

Haiwen Finance and Asset Management Monthly (October)

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Introduction

To make the finance and asset management industry keep abreast of the latest industry developments, Haiwen prepares the "*Haiwen Finance and Asset Management Monthly*". This monthly reading aims to introduce and provide brief comments on regulatory development and industry news.

In October of 2023, **for new rules and regulations**, the China Securities Regulatory Commission (CSRC) adapted the *Guidelines for Publicly Offered Infrastructure Securities Investment Funds (Trial)*; the National Administration of Financial Regulation (NAFR) released *Notice on Promoting the Standardized Operation and Compliance Management of Financial Leasing Companies*; the People's Bank of China (PBOC) and NAFR issued *Measures for the Assessment of Systemically Important Insurance Companies*; the NAFR issued the *Implementation Measures for the Administrative Licensing Items concerning Non-Bank Financial Institutions*.

For industry news, the CSRC adjusted and optimized the securities lending policies to enhance its role of counter-cyclical adjustment; Hong Kong Chief Executive John Lee announced *The Chief Executive's 2023 Policy Address*; the NAFR continuously enhancing the "Belt and Road" financial services; the central financial work conference held in Beijing from October 30 to 31.



I Latest Rules and Regulations

1. The CSRC adapted the *Guidelines for Publicly Offered Infrastructure*

Securities Investment Funds (Trial) to expand the asset types for publicly offered REITs pilot programs to include consumer infrastructure

On October 20, 2023, the CSRC issued a decision to amend Article 50 of the *Guidelines for Publicly Offered Infrastructure Securities Investment Funds (Trial)* (the "**Revision**"). Based on the *Guidelines for Publicly Offered Infrastructure Securities Investment Funds (Trial)* (the "**REITs guidelines**") released by the CSRC on August 6, 2020, the Revision expands the asset types in the publicly offered REITs pilot to consumer infrastructure. This expansion includes a broad range of underlying assets in the REITs guidelines, such as warehousing and logistics, toll roads, airports, ports, and other transportation facilities, municipal facilities like water, electricity, and heating, **consumer infrastructure like department stores, shopping centers, and farmers' markets**, and other infrastructure aligned with national strategies, development plans, industry policies, and investment regulations, including pollution control, information networks, industrial parks, affordable rental housing, and clean energy.

Haiwen Comments

The Revision broadens the scope of underlying assets for publicly offered REITs, further positioning publicly offered REITs as innovative tools and important vehicles for the high-quality development of the real economy in financial services. Within a week of the Revision's release, the CSRC and the Shanghai and Shenzhen stock exchanges accepted four consumer infrastructure publicly offered REITs projects (China Fortune Land Development Shopping Center, Harvest Wumart Consumer, China Resources Commercial Assets, and CICC SCPG Consumer Infrastructure Public REITs). With the acceptance of the first batch of consumer infrastructure publicly offered REITs, the market size for publicly offered REITs is expected to continue expanding, attracting more domestic and foreign investment.

2. The NAFR Released Notice on Promoting the Standardized Operation and Compliance Management of Financial Leasing Companies

On October 27, 2023, the NAFR released the Notice on Promoting the Standardized Operation and Compliance Management of Financial Leasing Companies and the Explanation on the Statistical Scope of Financing Lease Business (collectively referred to as the "**Notice**"). A spokesperson of NAFR also addressed the media about the background, key contents, and related measures of the Notice.

On one hand, to address the risks and issues that have emerged in the development of the financial leasing industry, the Notice proposes thirteen regulatory requirements in four areas: improving corporate governance and internal control management, strictly regulating the leasing business, raising effectiveness of financial supervision, and establishing a comprehensive regulatory collaboration mechanism. The Notice particularly emphasizes: (1) limiting the scope of leased items, specifically limiting the scope of leased items in the sale and leaseback business to equipment assets and strictly prohibiting consumer goods other than passenger cars as leased items; (2) optimizing the leasing business structure, controlling business growth rate and leverage levels, with a 15 percentage point decrease in the proportion of sale and leaseback business in new business in 2024 compared to the first three quarters of 2023, and aiming to achieve a goal in which annual new direct lease business accounts for no less than 50% by 2026.

On the other hand, the Notice relaxes the scope of certain limits, explicitly excluding three types of items – small and micro enterprises, agricultural enterprises, aircraft, ships, and vehicles – when calculating the limits for sale and leaseback business.

