

**Yinfa No. 231 [1999], Notice of PBC and MOF on Measures on Loans Pledged by Certificate
Treasury Bonds**

All the branches, operations offices, and central sub-branches in provincial (autonomous region) capital cities of the People's Bank of China; PBC central sub-branches in Shenzhen, Dalian, Qingdao, Ningbo, and Xiamen; the finance departments (bureaus) of all provinces, autonomous regions, municipalities directly under the Central Government, and cities under separate state planning; and all wholly state-owned commercial banks and other commercial banks:

According to the relevant provisions of the *Notice of the Issuance of Certificate (First-Phase) Treasury Bonds in 1999* (No. 10 [1999], PBC), the *Measures on Loans Pledged by Certificate Treasury Bonds* are hereby issued to you for your compliance and implementation.

All the PBC branches, operations offices, and central sub-branches in provincial (autonomous region) capital cities shall be responsible for forwarding this Notice to local city commercial banks that undertake the issuance of certificate treasury bonds.

The People's Bank of China
Ministry of Finance
July 9, 1999

Measures on Loans Pledged by Certificate Treasury Bonds

Article 1 The measures are hereby formulated for the purposes of meeting the financing needs of certificate treasury bond investors and promoting the development of the treasury bond market.

Article 2 For the purpose of the Measures, "certificate treasury bonds" means government bonds issued by the Ministry of Finance in and after 1999, sold by underwriting banks by means of receipts for certificate treasury bonds of the People's Republic of China (hereinafter referred to as the certificate treasury bonds), excluding those issued before 1999.

Article 3 "Loans pledged by certificate treasury bonds" means a type of loan business in which a borrower pledges outstanding certificate treasury bonds to receive RMB loans from a commercial bank and repays the principal and interest of the loan upon maturity.

Article 4 Any commercial bank that conducts the business of small mortgage loans against certificates of personal term deposits and undertakes the business of issuing certificate treasury

bonds with the approval of the People's Bank of China (PBC) may engage in the business of lending pledged by certificate treasury bonds.

Article 5 Any certificate treasury bonds given as pledge securing a pledge loan shall be unmatured. Any certificate treasury bond whose ownership is in dispute, which is reported as lost, or of which the payment is stopped according to the law, shall not be used as pledge.

Article 6 When applying for the pledge loan business, a borrower shall submit an application to the original bank from which the borrower subscribed for government bonds, and after the confirmation of the claim of the applicant and approval, the lender and the borrower shall sign a pledge loan contract. The certificate treasury bonds given as pledge shall be placed in the custody of the lender, and the lender shall issue a custody receipt. The custody receipt shall be the document for the borrower to apply for a loan pledged by certificate treasury bonds, and shall not be transferred, lent, or further mortgaged. Commercial banks shall not conduct the business of lending pledged by certificate treasury bonds across systems. A commercial bank that does not undertake the business of issuing certificate treasury bonds shall not accept the business.

Article 7 A borrower shall apply for the loans with the certificate treasury bonds in his or her name and a valid document evidencing his or her identity. If a third party's certificate treasury bonds are used for the pledge business, the third party's consent shall be obtained in writing, and the valid identification of the applicant and the third party shall be presented.

Article 8 The term of the loan shall be agreed between the lender and the borrower, without extending beyond the maturity date of the certificate treasury bond. If certificate treasury bonds with different maturity dates are pledged, the loan term shall be determined by whichever with the earliest maturity date.

Article 9 The loan pledged by certificate treasury bonds shall be RMB5,000 in amount at a minimum, without exceeding 90% of the face value of the pledge.

Article 10 The interest rate on a certificate treasury bond pledge loan shall be determined according to the statutory loan interest rates (including floating rates) in the same bracket for the same period and relevant provisions. If the loan term is less than six months, the interest rate on the loan shall be determined according to the statutory interest rate on six-month loans. If the borrower repays the loan in advance, the interest rate on the loan shall be calculated based on the contract interest rate and the actual days of the loan. For the loan pledged by certificate treasury bonds, interest shall be

paid when the principal is paid. If the statutory loan interest rate is adjusted during the loan term, the interest rate on the loan shall remain unchanged.

Article 11 The loan pledged by certificate treasury bonds shall be repaid upon maturity. If the loan is one month or less overdue, the lender may charge the borrower penalty interest at the statutory penalty interest rate from the day when the loan becomes overdue. If the loan is more than one month overdue, the lender has the right to dispose of the pledged certificate treasury bonds in payment of the principal and interest of the loan. When the lender processes the overdue loans, if the certificate treasury bond is unmatured, the lender may proceed with the redemption according to the normal procedure for early redemption (for which the bank charges a service fee of 0.2% of the face value of the government bond, payable by the borrower) and return the rest part, less the principal and interest of the loan and the penalty interest, to the borrower.

Article 12 A borrower may recover the pledged certificate treasury bond with the custody receipt after paying the principal and interest of the loan in accordance with the pledge loan contract. If the borrower loses the custody receipt, the borrower may apply to the lender for replacement.

Article 13 A lender shall properly keep pledges. The lender shall be correspondingly liable for losses caused by improper custody such as loss or damage. The lender shall establish and improve a system for issuing, recovering, and replacing receipts, among others, and effectively manage custody receipts.

Article 14 Where a borrower dies during the performance of the pledge loan, the issues on debt inheritance may be handled in accordance with the *Succession Law of the People's Republic of China* and other relevant laws and regulations.

Article 15 When a dispute arises over a pledge loan contract, either party may apply to the arbitration institution for arbitration or sue in the people's court.

Article 16 A commercial bank shall formulate detailed implementation rules in accordance with the Measures and make a filing to the head office of the PBC and the Ministry of Finance.

Article 17 Institutions affiliated with commercial banks shall conduct the business of lending pledged by certificate treasury bonds in strict accordance with these Measures. For any violation of these Measures, the PBC will impose punishment in accordance with the relevant provisions of the *Measures for Punishment of Illegal Financial Acts*.

Article 18 The right to interpret the Measures shall remain with the PBC.

Article 19 The Measures shall come into force on the date of issuance.