

**People's Bank of China - China Banking Regulatory Commission**  
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For the purposes of regulating pilot projects of credit assets securitisation, protecting the legal rights and interests of investors and relevant parties concerned, enhancing the mobility of credit assets, and diversifying the variety of securities, the People's Bank of China and the China Banking Regulatory Commission have formulated the Administrative Measures on Pilot Projects of Credit Assets Securitisation, and hereby promulgate them.

People's Bank of China - China Banking Regulatory Commission  
April 20, 2005

**ADMINISTRATIVE MEASURES**  
**ON PILOT PROJECTS OF CREDIT ASSETS SECURITISATION**

**Chapter I    General Provisions**

**Article 1**

These Measures are formulated in accordance with the Law of the People's Republic of China on the People's Bank of China, the Law of the People's Republic of China on Banking Regulation and Supervision, and the Trust Law of the People's Republic of China, as well as for the purposes of regulating pilot projects of credit assets securitisation, protecting the legal rights and interests of investors and relevant parties concerned, enhancing the mobility of credit assets, and diversifying the variety of securities.

**Article 2**

These Measures apply to structural financing activities within China in which bank institutions, as the originators, entrust credit assets to trustees, and the trustees issue beneficiary securities in the form of asset-backed securities to investors, and pay the proceeds of asset-backed securities with cash generated from such assets.

The trustees shall in accordance with these Measures and with the trust agreement, designate those who will perform the responsibilities of loan servicers, fund custodians, securities registration and depositary institutions and other institutions rendering services for securitisation transactions.

Within the limit of the trust assets, the trustees shall perform the obligation of payment of asset-backed securities proceeds to investors.

**Article 3**

Asset-backed securities will be issued by the trustees of special purpose trusts, and shall represent the beneficiary shares of such special purpose trusts.

Asset-backed securities will be issued and traded on the National Inter-bank Bond Market.

**Article 4**

The rights and obligations of the originators, trustees, loan servicers, fund custodians, securities registration and depositary institutions for credit assets securitisation projects, other institutions rendering services for securitisation transactions, and investors of the asset-backed securities will be defined in accordance with the stipulations of relevant laws and regulations, these Measures and the agreements such as the trust agreement (hereinafter referred to as the **“Relevant Legal Documents”**).

The trustees will perform their entrusted responsibilities in accordance with the stipulations of relevant laws and regulations, these Measures and the Relevant Legal Documents. The originators, loan servicers, fund custodians, securities registration and depositary institutions, and other institutions rendering services for securitisation transactions will perform their respective responsibilities in accordance with the stipulations of laws and regulations, these Measures and the Relevant Legal Documents.

Investors of the asset-backed securities (also referred to as **“ABS Holders”**) will enjoy the benefits of the trust assets and bear risks in accordance with the Relevant Legal Documents, and will make decisions on significant matters which may affect their interests through the ABS Holders’ meetings.

**Article 5**

Credit assets securitisation activities shall be carried out in compliance with the principles of voluntariness, fairness, and good faith, and shall not impair the interests of the State or the public interest of the society.

**Article 6**

Credit assets obtained by trustees by means of undertaking a trust shall constitute the trust assets, and shall be independent from the assets owned by the originators, trustees, loan servicers, fund custodians, securities registration and depositary institutions and other institutions rendering services for securitisation transactions.

Assets and proceeds obtained by the trustees, loan servicers, fund custodians and other institutions rendering services for securitisation transactions by virtue of managing and operating the assets of the special purpose trust or by virtue of other circumstances shall be incorporated into the trust assets.

In the event of the liquidation of the originators, trustees, loan servicers, fund custodians, securities registration and depositary institutions and other institutions rendering services for securitisation transactions resulting from their dissolution, revocation or bankruptcy under law, the trust assets shall not be included in their liquidated property.

**Article 7**

Claims arising from the operation and disposal of the trust assets by the trustees shall not be set off against liabilities arising from the assets owned by the originators, trustees, loan servicers, fund custodians, securities registration and depository institutions and other institutions rendering services for securitisation transactions. Claims and liabilities arising from the management, operation and disposal by the trustees of different trust assets shall not be set off against each other.

**Article 8**

The trustees, loan servicers, fund custodians, securities registration and depository institutions and other institutions rendering services for securitisation transactions shall fully comply with their responsibilities and perform their obligations in good faith and with prudence and diligence.

**Article 9**

The China Banking Regulatory Commission (hereinafter referred to as the “**CBRC**”) will supervise and monitor the business activities of relevant institutions concerning credit assets securitisation according to law. The supervision and monitoring regulation(s) concerned will be formulated separately by the CBRC.