Haiwen Comments

The Notice, by setting quantitative targets and transition arrangements, urges the financial leasing industry to shift from "credit-like" operations back to "true lease". It requires regulatory bureaus to continue supervision, enhance communication with industry authorities, clarify statistical scopes for financing leasing business, and implement national policies supporting the real economy through the financial sector. Additionally, according to the NAFR's 2023 Regulatory and Legislative Work Plan, the revised Measures for the Administration of Financial Leasing Companies is expected to be issued by the end of this year.

3. The PBOC and NAFR Issued *Measures for the Assessment of Systemically Important Insurance Companies*

On October 20, 2023, the PBOC and NAFR issued the Measures for the Assessment of Systemically Important Insurance Companies (the "**Measures**"), which will be implemented from January 1, 2024. "Systemic importance" refers to the extent to which a financial institution, due to its large size, complex structure and business operations, strong interconnections with other

financial institutions, and provision of critical services that are difficult to replace in the financial system, could adversely affect the financial system and real economy if it were to experience significant risk events and could not continue to operate. The PBOC, the former China Banking and Insurance Regulatory Commission (CBIRC), and the CSRC had previously issued the Guiding Opinions on Improving the Regulation of Systemically Important Financial Institutions (the "Guiding Opinions") in November 2018, which identified systemically important financial institutions, including banking, securities, and insurance institutions. Following the release of the Measures for the Assessment of Systemically Important Banks by the PBOC and the former CBIRC in December 2020, the Measures further refine the regulatory framework for systemically important financial institutions outlined in the Guiding Opinions.

The Measures provide clear stipulations on the assessment scope, indicators, weights, and processes for systemically important insurance companies. For example, regarding the assessment scope, it includes the top 10 insurance groups, life insurance companies, property insurance companies, and reinsurance companies by asset size, or those that were designated as systemically important insurance companies in the previous year. Every two years, the PBOC and the NAFR will calculate the weighted average score of each insurance company based on relevant assessment indicators, and those scoring 1000 points or more will be designated as systemically important insurance companies.

Haiwen Comments

China's insurance industry is characterized by high complexity, significant cross-sectoral operations, and strong linkages with the financial system. In line with the differentiated regulatory requirements of the Guiding Opinions, the Measures, drawing on international experience, establish the criteria for identifying systemically important insurance companies in China. This is conducive to better regulating these companies and preventing systemic risks. Being designated as a systemically important insurance company may subject an insurer to stricter regulatory standards, but it can also strengthen the company's operational robustness. Additionally, such designation is a recognition of the company's creditworthiness and capital strength.

4. The NAFR issued the *Implementation Measures for the Administrative Licensing Items concerning Non-Bank Financial Institutions*

On October 9, 2023, the NAFR released the Implementation Measures for the Administrative Licensing Items concerning Non-Bank Financial Institutions (the “**Implementation Measures**”), which came into effect on November 10, 2023.

The Implementation Measures significantly adjust various aspects such as the application requirements for the establishment of non-bank financial institutions, shareholder qualification requirements, and foreign shareholder equity participation. For instance, they raise the entry requirements for the qualifications of certain non-bank financial institutions and their shareholders, simplify the bond issuance process for non-capital-related bonds and some personnel appointment qualification licensing procedures, allow multinational groups to directly establish foreign-funded finance companies, and relax the entry threshold for foreign institutions to invest in China’s financial asset management companies.

Haiwen Comments

While continuing to strengthen supervision of the financial industry and improve the quality and efficiency of market access, the Implementation Measures further enhance the opening up of China’s financial sector to the outside world. This is conducive to attracting high-quality foreign resources to participate in the disposal of non-performing assets in China, drawing on foreign management experiences, and improving the efficiency of China’s non-performing asset disposal. As of now, Hong Kong New World Development Group has established Hainan Xinchuangjian Asset Management Co., Ltd. in Hainan Province, becoming the first foreign-controlled local asset management company.



II Industry News

1. The CSRC adjusted and optimized the securities lending policies to enhance its role of counter-cyclical adjustment

On October 14, 2023, the CSRC issued a notice to adjust the securities lending policies,

aiming to enhance its role of counter-cyclical adjustment. On the same day, the SSE, SZSE and BSE also released implementation notices.

