institutional Investors.

In January 2019, for the first time, a CRA fully owned by a foreign entity, S&P Global (China) Ratings Co., Ltd., was accredited in the CIBM. In May 2020, Fitch (China) Bohua Credit Ratings Ltd., a wholly owned subsidiary of Fitch Ratings, was given approval to operate in the CIBM by the PBOC and a license issued by NAFMII to conduct bond rating activities. According to news reports, other global CRAs have submitted applications to the PBOC and are awaiting approval.⁴⁹ NAFMII also

⁴⁸ See <http://www.pbc.gov.cn/english/130721/3628161/index.html>.

⁴⁹ This section has been adapted from an article in the *Nikkei Asian Review* on 28 January 2019, as well as an article on the Reuters website at <https://www.reuters.com/article/china-pboc-ratings/china-grants-fitch-ratings-approval-for-domestic-ratings-business-idUSB9N2CC01J>.

announced the launch of a market-oriented registration and evaluation process for new CRAs in the CIBM in April 2020, with a window until 31 July 2020.⁵⁰

P. Regulations on Bond Pricing Agencies

This section explains the regulations and requirements applicable to securities pricing agencies operating in the PRC. Information on the pricing or, in this context, the valuation of bonds in the CIBM can be found in Chapter III.K.

At the time of the compilation of this bond market guide, there were no specific regulatory authorities or rules concerning bond valuation and pricing services in the PRC.

⁵⁰ See http://www.nafmii.org.cn/english/news_e/202004/t20200417_79943.html.