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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 January 2024, **for new rules and regulations**, the China Securities Regulatory Commission ("CSRC") issued the *Opinions on Application of Securities and Futures Laws: Opinions on Application of Article 13 and 14 of the Administrative Measures on Acquisition of Listed Companies (Draft for Comments)*; the State Council issued the *Decision of the State Council on Amending Certain Administrative Regulations and Decisions of the State Council"*, amending the *Regulations of the PBOC on the Monetary Policy Committee, the Decision of the State Council on Implementing the Access Administration of Bank Card Clearing Institutions*, and the *Decision of the State Council on Implementing the Access Management of Financial Holding Companies*; the People's Bank of China ("PBOC") publicly solicited Opinions on *Announcement on Further Supporting Overseas Institutional Investors to Conduct Bond Repurchase Transactions in the Inter-Bank Bond Market (Draft for Comments)*; the Shanghai Municipal People's Government released *Several Measures for Further Promoting the High-Quality Development of Shanghai's Equity Investment Industry*.

For industry news, the Communist Party of China ("CPC") Hainan Provincial Committee and the People's Government of Hainan Province released *Opinions on Supporting the High-Quality Development of the Hainan Free Trade Port through High-Level Quality Construction*; the National Financial Regulatory Administration ("NFRA") convened a meeting to deploy the implementation of the urban real estate financing coordination mechanism; the Beijing Stock Exchange ("BSE") officially launched its corporate bond market; the CSRC further intensified its regulation of securities lending business, implementing a comprehensive suspension of restricted shares lending.

I Latest Rules and Regulations

1. The CSRC Issued the *Opinions on Application of Securities and Futures Laws: Opinions on Application of Article 13 and 14 of the Administrative Measures on Acquisition of Listed Companies (Draft for Comment)*

On January 5, 2024, the CSRC issued the *Opinions on Application of Securities and Futures Laws: Opinions on Application of Article 13 and 14 of the Administrative Measures on Acquisition of Listed Companies (Draft for Comment)*. According to the *Securities Law* and *the Administrative Measures on Acquisition of Listed Companies*, investors and persons acting in concert must report and publicly diclsoure every increase or decrease of 5% in their shareholding of a listed company after reaching a 5% threshold. From the day of the occurrence until three days after the disclosure, they are prohibited from trading shares of that listed company. In response to the aforementioned regulations, the CSRC has noted that there has been a lack of unified understanding in the market for a long time, that is, there are two interpretations of the requirements: "threshold" and "scale". The "threshold" test suggests that trading should be suspended and disclosed when the shareholding reaches 5% and its integer multiples (such as 10%, 15%, 20%, 25%, 30%, etc.), while the "scale" test suggests that trading should be suspended and disclosed when there is a 5% increase or decrease in shareholding (e.g., from 6% to 11%, or from 12% to 7%). Although neither tests is superior to the other, for the ease of understanding and operation for investors, it is necessary to unify the standard. Therefore, the CSRC publicly sought comments, proposing to uniformly adopt the "threshold" test and accordingly clarify that it is the listed company's responsibility to disclose changes in investor rights due to changes in the company's share capital.

Haiwen Comments

Compared to the "scale" test, the "threshold" test makes calculations more convenient for investors. It not only helps resolve confusion among market participants in understanding and operation but also enhances market transparency and fairness, providing investors with clearer and more reliable guidance.

2. The State Council Issued the *Decision of the State Council on Amending Certain Administrative Regulations and Decisions of the State Council*, Amending the *Regulations of the PBOC on the Monetary Policy Committee*, the *Decision of the State Council on Implementing the Access Administration of Bank Card Clearing Institutions*, and the *Decision of the State Council on Implementing the Access Management of Financial Holding Companies*

On January 18, 2024, the State Council issued the *Decision of the State Council on Amending Certain Administrative Regulations and Decisions of the State Council* (the "Decision"), deciding to amend certain provisions of one administrative regulation and two decisions of the State Council: (i) the Decision amends the *Regulations of the PBOC on the Monetary Policy Committee*, with key amendments including adjustments to the composition and personnel of the Monetary Policy Committee, further clarification of the categories of committee members and their appointment and dismissal procedures, and improvement of work procedures; (ii) the Decision amends the *Decision of the State Council on Implementing the Access Management of Financial Holding Companies*, changing the approval and supervisory authority for financial holding companies from the PBOC to the NFRA; (iii) the Decision amends the *Decision of the State Council on Implementing the Access Administration of Bank Card Clearing Institutions*, in accordance with the requirements of the institutional reform plan, changing the "China Banking Regulatory Commission" mentioned in the document to the NFRA.

