



## China Finance Bulletin

Welcome to the sixth issue of White & Case's China Finance Bulletin. The bulletin offers you regular updates of the PRC finance sector ensuring you stay up to date with the latest legal, regulatory and practice developments.

### Regulatory Developments

#### Banking and Finance

##### **PBOC reduces deposit reserve ratio, benchmark deposit and lending rates again**

Following from similar decreases in September, the People's Bank of China (PBOC) announced that the RMB deposit reserve ratio for depository financial institutions will be reduced by 0.5 percentage points starting from October 15, 2008.

One-year RMB benchmark deposit and lending rates have also been reduced twice in October. Starting from October 9, 2008, the one-year benchmark deposit interest rate was reduced from 4.14% to 3.87%; while the one-year benchmark lending interest rate was reduced from 7.20% to 6.93%. These benchmark rates were further reduced starting from October 30, 2008 – the one-year benchmark deposit interest rate is now reduced to 3.60%, while the one-year benchmark lending interest rate is now reduced to 6.66%. Benchmark lending and deposit interest rates for other maturities will be adjusted correspondingly.

Please refer to <http://www.pbc.gov.cn/detail.asp?col=100&ID=2868> and <http://www.pbc.gov.cn/detail.asp?col=100&id=2908> for more information.

##### **Non-financial companies may resume issuing medium-term notes**

The People's Bank of China (PBOC) announced on October 5, 2008 that it has agreed that the National Association of Financial Market Institutional Investors (NAFMII) can resume accepting registrations for the issue of Medium-Term Notes (MTNs) by non-financial companies. Registrations from large listed companies with weighted shares, and national infrastructure companies such as coal, power, petroleum and transport companies would be given priority.

PBOC also indicated that enterprises which have previously registered with the NAFMII can resume issuing MTNs if they have not yet issued MTNs or have not exhausted their issuance quota within the validity period. In addition, listed companies can use the proceeds from their issuance of MTNs to repurchase their own shares in accordance with the relevant laws and regulations.

Please refer to [http://www.gov.cn/gzdt/2008-10/06/content\\_1112746.htm](http://www.gov.cn/gzdt/2008-10/06/content_1112746.htm) for more information.

White & Case LLP is a leading global law Firm with more than 2,400 lawyers in 36 offices in 24 countries. Whether in established or emerging markets, the hallmark of White & Case is our complete dedication to the business priorities and legal needs of our clients.

If you have questions or comments regarding this bulletin, please contact:

Karen Tang  
Partner  
+ 86 21 6132 5916  
[katang@whitecase.com](mailto:katang@whitecase.com)

John Hartley  
Partner  
+ 852 2822 0409  
[jhartley@whitecase.com](mailto:jhartley@whitecase.com)

Rosanna Chow  
Associate  
+ 852 2822 0479  
[rchow@whitecase.com](mailto:rchow@whitecase.com)

## CBRC releases the first new capital agreement monitoring guidelines

The China Banking Regulatory Commission (CBRC) recently published the first series of monitoring guidelines for the implementation of the new capital agreement. These monitoring guidelines include:

1. The Guidelines for the Classification and Disclosure of Credit Risks for Commercial Bank Accounts, which set out the principles and requirements of the classification and disclosure of credit risks for commercial banks, and stipulate the standards for the disclosure of different types of credit risks;
2. The Monitoring Guidelines for Internal Credit Risk Rating Systems of Commercial Banks. Internal credit risk rating is an important policy development under the new capital agreement. The monitoring guidelines draw upon the supervisory policies of other countries, setting out the system requirements, procedures and other technicalities of internal credit risk rating of commercial banks;
3. The Monitoring Guidelines for Specialised Lending and Capital Measurements of Commercial Banks, which specify the standards of risk rating applicable to the four types of specialised lending, being project financing, asset financing, commercial financing and real estate financing, as well as other risk-related standards applicable to the different classes of specialised lending, in order to ensure that commercial banks will prudently assess the risk of specialised lending and the relevant capital requirements;
4. The Monitoring Guidelines for Credit Risk Management and Capital Measurements of Commercial Banks, which specify the scope and conditions of qualified collateral, qualified net settlement and credit derivative tools, describing in detail the requirements of managing the hedging of credit risk by commercial banks; and
5. The Monitoring Guidelines for Operational Risks and Capital Measurements of Commercial Banks. These guidelines provide guidance as to the assessment and management of operational risks of commercial banks.

For more information, please refer to <http://www.cbrc.gov.cn/chinese/home/jsp/docView.jsp?docID=200810175D0F54B9F73A65B8FF13C44B69BBBD00>.

## Corporate

### CIRC interprets definition of “affiliated transactions” by foreign insurance firms

On October 21, 2008, the China Insurance Regulatory Commission (CIRC) issued a circular (the “**Circular**”) regarding the interpretation of issues arising from the implementation of the Tentative Measures for the Administration of Affiliated Transactions of Insurance Firms (the “**Tentative Measures**”), which were promulgated in April 6, 2007. The Circular mainly deals with the definition of “affiliated transactions” by foreign insurance firms.

According to the Circular, in respect of the businesses of entrusted management of insurance funds or insurance agency between insurance firms and their subsidiaries or between the subsidiaries, the transaction amount of such affiliated transactions should be calculated on the basis of the management fees or agency fees involved. In respect of insurance business, the transaction amount of affiliated transactions should be calculated on the basis of the insurance premiums. For transactions involving the provision of security or gifts, the transaction amounts of such affiliated transactions should be calculated on the basis of the secured debts or the market prices of the gifted goods.