According to these notices, the main adjustments include: (1) On the financing side: The margin ratio for securities lending is increased from no less than 50% to 80%, and for private equity securities investment funds participating in securities lending, the margin ratio is raised to 100%; (2) On the lending side: Shares restricted from transfer, such as listed companies' restricted sales shares, strategic allotment shares, and shares transferred via bulk trading by major shareholders or specific shareholders, cannot be sold by the way of securities financing during the restriction period. The limitations on lending by senior executives and key employees of listed companies through special asset management plans established for strategic allotments have been lifted, and the other strategic investors' lending methods and proportions in the early stages of listing are appropriately restricted, etc.

2. Hong Kong Chief Executive John Lee announced *The Chief Executive's 2023 Policy Address*

On October 25, 2023, John Lee, the Chief Executive of the Hong Kong Special Administrative Region, announced in the Chief Executive's 2023 Policy Address, emphasizing that the Hong Kong government will consolidate and enhance its advantages as an international financial center and adopt a series of policies to strengthen the competitiveness of the stock market and the financial center. These include: (1) to reduce the rate of stamp duty on stock transfer from the current 0.13% to 0.1% of the consideration or value of each transaction payable by buyers and sellers respectively. The Stamp Duty (Amendment) (Stock Transfers) Bill 2023, which implements the stamp duty reduction plan, took effect on November 17, 2023; (2) to strengthen the offshore RMB business, including efforts to press ahead the inclusion of RMB counters under the Southbound Trading of Stock Connect to facilitate the trading of Hong Kong stocks in RMB; (3) to deepen financial cooperation in the Greater Bay Area, such as facilitating Hong Kong's limited partnership funds to be qualified under the Qianhai Qualified Foreign Limited Partnerships (QFLP) to participate in private equity investment in the Mainland; and co establishing the Shenzhen Hong Kong Financial Co operation Committee with the Shenzhen authorities in the first half of 2024 to bolster mutual access to the financial markets.

Previous policies in offshore RMB business and Greater Bay Area financial cooperation have already been implemented, including the launch of the “HKD-RMB Dual Counter Model by the HKEX, and decisions by the PBOC and other relevant authorities to optimize the pilot program for the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area to further facilitate financial market connectivity in the region. The Chief Executive's 2023 Policy Address further signals positive developments in cross-border financial cooperation.

3. The NAFR: continuously enhancing the “Belt and Road” financial services

On October 17, 2023, the NAFR issued a statement highlighting that since the introduction of the "Belt and Road" initiative in 2013, China's banking and insurance industry has not only continuously optimized its overseas layouts and enriched its financial products and strengthened multi-party cooperation to provided financing support and insurance protection for the construction of the “Belt and Road”, but also actively practiced the concept of green development, fulfilled its social responsibility, and contributed to local livelihoods and employment. In the future, the NAFR will continue to guide banking and insurance institutions to enhance the level of "Belt and Road" financial services, promote high-quality development, further optimize overseas layouts, expand the coverage of financial services, and increase support for health, green, digital, and innovative sectors.

4. The central financial work conference held in Beijing from October 30 to 31

The central financial work conference was held in Beijing from October 30 to 31. The conference proposed for the first time to build a financial powerhouse and continued the previous positioning of financial work, emphasizing that unswervingly follow the path of financial development with Chinese characteristics, and promote high-quality financial development.

On the one hand, the conference set clearer requirements for finance and financial services to the real economy, covering aspects such as monetary policy, capital markets, bond markets, and the positioning of financial institutions, requiring better utilization of the capital market's hub function, deepening the implementation of the stock issuance registration system, developing diversified equity financing, significantly improving the quality of listed companies, and

cultivating top-tier investment banks and investment institutions, and optimizing the capital supply structure, directing more financial resources towards supporting technological innovation, advanced manufacturing, green development, and small and medium-sized enterprises, and developing science and technology finance, green finance, inclusive finance, pension finance, and digital finance. On the other hand, the conference also stressed the need to comprehensively strengthen supervision and effectively prevent and resolve risks (including risks in small and medium-sized financial institutions, local government debts, and the real estate sector, etc.), and called for all financial activities to be regulated by law, with strict enforcement and a severe crackdown on illegal financial activities.

2023-11-29