

Finance

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Welcome to the August issue of White & Case's China Finance Bulletin. This bulletin is a regular update on the PRC finance sector ensuring you stay up to date with the latest legal, regulatory and practice developments.

Guidelines for Domestic Non-financial Institutions Issuing RMB Bonds in Hong Kong

On June 8 2012, The National Development and Reform Commission ("NDRC") issued the *Circular regarding Domestic Non-financial Institutions Issuing RMB Bonds in Hong Kong* (Fa Gai Wai Zi [2012]1162) (国家发展改革委关于境内非金融机构赴香港特别行政区发行人民币债券有关事项的通知, 发改外资[2012]1162号) (the "**Circular**"), which is a follow-up regulation of the *Interim Measures for the Administration of the Issuance of RMB Bonds in Hong Kong Special Administrative Region by Domestic Financial Institutions* (issued by the People's Bank of China on June 8, 2007).

The Circular streamlined the rules for corporate RMB bond issuance in Hong Kong, and includes requirements that prospective issuers need to meet to qualify as an RMB bond issuer, information required in the application and procedures for issuance. Prior to the issuance of this Circular, approvals for the issuance of offshore RMB bonds by Chinese domestic enterprises were given by NDRC on a case-by-case basis.

The requirements of the bond issuer include, sound corporate governance, strong credit status, strong profitability and no default in outstanding debts among other criteria. Applications for the bond issuance should be submitted to the NDRC either at the central level (if the enterprise is centrally-administered) or provincial level. The Circular further stipulates that the issuer shall commence substantive work in relation to the RMB bond issuance within 60 days and complete the RMB bond issuance in Hong Kong within one year, in each case, from the date of the NDRC approval. The issuer shall also submit a written report in relation to the issuance of the RMB bond to the NDRC within 10 days of completion of the issuance.

The relevant Hong Kong rules should also be observed by the bond issuers. The Circular again restates that RMB bonds issued in Hong Kong are considered as foreign debt and subject to the relevant registration procedures with the State Administration for Foreign Exchange.

For the full text of the Circular, please visit the following Chinese language link:
http://www.sdpc.gov.cn/zcfb/zcfbtz/2012tz/t20120508_478219.htm

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SAFE Circular on Issues Concerning Foreign Exchange Controls in Encouraging and Guiding the Healthy Development of Private Investment

On June 11, 2012, the State Administration of Foreign Exchange (“SAFE”) issued the Circular on Issues Concerning Foreign Exchange Controls in Encouraging and Guiding the Healthy Development of Private Investment (Hui Fa [2012] No. 33) (国家外汇管理局关于鼓励和引导民间投资健康发展有关外汇管理问题的通知) (汇发[2012]33号) (the “Circular”), which involves critical changes in foreign exchange controls for outbound investment.

The Circular simplifies the procedure of, and eliminates some approval requirements on inward and outward remittance of funds for outbound investment projects.

The Circular also permits Chinese enterprises to use foreign currency loans acquired from domestic banks to finance their outbound investment projects.

Further, the Circular allows Chinese individuals to provide a guarantee and/or security to support domestic enterprises’ outbound investment projects, provided a domestic enterprise also provides a guarantee and/or security for the same outbound project. The Circular clarifies that no standalone guarantee or security provided by Chinese individuals in support of such projects is permitted.

For the full text of the Circular, please visit the following Chinese language link: http://www.safe.gov.cn/model_safe/laws/law_detail.jsp?ID=8040400000000000,33&id=4

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