

To regulate the issuance and trading of short-term financing bonds of securities companies, protect the legitimate rights and interests of investors, and promote the stable and healthy development of the money market, the People's Bank of China has revised the *Measures for Administration of Short-Term Financing Bonds of Securities Companies*, which is hereby promulgated and shall take effect on September 1, 2021.

Annex: Measures for the Administration of Short-Term Financing Bonds of Securities Companies

The People's Bank of China

July 20, 2021

Annex:

Measures for the Administration of Short-Term Financing Bonds of Securities Companies

Article 1 This *Measures* is formulated in accordance with the *Law of the People's Republic of China on the People's Bank of China* and other applicable laws and regulations to regulate the issuance and trading of short-term financing bonds of securities companies, protect the legitimate rights and interests of investors, and promote the stable and healthy development of the money market.

Article 2 In this *Measures*, "short-term financing bonds of securities companies" (hereinafter referred to as "short-term financing bonds") refer to bonds issued on the interbank market by securities companies with maturity of one year or less and promised repayment of principal and interest.

Article 3 Short-term financing bonds, as one type of money-market instruments, are subject to the regulation and supervision by the People's Bank of China (PBC) in accordance with laws.

Article 4 The issuance and trading of short-term financing bonds shall comply with the principles of fairness, integrity, and self-regulation. Investors of short-term financing bonds shall be able to identify, judge, and bear risks and shall assume the investment risks on their own.

Article 5 A securities company seeking to issue short-term financing bonds shall:

- (1) possess strong liquidity management capabilities and a sound liquidity risk management framework; be able to effectively identify, measure, monitor, and control liquidity risks; and be able to meet liquidity demands in a timely manner and at a reasonable cost;
- (2) have a reasonable asset-liability structure and an appropriate level of maturity mismatch, concentration of counterparties, and bond pledge ratio, and have met regulatory requirements on risk control indicators on an ongoing basis in the past two years;
- (3) have maintained a liquidity coverage ratio that is higher than the industry average for the past six months;
- (4) be qualified to issue short-term financing bonds as approved by the China Securities Regulatory Commission;
- (5) have not received any administrative penalty in the past two years for a major violation; and
- (6) meet other requirements set by the PBC.

Article 6 A balance-based management approach is applied for short-term financing bonds. The total outstanding balance of the short-term financing bonds and other short-term financing instruments of a securities company shall not exceed 60 percent of its net capital. “Other short-term financing instruments” refer to financing instruments with a maturity of one year or less, including but not limited to interbank borrowing and short-term corporate bonds.

Article 7 The maximum maturity of a short-term financing bond is one year. A securities company may determine the maturity of each series of short-term financing bonds it intends to issue at its discretion.

Article 8 The PBC exercises macro regulation over the issuance of short-term financing bonds by securities companies, and may, in light of the liquidity of the money market and the development of the financial markets, adjust the maximum outstanding balance-to-net capital ratio and the maximum maturity of the short-term financing bonds that these companies issue.

Article 9 A securities company intending to issue short-term financing bonds shall, before its first issuance of each year, file its annual liquidity management plan and issuance plan with the PBC. Any major change to the annual issuance plan shall be reported to the PBC by the securities company in advance.

Article 10 Each securities company shall, within ten working days from the end of each quarter, submit relevant information and data on its short-term financing bonds to the PBC. The PBC shall, based on the changes in a securities company’s net capital and the balance of other short-term financing instruments, dynamically adjust the maximum balance of

short-term financing bonds for the company, and announce the adjustments to the market on a half-year basis.

Article 11 Financial infrastructures recognized by the PBC provide issuance and information disclosure services for short-term financing bonds. Issuers shall not subscribe or subscribe in disguised forms for their own short-term financing bonds.

Article 12 Financial infrastructures recognized by the PBC provide trading, registration, custody, settlement and information services for short-term financing bonds.

Article 13 The financial infrastructures of the national interbank market shall report to the PBC, on a monthly basis, relevant information on the issuance, trading, registration, custody, settlement, payment, and information disclosure of short-term financing bonds.

Article 14 A securities company that issues short-term financing bonds shall disclose information to investors in line with the principle of honesty and integrity, and ensure that the information disclosed is true, accurate, complete and timely, and free of false records, misleading statements or material omissions.

Article 15 The issuer of a short-term financing bond shall disclose the issuance factors and the result of the issuance before and after the issuance.

Article 16 Securities companies that issue short-term financing bonds shall disclose their audited annual reports before April 30 and interim reports before August 31 every year. Listed securities companies are exempt from disclosing their interim reports and annual reports.

Article 17 During the existence of a short-term financing bond, if there is any material change in the corporate governance, registered capital, equity structure, business operation, financial condition, litigation and arbitration proceeding, key positions, auditors, or other aspects of the issuer that may affect its solvency or investors' interests, the issuer shall disclose the said change to investors and report it to the PBC on a timely basis.

Article 18 The PBC conducts interim and ex-post monitoring and regulation over the securities companies that have issued short-term financing bonds on a continuous basis, and may require them to provide specific supplemental information or data.

Article 19 A securities company shall not use the proceeds raised from short-term financing bonds for any of the following purposes:

- (1) fixed asset investment or business outlet construction;
- (2) stock market investment;
- (3) financing to securities transactions of its clients;
- (4) long-term equity investment; or

(5) other purposes prohibited by the PBC.

Article 20 A securities company shall be penalized by the PBC in accordance with the *Law of the People's Republic of China on the People's Bank of China* if the company:

(1) issues short-term financing bonds when it does not meet the conditions prescribed in this *Measures*;

(2) fails to disclose information or submit documents as required;

(3) manipulates market prices or misleads investors by illegal means;

(4) uses the proceeds for prohibited purposes; or

(5) engages in other activities in violation of this *Measures*.

Article 21 The PBC reserves the right to interpret this *Measures*.

Article 22 This *Measures* takes effect on September 1, 2021. The *Measures for Administration of Short-Term Financing Bonds of Securities Companies* (Announcement No. 12 [2004] of the PBC) promulgated by the PBC on October 18, 2004, and the *Notice of the PBC Financial Market Department on Issues Concerning the Administration of Short-Term Financing Bonds of Securities Companies* (Yinshichang No.14 [2018]) issued on April 12, 2018 shall expire on the same day.