

Circular on Issues Concerning about the Transaction and Registration of Financial Derivatives

CFETS [2009] No. 99

All trading members,

For the purpose of implementing *Announcement [2009] No. 4 of the People's Bank of China* (hereinafter referred to as "Announcement No. 4"), the Circular is hereby given of issues concerning the trading of and registration of financial derivatives as follows:

I. Trading members that have not concluded *the Master Agreements for Bond Forward Trading in the China's Inter-bank Bond Market*, *Master Agreements for Financial Derivative Transactions in the China's Inter-bank Market (2007)*, or *Master Agreements for RMB/FX Derivatives in the China's Inter-bank Foreign Exchange Market (2007)* are not required to conclude the aforesaid corresponding agreements before conducting financial derivative transactions, but shall conclude with their counterparties *Master Agreements for Financial Derivative Transactions in the China's Inter-bank Market* (hereinafter referred to as "Master Agreements") promulgated by the National Association of Financial Market Institutional Investors (hereinafter referred to as the "NAFMII") in *Announcement [2009] No. 5* and shall report to the NAFMII for record registration.

II. Trading members that have concluded *the Master Agreements for Bond Forward Trading in the China's Inter-bank Bond Market*, *Master Agreements for Financial Derivative Transactions in the China's Inter-bank Market (2007)*, and *Master Agreements for RMB/FX Derivatives in the China's Inter-bank Foreign Exchange Market (2007)* and have obtained authorization to trade in the corresponding financial derivatives via the trading system of the China Foreign Exchange Trade System (hereinafter referred to as the "CFETS") shall promptly conclude *Master Agreements* with their counterparties within 6 months of the release of *Announcement No. 4*. Members that fail to conclude *Master*

Agreements within 6 months shall have their authorization to trade in financial derivatives suspended by the CFETS.

III. Other issues concerning transactions in financial derivatives shall continue to be implemented in accordance with relevant documents promulgated by the People's Bank of China, the State Administration of Foreign Exchange, and the CFETS. Bond forward transactions, RMB/FX forward transactions, RMB/FX swap transactions, and RMB cross currency swap transactions shall be conducted through the trading system of the CFETS; where interest rate swap transactions or forward rate agreement transactions are not concluded through the CFETS system, financial institutions shall continue to report information on such transactions to the CFETS for record registration in accordance with existing registration measures before 12:00 am on the working day following the date on which such interest rate swap transactions or forward rate agreement transactions are concluded (for the new registration form, see the attachment). All financial institutions should make record registration in light of the following requirements:

1. Where an institution cancels or modifies a filed transaction, it shall submit the original registration elements and modified registration elements for the canceled or modified transaction by faxing to the CFETS according to the format set out in the transaction registration form and, at the same time, submit an electronic document in Excel format.

2. Please fill out the reference rate in the following format:

① The interest rate for each Shibor period shall be filled out in the format of “Shibor + underline + period (O/N, 1W, 2W, 1M, 3M, 6M, 9M, 1Y)”, for example “Shibor_O/N”;

② The Fixing Repo Rate shall be filled out in the format of “FR + period (001/007)”, for example “FR007”;

③ The interest rate for one-year RMB fixed term deposits shall be filled out as “one-year fixed deposit rate”.

3. The interest accrual benchmark shall be filled out in the following format:

① “Actual number of days/actual days” shall be filled out in the format of “A/A”;

② “Actual number of days/365” shall be filled out in the format of “A/365”;

③ “Actual number of days/365 (fixed)” shall be filled out in the format of “A/365”;

④ “Actual number of days/360” shall be filled out in the format of “A/360”; and

⑤ “30/360” and “30E/360” shall be filled out in the same format.

4. The payment frequency shall be filled out in the format of “daily”, “weekly”, “monthly”, “quarterly”, “half-yearly”, “yearly” or “payment due”.

Appendices:

1. RMB Interest Rate Swap Transaction Registration Form (Fixed-Floating)
2. RMB Interest Rate Swap Transaction Registration Form (Floating-Floating)
3. Forward Interest Rate Agreement Transaction Registration Form

April 22, 2009

Appendix 1

RMB Interest Rate Swap Transaction Registration Form

Fixed-Floating

SN	Transaction date	Payer of fixed interest	Payer of floating interest	Nominal principal (RMB 10,000)	Contract term	Value date	Maturity date	Fixed IR		Floating IR			Interest payment (swap) day	Daily calculation benchmark	
								IR (%)	Payment frequency	IR (%)	Plus /minus	Payment frequency		Fixed	Floating

Appendix 2

RMB Interest Rate Swap Transaction Registration Form

Floating-Floating

SN	Transaction date	Payer of floating interest 1	Payer of floating interest 2	Nominal principal 1 (RMB10,000)	Contract term	Value date	Maturity date	Payer of floating interest 1			Payer of floating interest 2			Interest payment (swap) day	Daily calculation benchmark	
								IR (%)	Plus/minus	Payment frequency	IR (%)	Plus/minus	Payment frequency		Floating 1	Floating 2

Appendix 3

Forward Interest Rate Agreement Transaction Registration Form

Institution name:

Contact person:

Telephone:

Date of completion the Form:

SN	Transaction date	Fixed IR payer	Reference IR payer	Nominal principal (RMB10,000)	Forward term × (forward term + contract term)	Value date	Maturity date	Reference IR determination date	Payment date	Reference IR	Reference IR calculation benchmark	Fixed IR (%)	Fixed IR calculation benchmark	Discount rate

Notes: 1. Contact information on the Market Department II of the Trading Center: Telephone: 021-63298988-7722, fax: 021-58957710, email: fra@chinamoney.com.cn;

2. Please stamp the corporate seal after the date of completion the form;

3. Please fax the form to the Market Department II of the Trading Center and send the e-file in EXCEL format to the above-mentioned mailbox.