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## Measures for the Pilot Supervision and Administration of the Securitization of Credit Assets of Financial Institutions

金融机构信贷资产证券化试点监督管理办法

Issued By **China Banking Regulatory Commission**  
Subject **Securitization**  
Promulgated on **November 7<sup>th</sup> 2005**  
Effective from **December 1<sup>st</sup> 2005**  
Source [www.cbrc.gov.cn](http://www.cbrc.gov.cn)

For the purpose of regulating the pilot work on securitization of credit assets, promoting the cautious implementation of securitization businesses of credit assets by financial institutions, effectively managing and controlling the relevant risks in the securitization businesses of credit assets and protecting the legitimate rights and interests of investors and the parties concerned, China Banking Regulatory Commission issues Measures for the Pilot Supervision and Administration of the Securitization of Credit Assets of Financial Institutions (hereinafter referred to as “the Measures”) on November 7 2005.

According to the Measures, the Measures shall apply to those structural financing activities carried out within the territory of the People's Republic of China in which a banking financial institution, as the promoter institution, entrusts the credit assets to a trustee institution, and the trustee institution issues beneficial securities to investment institutions in the form of asset-backed securities and pays the yields from asset-backed securities by the cash generated from the aforesaid assets. A financial institution, when engaging in the securitization businesses of credit assets as the promoter institution, trustee institution, credit enhancement institution, loan service institution, capital custodian institution of the securitization of credit assets or the investment institution of asset-backed securities, shall perform corresponding duties in accordance with the relevant laws, administrative regulations, ministerial rules and the relevant legal documents regarding the securitization of credit assets, and shall effectively identify, measure, monitor and control the relevant risks. China Banking Regulatory Commission (hereinafter referred to as the CBRC) shall supervise and administrate the securitization businesses of credit assets of financial institutions according to law.

Without the approval of the CBRC, a financial institution shall not engage in the securitization businesses of credit assets as the promoter institution or the trustee institution of special purpose trusts for the securitization of credit assets. When a banking financial institution, as the promoter institution for the securitization of credit assets, transfers the credit assets by establishing special purpose trusts, it shall meet the following conditions:

1. Having good social credit standing and operational performances, and having no major illegal or irregular act within the latest three years;
2. Having a good corporate governance structure, as well as a risk management and internal control system;
3. Having a reasonable target location and clear strategic planning for carrying out the securitization businesses of credit assets, which shall comply with the overall management objects and development strategies thereof;
4. Having proper standards and procedures for selecting trustee institutions for special purpose trusts;
5. Having professional personnel, a business processing system, accounting system and management information system as well as a risk management and internal control system necessary for carrying out the securitization businesses of credit assets;
6. Having no bad record on engaging in the securitization businesses of credit assets within the latest three years; and
7. Other prudent conditions as prescribed by the CBRC.

Trustee Institutions for Special Purpose Trusts refers to the institutions that promise the trusts and thus take charge of managing special purpose trust assets and issuing asset-backed securities during the course of the securitization of credit assets. A trustee institution shall be a trust investment company established according to law or any other institution approved by the CBRC.

As to the operation, the credit assets to be securitized by a promoter institution of the securitization of credit assets shall meet the following conditions:

1. Having a comparatively high homogeneity;
2. Being able to produce dividable cash flow yields; and
3. Complying with the laws, administrative regulations and the relevant provisions as set down by the CBRC and other supervisory and regulatory organs.

A promoter institution shall transfer credit assets on the basis of fair market dealing conditions and clauses, and shall not violate any law, administrative regulation, any relevant provision as set down by the CBRC and other supervisory and regulatory organs or any stipulation in the loan contract. A trustee institution of special purpose trusts shall, within ten working days after the issuance of asset-backed securities, report the information on issuance of asset-backed securities to the CBRC and submit to the CBRC the relevant legal documents formally concluded with the promoter institution, credit enhancement institution, loan service institution and any other institution that provides service for the securitization businesses of credit assets. Within the existence period of asset-backed securities, the trustee institution shall submit the reports on disclosure thereof to the CBRC. Also a trustee institution shall

establish separate accounts for the credit assets as the trust assets, its self-owned assets and other assets, and manage them separately. The trust assets in different securitization businesses shall be separately accounted and managed.

The power to interpret the Measures shall remain with the CBRC.

## **Measures for the Administration of Information Reporting and Disclosure of Direct Selling Companies**

直销企业信息报备、披露管理办法

<b>Issued By</b>	<b>Ministry of Commerce, State Administration for Industry and Commerce</b>
<b>Subject</b>	<b>Others Provisions</b>
<b>Promulgated on</b>	<b>November 1<sup>st</sup> 2005</b>
<b>Effective from</b>	<b>December 1<sup>st</sup> 2005</b>
<b>Source</b>	<a href="http://www.mofcom.gov.cn">www.mofcom.gov.cn</a>

In accordance with the provisions of Article 28 of the Regulation on Direct Selling Administration, Ministry of Commerce and the State Administration for Industry and Commerce promulgated Measures for the Administration of Information Reporting and Disclosure of Direct Selling Companies (hereinafter referred to as “the Measures”) on November 1<sup>st</sup> 2005. According to the Measures, a direct selling company shall establish perfect information reporting and disclosure system, and accept the supervision and inspection of the relevant departments of the government and the supervision of the general public.

