

Yinfa No. 288 [1999], Notice of the People's Bank of China on Provisions on the Administration of the Entry of Securities Companies into the Interbank Market

All the branches and operations offices of the People's Bank of China, all commercial banks:

For the purposes of further developing the money market and broadening the investment and financing channels for fund management companies and securities companies, the People's Bank of China (PBC) formulated the *Provisions on the Administration of the Entry of Fund Management Companies into the Interbank Market* and the *Provisions on the Administration of the Entry of Securities Companies into the Interbank Market*, which are hereby issued to you.

The People's Bank of China

August 19, 1999

Provisions on the Administration of the Entry of Fund Management Companies into the Interbank Market

Article 1 For the purposes of further developing the money market and broadening the investment channels for fund management companies, these Provisions are hereby formulated in accordance with the *Law on the People's Bank of China* and the *Interim Measures for the Administration of Securities Investment Funds*.

Article 2 A fund management company shall be subject to the regulation and dynamic inspection of the People's Bank of China (PBC) during trading and settlement activities in the national interbank market.

Article 3 A fund management company established with the approval of the China Securities Regulatory Commission (hereinafter referred to as the CSRC) may apply for joining the national interbank market to engage in bond buying, cash bond trading, and bond repurchase business.

Article 4 A fund management company shall submit the following application materials to the PBC:

- (1) Application for joining the national interbank market.
- (2) Fund Management Company's Corporate Permit (copy of duplicate).
- (3) Business License of Enterprise Legal Person (copy of duplicate).
- (4) The articles of association of the fund management company.

- (5) The financial statements for the last three years audited by an accounting firm and its accountants qualified for engaging in securities-related business, auditor's reports and a capital verification report.
- (6) The custody agreement signed with the custodian bank.
- (7) Fund contracts.
- (8) Details of all the bonds held by the funds under the management of the fund management company.
- (9) Internal control systems for the company's funds and bonds management.
- (10) A description of the departments and employees of the company responsible for the operation of funds and bonds.
- (11) Other materials required by the PBC.

Article 5 The PBC shall examine the application materials from any fund management company in accordance with relevant standards and provisions and issue a document to approve and announce the entry of the fund management company into the market.

Article 6 Any fund management company that enters the national interbank market with approval shall conduct bond trading business through a trading system provided by the National Interbank Funding Center.

Article 7 The maximum term for bond repurchase by fund management companies in the national interbank market shall be one year, and no extension may be made at expiration of the term.

Article 8 The balance of bond repurchase by a fund management company in the national interbank market shall not exceed 40% of the net assets of funds.

Article 9 For fund management companies entering the market with approval, the National Interbank Funding Center shall be responsible for connecting them to its trading system in accordance with the PBC notices and establish a quota on bond repurchase for each fund management company in the trading system as required by the PBC.

Article 10 For fund management companies entering the market with approval, the China Central Depository & Clearing Co., Ltd. (hereinafter referred to as the Central Clearing Company) shall be responsible for connecting them to its clearing system and opening bond custody accounts for fund management companies, the bonds of fund management companies traded in the national interbank market shall be in the custody of and cleared at the Central Clearing Company, and the custody may not be transferred to a stock exchange.

Article 11 The method of clearing funds for trading by a fund management company in the national interbank market shall be agreed by both parties independently, and principal and interest shall be paid by transfer of funds, not in cash.

Article 12 A fund management company entering the national interbank market with approval shall disclose to the market necessary information such as information on the company's funds, financial status, and information on the promoter and disclose authentic information.

Article 13 A fund management company shall, in addition to complying with the Provisions during its trading and settlement activities in the national interbank market, conduct business activities in accordance with the *Interim Provisions on Interbank Bond Repurchase Business*, the *Rules of Interbank Bond Trading*, the *Rules of Settlement for Interbank Bond Trading*, and other provisions on the administration of the national interbank market issued by the PBC and sign master agreements for bond repurchase and other agreements.

Article 14 Where a fund management company in the national interbank market violates the Provisions and other provisions on the administration of the national interbank market, the PBC will impose punishment as appropriate such as giving a warning, issuing a public statement, suspending its business in the interbank market, and canceling its membership in the national interbank market and notify the CSRC.

Article 15 The right to formulate and interpret the Provisions shall remain with the PBC.

Article 16 The Provisions shall come into force on the date of issuance.