Haiwen Comments

The Decision are mainly based on the requirements of the institutional reform plan, making reasonable adjustments to the relevant regulatory bodies, effectively implementing measures related to deepening financial system reform and optimizing the financial regulatory framework.

3. The PBOC Publicly Sought Opinions on *Announcement on Further Supporting Overseas Institutional Investors to Conduct Bond Repurchase Transactions in the Inter-Bank Bond Market (Draft for Comments)*

The PBOC and the State Administration of Foreign Exchange ("SAFE") have drafted the *Announcement on Further Supporting Overseas Institutional Investors to Conduct Bond Repurchase Transactions in the Inter-Bank Bond Market (Draft for Comments)* ("Bond Repurchase Transactions Announcement"), published on January 24, 2024, and publicly sought opinions. The Bond Repurchase Transactions Announcement contains 12 articles, including the following five key aspects: (i) further expanding the scope of overseas institutional investors that are allowed to conduct bond repurchase transactions in the inter-bank bond market ("CIBM"), from the current overseas RMB business clearing banks and participating banks, sovereign entities (such as foreign central banks, international financial organizations, sovereign wealth funds) to also include other overseas institutional investors that have already conducted spot bond transactions in the CIBM, including commercial banks, insurance companies, securities firms, fund management companies, futures firms, trust companies, and other asset management institutions, as well as pension funds, charitable funds, and endowment funds, and such other financial institutions and interim and long-term institutional investors; (ii) clarifying the specific practices of bond repurchase transactions involving overseas institutional investors, including pledged repo and outright repo; (iii) further specifying that when overseas investors conduct bond repurchase transactions in the CIBM, in addition to complying with relevant laws and regulations, their funds receipt and payment should also comply with the funds and account management regulations corresponding to the investment channels of the spot bond transactions; (iv) requiring the relevant infrastructure of the CIBM to improve related rules, provide services and monitoring, and the self-regulatory organizations of the inter-bank market to strengthen the self-regulation of related businesses; (v) specifying that the PBOC and the SAFE will take supervisory and administrative measures or impose administrative penalties on illegal and irregual behaviors.

Haiwen Comments

At the press conference held by the State Council Information Office on the same day of the announcement of the Bond Repurchase Transactions Announcement, the Deputy Governor of the PBOC, Changneng Xuan, introduced six policy measures by the PBOC and the Hong Kong Monetary Authority. These measures relate to financial market connectivity, cross-border capital facilitation, and deepening financial cooperation, including further opening up to overseas investors participating in domestic bond repurchase transactions. The Bond Repurchase Transactions Announcement supports overseas institutional investors who have already conducted spot bond transactions in the CIBM to participate in bond repurchase, which will further expand the investor base for bond repurchase transaction, aiding in the further opening of China's bond market.

Relevant link：https://www.gov.cn/lianbo/bumen/202401/content_6928030.htm

4. The Shanghai Municipal People's Government Released *Several Measures for Further Promoting the High-Quality Development of Shanghai's Equity Investment Industry*

On January 10, 2024, the Shanghai Municipal People's Government issued the *Several Measures for Further Promoting the High-Quality Development of Shanghai's Equity Investment Industry* ("Several Measures"), which will be implemented from February 1, 2024, and remain effective until January 31, 2029. It includes 32 specific measures mainly focusing on the "fundraising, investment, management, and exit" processes of equity investment institutions. The measures are divided into 9 major aspects: optimizing the establishment process and industry management of equity investment institutions, guiding investments towards early-stage, small-scale, and technology-focused projects, supporting the development of corporate venture capital (CVC), cultivating long-term and patient capital, facilitating the exit channels for equity investments, implementing fiscal and tax incentive policies, promoting industry linkage and innovative development, high-quality construction of equity investment clusters, and strengthening the construction of industry social organizations. Notably, it innovatively proposes to support industry-leading enterprises in conducting CVC, investing in the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone and unlisted enterprises and equity investment funds in the Yangtze River Delta region, piloting the distribution of stock by equity investment funds as physical assets, and supporting qualified equity investment funds in Shanghai to list on domestic and overseas capital markets through initial public offerings, mergers, acquisitions, and reorganizations.