The websites of the Ministry of Commerce and the State Administration for Industry and Commerce for the administration of direct selling industry shall publicize the following contents to the society:

1. Relevant laws, regulations and rules;
2. Announcement on the scope of direct selling products;
3. Name list of the direct selling companies and the directory of direct selling products thereof;
4. Name list of the provincial branches of any direct selling company and the regions and service networks where they undertake direct selling;
5. The use of the deposit of direct selling enterprises;
6. The design of the certificate of sales promoters and the certificate of direct selling trainers;
7. The violation of regulations by direct selling companies, direct selling trainers and the sale promoter and the punishment thereof; and
8. Other information need to be publicized.

A direct selling company shall disclose the following information to the general public in a truthful, accurate, timely and complete manner after it is established:

1. Total number of the sales promoters of the direct selling company, the total number and name list of the sales promoters of each provincial branch, the serial number of the certificate of sales promoters, occupation and the name list of the personnel who have rescinded the sales contract with the direct selling company;
2. The name, address, ways of contact and the person-in-charge of the direct selling company and its branches, and the name, address, ways of contact and the person-in-charge of the service networks;
3. The catalogue of the direct selling products, retail price, specifications on product quality and standard, and the major components of the direct selling products, suitable users, precautions in the use of the products, and other contents which the consumers shall know of beforehand;
4. The system for computation of the remunerations of sales promoters and the award on them;
5. The measures for returning or changing the direct selling products, place for returning and changing the goods and the conditions on the returning and changing of goods;
6. After service departments, functions, complaint telephone and the procedures for handling the complaints;
7. The rights and obligations of the direct selling company and its sales promoters in the sales contract signed by the direct selling company with sales promoters, the system for rescinding the contract by sales promoters, measures for returning and changing goods by sales promoters, method for computation of remunerations and the awarding system, legal liabilities and other relevant stipulations;
8. Name list of direct selling trainers, scheme for the training and examination of sales promoters; and
9. Matters concerning the major litigation or arbitration of the company and its handling.

If there is any alteration in the aforesaid contents, a direct selling company shall update the materials on the website in a timely manner within one month after the relevant contents are altered.

The product specifications and any publicity materials used by a direct selling company and its sales promoters shall be consistent with the contents of information disclosed by it.

## **Circular on Regulating the External Guaranties Provided by Listed Companies**

关于规范上市公司对外担保行为的通知

<b>Issued By</b>	<b>China Securities Regulatory Commission, China Banking Regulatory Commission</b>
<b>Subject</b>	<b>Others Provisions</b>
<b>Promulgated on</b>	<b>November 14<sup>th</sup> 2005</b>
<b>Effective from</b>	<b>January 1<sup>st</sup> 2006</b>
<b>Source</b>	<b><a href="http://www.csrc.gov.cn">www.csrc.gov.cn</a></b>

In order to regulate the external guaranties provided by listed companies as well as the examination and approval of financial institutions in the banking sector on the loans as guaranteed by listed companies and effectively prevent the risks arising from the external guaranty of listed companies and the credit risks of financial institutions, China Securities Regulatory Commission and China Banking Regulatory Commission issue Circular on Regulating the External Guaranties Provided by Listed Companies (hereinafter referred to as “the Circular”) on November 14<sup>th</sup> 2005.

According to the Circular, any external guaranty as provided by a listed company shall be subject to the deliberation of the board of directors or the shareholders’ meeting. The authority of the shareholders’ meeting or the board of directors regarding the examination and approval of an external guaranty as well as the responsibility assuming system in the case of any violation of the said authority of examination and approval or the procedures for examination and deliberation shall be indicated in the Article of Association of a listed company. An external guaranty subject to the deliberation and approval of the board of directors or the shareholders’ meeting of a listed company shall be disclosed in a newspaper for information disclosure as designated by China Securities Regulatory Commission in a timely manner.

On the other hand, all the financial institutions in the banking sector shall, in strict accordance with such laws and regulations as the Guaranty Law of the People’s Republic of China, the Company Law of the People’s Republic of China, and the Interpretation of the Supreme People’s Court on Some Issues Concerning the Application of the Guaranty Law of the People’s Republic of China, intensify the examination of the application for loan as guaranteed by a listed company, effectively prevent the relevant credit risks and shall upload the information on loans and guaranties into the administrative system of credit investigation in a timely manner. All financial institutions in the banking sector shall earnestly examine the following matters:

1. Completeness and compatibility with relevant laws and regulations of the application materials as provided by the listed company for any loan it guarantees;
2. Performance of the listed company concerning the procedures for the examination and approval of the board of directors or the shareholders' meeting on its external guaranty;
3. The performance of the listed company concerning its obligation of information disclosure;
4. The guaranty capability of the listed company; and
5. Any other matter regarding the borrower's creditworthiness and payment capability.

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