For major affiliated transactions arising between an insurance firm and its subsidiary, or between the subsidiaries, the party to whom such transaction constitutes a major affiliated transaction or the insurance group (holding) company should bear the responsibility of reporting to the CIRC.

The Circular also provides that the Tentative Measures do not apply to the business of investment management of annuities and account management business between the above-mentioned entities.


For more information, please refer to [http://www.circ.gov.cn/Portal0/InfoModule\\_405/84352.htm](http://www.circ.gov.cn/Portal0/InfoModule_405/84352.htm).

## News

### Banking and finance

#### Trials of financing business and securities financing business of securities firms to be launched

On October 5, 2008, the China Securities Regulatory Commission (CSRC) announced that trials of financing business and securities financing business of securities firms will soon be officially launched.



Financing business refers to the business activity where a securities firm lends capital to its customers to enable them to buy securities; while securities financing business refers to the business activity where a securities firm lends securities to its customers to enable them to sell such securities.

The trials will take into consideration different types of securities firms as well as firms in different locations. During the trial period, securities firms are only allowed to conduct financing business and securities financing business with their own funds and securities. It is anticipated that such financing business and securities financing business will be included as the usual scope of business of securities firms after the trials proves to be successful.

For more information, please refer to [http://www.gov.cn/gzdt/2008-10/05/content\\_1112277.htm](http://www.gov.cn/gzdt/2008-10/05/content_1112277.htm).

## Real estate

### PBOC to strengthen supervision of real estate financing

On October 26, 2008, Zhou Xiao-chuan, the president of the People's Bank of China (PBOC), said that PBOC will strengthen supervision on real estate financing and improve financial services in the real estate sector.

According to Zhou, PBOC plans to establish a robust supervision mechanism for real estate financing. PBOC also intends to simplify and standardize the system of housing loans. The focus is to further improve financial services in the real estate sector under the prerequisite of satisfactory risk control.

For the relevant news report in Chinese, please refer to <http://www.chinacourt.org/public/detail.php?id=327354>.

# Finance at White & Case

White & Case's global banking and finance capability is one of the world's strongest. The Firm's historical focus on the representation of banking clients means we are ideally placed to understand and represent these interests. Our bank finance practice is known for structuring first-of-its kind deals, responding quickly when decisiveness matters and delivering the success that further establishes our leading credentials:

- Tier One for China Banking & Finance (Foreign Firms)—*Chambers Asia*, 2009
- Tier One for Global Banking & Finance—*Chambers Global*, 2008
- Ranked Number One in Global Bank Finance 2007—*Mergermarket Tables*

Our noted areas of expertise include acquisition finance, bank advisory, credit transactions, derivatives, leasing and other asset-backed activity, and structured finance. In China and globally, our experienced team is intimately familiar with every aspect of deal structure, negotiation and documentation, and we aim to give precisely the right level and type of support at each stage of the deal—starting with strategic advice on alternative structures through negotiation and documentation, keeping your deal on track.

## Our Firm

White & Case is a leading global law firm with more than 2,400 lawyers in 36 offices in 24 countries. Among the first US-based law firms to establish a truly global presence, we provide counsel and representation in virtually every area of law that affects cross-border business. Our clients value both the breadth of our network and depth of our US, English and local law capabilities in each of our offices and rely on us for their complex cross-border transactions, arbitration and litigation.

We work with the world's most established and respected companies, including two-thirds of the *Global Fortune 100* and half of the *Fortune 500*, as well as with start-up visionaries, governments and state-owned entities. Leading industry publications consistently recognize White & Case for exemplary work, including:

- A Top Ten Global Law Firm—*The American Lawyer*, 2007
- Firm of the Year 2007—*Asian Counsel*
- Top International Law Firm 2008 Vault Guide to the—*Top 100 Law Firms*
- Ranked Top in Global Bankruptcy 2007—*The Deal*
- Project Finance Team of the Year 2008—*Legal Business*
- Airport and Road Finance Law Firm of the Year 2007—*Jane's Transport Finance*
- Oil and Gas Legal Adviser of the Year 2007—*Infrastructure Journal*
- One of the Top Ten Law Firms for Global M&A 2007—*Thomson Financial/Bloomberg*
- One of the Top Ten Capital Markets Practices 2007—*Bloomberg*

ABU DHABI ALMATY ANKARA BANGKOK BEIJING BERLIN BRATISLAVA BRUSSELS BUCHAREST BUDAPEST DRESDEN DÜSSELDORF  
FRANKFURT HAMBURG HELSINKI HONG KONG ISTANBUL JOHANNESBURG LONDON LOS ANGELES MEXICO CITY MIAMI MOSCOW MUNICH  
NEW YORK PALO ALTO PARIS PRAGUE RIYADH SÃO PAULO SHANGHAI SINGAPORE STOCKHOLM TOKYO WARSAW WASHINGTON, DC

This bulletin is provided for your convenience and does not constitute legal advice. It is prepared for the general information of our clients and other interested persons. This bulletin should not be acted upon in any specific situation without appropriate legal advice and it may include links to websites other than the White & Case website.

White & Case has no responsibility for any websites other than its own and does not endorse the information, content, presentation or accuracy, or make any warranty, express or implied, regarding any other website.

This bulletin is protected by copyright. Material appearing herein may be reproduced or translated with appropriate credit.

[www.whitecase.com](http://www.whitecase.com)

White & Case LLP, a New York State registered limited liability partnership, is engaged in the practice of law directly and through entities compliant with regulations regarding the practice of law in the countries and jurisdictions in which we have offices.

© 2008 White & Case LLP