**Article 10**

The People’s Bank of China will supervise and monitor the issuance and trade of asset-backed securities on the National Inter-bank Bond Market according to law.

**Chapter II    Originating Institutions for Credit Assets Securitisation Projects  
and Special Purpose Trusts**

**Article 11**

Originating institutions for credit assets securitisation projects are financial institutions which transfer credit assets by way of establishing a special purpose trust.

**Article 12**

The originator shall make a public announcement on national media, and thereby inform the relevant rights holders of the transfer of credit assets through the establishment of a special purpose trust.

**Article 13**

The originator shall sign a trust agreement with the trustee, which shall specify the following:

- a) the purpose of the trust;
- b) the names and domiciles of the originator and the trustee;

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- c) the scope of beneficiaries and identification measures;
- d) the scope, type, criteria and status of the trust assets;
- e) the redemption or replacement clauses as defined by Article 14 of these Measures;
- f) the means by which and the forms in which the beneficiaries will obtain their trust benefits;
- g) the trust term;
- h) the management methods of the trust assets;
- i) the rights and obligations of the originator and the trustee;
- j) the responsibilities of the institution entrusted by the trustee as an agent for dealing with trust related affairs;
- k) the remuneration for the trustee;
- l) the organization and powers of the ABS Holders' meetings;
- m) the mode of selection and appointment of the new trustee;
- n) the events leading to termination of the trust.

### **Article 14**

Within the term of the trust agreement, if the trustee finds that any credit assets placed under trust as the trust assets do not conform with the trust agreement in terms of scope, type, criteria or status on the commencement date for qualifying the credit assets as the trust assets, it shall request that the originator redeem or replace them.

## **Chapter III Trustee for Special Purpose Trusts**

### **Article 15**

A trustee for a special purpose trust (hereinafter referred to as a “**Trustee**”) means an institution which is responsible for the management of the assets of a special purpose trust and for the issuance of asset-backed securities as a result of its undertaking the trust.

### **Article 16**

Trustees shall be trust and investment companies duly established in accordance with law or other institutions approved by the CBRC.

### **Article 17**

The Trustees will perform the following responsibilities in accordance with the trust agreement:

- a) issuing asset-backed securities;
- b) managing the trust assets;

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- c) disclosing the information concerning the trust assets and asset-backed securities on a continual basis;
- d) distributing trust benefits in accordance with the trust agreement;
- e) other responsibilities specified in the trust agreement.

### **Article 18**

The Trustees must appoint commercial banks or other professional institutions as fund custodians for the trust assets and must, in accordance with the trust agreement, respectively appoint other professionally qualified institutions to perform other entrusted responsibilities including but not limited to loan services and transaction management.

### **Article 19**

The responsibilities of a Trustee shall terminate upon occurrence of any of the following:

- a) its qualification as a Trustee being revoked according to law;
- b) it is dismissed by the ABS Holders' meeting;
- c) it is dissolved, ordered to be terminated or announced to be bankrupt according to law;
- d) it resigns;
- e) other situations stipulated by laws and administrative regulations or specified in the trust agreement.

### **Article 20**

In circumstances where a Trustee's qualification as a Trustee is revoked according to law, or where it is dissolved, ordered to be terminated or announced to be bankrupt according to law, before the new Trustee is chosen, the CBRC will appoint a temporary Trustee.

The Trustee whose responsibilities have been terminated shall take proper care of the documents and make timely transfer thereof. The new Trustee or temporary Trustee shall take over the responsibilities in a timely manner.

## **Chapter IV Loan Servicer**

### **Article 21**

A loan servicer is an institution which is entrusted by the Trustee to be responsible for the management of loans.

Loan servicers can be the originators of credit assets securitisation projects.

### **Article 22**

The Trustee shall sign a servicing contract with the loan servicer which shall specify the following:

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- a) the names and domiciles of the Trustee and the loan servicer;
- b) the responsibilities of the loan servicer;
- c) the measures and criteria for the management of loans;
- d) the rights and obligations of the Trustee and the loan servicer;
- e) the remuneration for the loan servicer;
- f) the liabilities for breach of contract;
- g) other matters.

### **Article 23**

The loan servicer will manage the credit assets placed under trust as the trust assets in accordance with the servicing contract, and will perform the following responsibilities:

- a) Collecting the principal and interest of the loans;
- b) Managing the loans;
- c) Keeping legal documents concerning the trust assets, and keeping them separate from the legal documents concerning its own properties;
- d) Providing the Trustee with periodic service reports on information concerning the credit assets placed under trust as the trust assets;
- e) Other responsibilities as agreed in the servicing contract.

