

Asset Securitisation Business of Securities Companies to get a new Administrative Rules says CSRC

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China Securities Regulatory Commission "CSRC" in its press conference held on February 26, decided to come up with altogether a new set of Administrative Rules (hereafter referred to as "the Rules") for the Asset Securitization Business of Securities Companies^[1]. The uniqueness of this move of CSRC was that apart from the Rules set up by them; involvement of the public was given more importance.

Keeping in mind the expectations of the stakeholders, this conference was initiated to get public comments on the Rules drafted till now. Taking into consideration the comments of stakeholders, the law makers would further revise the Rules.

As of now the Rules consist of 8 chapters and 50 articles, including general provisions, special programs, managers and custodians, originators, establishment application and information disclosure. Few of them include:

1. New Classes of Assets

Property rights such as accounts receivable by enterprises, credit assets, trust beneficial interest and infrastructure income rights, negotiable securities such as commercial paper, bonds and stock as well as real estate properties such as commercial properties, these are the asset which would now be utilize by the securitisation companies in order to generate cash flows. These assets would be an added advantage for the practical operations as well.

2. New entrant

These new Rules would now allow, any securities companies that qualified for securitized asset management business that has not violated any provision in the previous year to set up special asset management programs and engage in asset securitization business. By lowering the entry threshold, removing the rating criteria and also by reducing the net capital size of securities companies, CSRC has taken a step towards encouraging and introducing more companies in securitization business.

3. Review and Approval Procedures

On the basis of improving efficiency in the establishment and review of asset securitization programs, the Rules simplify administrative review and approval procedures and allow the cash flow generated by underlying assets to purchase new underlying assets for the development of special programs.

4. Stock Exchanges to play an important role

Liquidity criteria has always been a need of hour for the securitization companies, now with the Rules to be implemented Stock Exchanges will play an important role as it allows asset-backed securities to be transferred at stock exchanges, the inter-dealer quotation and transfer system of the Securities Association of China, OTC trading markets for securities companies and other trading venues approved by the CSRC.

5. Public Offering

Further the qualified asset-backed securities are also allowed to make a public offering, which would help in generating more capital.

How will the Rules be beneficial?

According to the head of the relevant department of the CSRC, *"in order to promote innovation of securities companies, diversify fixed income products, develop asset securitization business and improve the utilization efficiency of inventory assets, the CSRC has drafted the Rules"*.

Yes indeed, these rules would act as a catalyst to improve the working of the securitization companies by additions of new class of assets for securitization, along with reducing the criteria's for new entrant. Also from the liquidity point of view, when the securities would be transferred at stock exchanges, this would help in utilization on the assets in a productive manner.

^[1] http://www.csrc.gov.cn/pub/csrc_en/newsfacts/release/201303/t20130304_221826.htm

[Reported by: Pooja Rawal]