

## **The People's Bank of China Announcement [2009] No. 4**

(Master Agreement on Derivatives)

For the purpose of protecting the legitimate rights and interests of the inter-bank market participants (hereinafter referred to as the “market participants”) and promoting the regulated and healthy development of China's financial derivatives market, the People's Bank of China and the State Administration of Foreign Exchange consent to release the *Documentations of the Master Agreement on Trading of Financial Derivatives in China's Inter-bank Market* (hereinafter referred to as the “NAFMII Master Agreement”) by the National Association of Financial Market Institutional Investors (hereinafter referred to the “NAFMII”). The relevant matters are hereby announced as follows:

1. To engage in the trading of financial derivatives, a market participant shall sign the Master Agreement formulated and published by the NAFMII, and timely submit the signed *Master Agreement* and the supplementary agreement thereof to the NAFMII. The NAFMII shall timely notify China Foreign Exchange Trade System of the relevant information.

For the purpose of the Announcement, financial derivative refers to the financial derivative contract concluded between market participants in the one-to-one form, of which the trading terms and conditions are stipulated under the specific requirements of both trading parties, including interest rate derivatives, exchange rate derivatives, bond derivatives, credit derivatives, gold derivatives that meet the above requirements, as well as the portfolios of the aforesaid derivatives for trading.

2. The stipulations in the *Master Agreement* on single agreement, terminated close-out netting shall apply to the trading of financial derivatives.

3. The financial derivative transactions entered into after the *NAFMII*

*Master Agreement* has been signed shall be governed by the *NAFMII Master Agreement*. Those entered into before the *Master Agreement* is signed shall continue to be governed by the previously-signed master agreement upon negotiation of both parties, or be uniformly governed by the *Master Agreement*.

4. To ensure the stable transition between the new version and old version of the agreement, the six months after the date of announcement of *NAFMII Master Agreement* shall be the transitional period for the execution of *NAFMII Master Agreement*. Market participants shall actively communicate and negotiate with each other within the transitional period and sign *NAFMII Master Agreement* as soon as possible. A market participant who fails to sign the *NAFMII Master Agreement* during the transitional period may continue to trade in financial derivatives under the former relevant master agreement. A market participant who still does not sign *NAFMII Master Agreement* after the end of the transitional period, shall not conduct any new transaction of financial derivatives.

5. The relevant provisions in *Provisions Governing the Bond Forward Trading in the China's Inter-bank Bond Market* (PBC Announcement [2005] No. 9), *Administrative Provisions on the Forward Interest Rate Agreement Business* (PBC Announcement [2007] No. 20), *Circular of the People's Bank of China on Issues Concerning RMB Interest Rate Swap Business* (PBC Document [2008] No. 18), *Circular of the People's Bank of China on Issues Concerning the Acceleration of Development of Foreign Exchange Market* (PBC Document [2005] No. 202), Reply of the State Administration of Foreign Exchange about *Releasing the Master Agreement on Trading of Financial Derivatives in China's Inter-bank Market* (2007) by China Foreign Exchange Trade System (SAFE Document [2007] No. 254), *Circular of the People's Bank of China on Issues Concerning Opening RMB and Foreign Currency Swap Business in the Inter-bank Market* (PBC Document [2007] No. 287) and other documents regarding the formulation, signing, registration, etc. of the master agreement relating to the trading of financial derivatives shall be

simultaneously adjusted in pursuance of *this Announcement*.

6. The NAFMII shall release to the market participants the text of *Master Agreement* in the form of announcement and organize the market participants to sign it, and in the meantime, provide services relating to the registration of *NAFMII Master Agreement* and the supplementary agreement thereof.

7. The NAFMII shall step up self-regulatory management on the market, organize trainings relevant to the business of NAFMII Master Agreement, strengthen investors education, guide market participants to establish a sound internal control and risk management system for financial derivatives trading, and protect the market order as well as the legitimate rights and interests of market participants.

8. *This Announcement* shall come into force as of the date of release.

People's Bank of China  
March 11, 2009