Haiwen Comments

The Several Measures provide comprehensive policy measures supporting equity investment institutions from establishment and investment management to share transactions and exit, covering both upstream investors and downstream investment. This forms a comprehensive support system that is conducive to attracting more domestic and foreign equity investment institutions to settle in Shanghai, promoting the sustained and healthy development of the entire equity investment industry.

II Industry News

1. The CPC Hainan Provincial Committee and the People's Government of Hainan Province Released *Opinions on Supporting the High-Quality Development of the Hainan Free Trade Port through High-Level Quality Construction*

On January 9, 2024, the CPC Hainan Provincial Committee and the People's Government of Hainan Province released the *Opinions on Supporting the High-Quality Development of the Hainan Free Trade Port through High-Level Quality Construction*. The main measures include: (i) comprehensively strengthening the foundation of quality elements such as technical standards, measurement guarantee systems, testing and certification service systems, quality policy and institutional systems, diversified investment guarantee mechanisms, and quality talent team systems, and improving the quality infrastructure system; (ii) focusing on innovation breakthroughs in key areas such as ecological civilization construction, development of distinctive industries, Hainan quality brands, international tourism consumption centers, and national major strategic service guarantees, to fully enhance the efficiency of quality transformation; (iii) accelerating the leapfrogging and overtaking of new quality advantages to better adapt to the high-level and high-standard construction of the free trade port; (iv) strengthening organizational guarantees. These measures aim to achieve short-term and long-term quality development goals by 2025 and 2030, respectively, providing strong quality support for the high-quality development of the Hainan Free Trade Port.

2. The NFRA Convened a Meeting to Deploy the Implementation of the Urban Real Estate Financing Coordination Mechanism

On January 26, 2024, the NFRA convened a meeting to deploy and promote the implementation of the urban real estate financing coordination mechanism. The meeting required that cities at the prefecture level and above establish an urban real estate financing coordination mechanism, effectively utilize the leading and coordinating role of local governments, promote precise alignment between real estate development enterprises and financial institutions, and foster stable and healthy development of the real estate market.

3. The BSE Officially Launched its Corporate Bond Market

On January 15, 2024, the corporate bond market of the BSE started trading, with the first batch of corporate bonds being listed for trading. Initiating the construction of the credit bond market on the BSE is a crucial step towards promoting its high-quality development. This move is significant for further deepening the financial supply-side structural reforms, enhancing the multi-level capital market system, enriching the functions of the exchange's bond market, and improving the bond market's capability to serve the real economy.

On the first day of trading, 3 enterprise bonds worth RMB 2.48 billion in total have been issued. The issuers were Beijing State-owned Assets Management Co., Ltd. (北京市国有资产经营有限责任公司), Beijing Infrastructure Investment Co., Ltd. (北京市基础设施投资有限公司), and Guangzhou Zhidu Investment Holding Group Co., Ltd. (广州智都投资控股集团有限公司). Currently, the BSE has preliminarily established a basic bond product system that includes 10 special categories such as treasury bonds, local government bonds, corporate bonds, as well as scientific and technological innovation bonds and green bonds.

4. The CSRC Further Strengthensits Regulation of Securities Lending Business, Implementing a Comprehensive Suspension of Restricted Shares Lending

On January 28, 2024, to implement the investor-oriented regulatory principle and strengthen the supervision of restricted shares lending, the CSRC, after thorough demonstration and assessment, further optimized the securities lending mechanism. The measures include: firstly, implementing a comprehensive suspension of restricted shares lending; secondly, changing the market-oriented securities lending declaration from being available in real-time to being available the next day, which imposes restrictions on the efficiency of securities lending. Due to system adjustments and other factors, the first measure will be implemented from January 29, 2024 and the second measure will take effect from March 18, 2024. On January 28, 2024, the Shanghai Stock

Exchange and Shenzhen Stock Exchange both issued notice to suspend the lending of allocated shares by strategic investors within the lock-up period, which will be enforced from January 29, 2024, and the contracts for lending that have not been settled before the implementation of the notice cannot be extended upon expiration.

The source of industry news in this article:

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