### **Article 24**

The loan servicer shall establish a specialized business department to keep separate accounts for, as well as manage in a separate manner, the credit assets placed under trust as the trust assets.

### **Article 25**

The loan servicer shall, in accordance with the requirements of the servicing contract, transfer to the fund custodian the funds collected from the credit assets placed under trust as the trust assets, and shall inform the Trustee of such transfer.

### **Article 26**

In the case where the Trustee finds that the loan servicer fails to perform its responsibilities in the manner and according to the criteria agreed in the servicing contract, the Trustee may replace the loan servicer upon decision of the ABS Holders' meeting.

The Trustee shall inform the borrowers of the replacement of the loan servicer in a timely manner.

**Chapter V Fund Management Institutions****Article 27**

A fund custodian is an institution entrusted by Trustees to keep custody of and manage the fund received on the accounts of the trust assets.

The originator and loan servicer of a credit assets securitisation project shall not act as the fund custodian in the same transaction.

**Article 28**

A fund management contract shall be signed and concluded by and between the Trustee and the fund custodian, and shall specify the following:

- a) the names and domiciles of the Trustee and the fund custodian;
- b) the responsibilities of the fund custodian;
- c) the measures and criteria for fund management;
- d) the rights and obligations of the Trustee and the fund custodian;
- e) the remuneration for the fund custodian;
- f) the liabilities for breach of contract;
- g) other matters.

**Article 29**

The fund custodian shall manage the fund in accordance with the fund management contract, and shall perform the following obligations:

- a) managing the funds collected from the trust assets in a safe manner;
- b) opening an account for the funds collected from the trust assets in the name of the special purpose trust of the credit assets securitisation;
- c) paying investment proceeds to the ABS Holders in the manner agreed in the fund management contract;
- d) managing the funds in the account of the special purpose trust in the manner agreed upon in the fund management contract and as instructed by the Trustee;
- e) providing to the Trustee periodical fund management reports on the status of fund management and the payment of proceeds of asset-backed securities according to the fund management contract;
- f) other obligations as specified in the fund management contract.

The Trustee may entrust other servicers to perform the aforementioned obligations under c), d) and e) according to the trust agreement.

**Article 30**

During the intervals between the payments of proceeds of the trust assets to the investors, the fund custodian shall, in the manner agreed upon in the contract and as instructed by the Trustee, invest the proceeds of the trust assets only in State treasury bonds and policy-related financial bonds and in other financial product investments permitted by the People's Bank of China having good mobility and high liquidity.

**Article 31**

In the case where the Trustee finds that the fund custodian has failed to manage the fund in the manner and according to the criteria specified in the contract, the Trustee may replace the fund custodian upon decision of the ABS Holders' meeting.

**Chapter VI Issuance and Trade of Asset-backed Securities****Article 32**

For issuance of asset-backed securities on the National Inter-bank Bond Market, a Trustee shall submit to the People's Bank of China the following documents:

- a) an application report;
- b) the written consent of the decision-making body of the originator as specified in its articles of association or in any of its documents being of the nature of articles of association;
- c) drafts of the trust agreement, loan servicing contract, fund management contract and other Relevant Legal Documents;
- d) a draft of the prospectus (see appendix for requirements for form);
- e) the placement/underwriting agreement;
- f) the relevant approval documents from the CBRC;
- g) the legal opinion issued by a licensed lawyer;
- h) an accounting opinion issued by a certified public accountant;
- i) a draft of the credit rating report furnished by a credit rating institution and an explanatory note on the continuous follow-up rating arrangement;
- j) other documents required for submission by the People's Bank of China.

**Article 33**

The People's Bank of China shall decide whether or not to accept an application within five working days following receipt of all the documents concerning the issuance of asset-backed securities. For applications that the People's Bank of China decides not to accept, reasons for non-acceptance shall be given in writing to the applicants; as for those it decides to accept, a written decision of approval or disapproval shall be made within twenty working days following the date of acceptance of the application.

**Article 34**

The credit rating of asset-backed securities may be enhanced through internal or external credit enhancement.

**Article 35**

The issuance and trade of asset-backed securities on the National Inter-bank Bond Market shall be subject to continuous credit rating of asset-backed securities by credit rating institutions with rating qualifications.

Credit rating institutions shall ensure the objectivity and fairness of their credit rating activities.

**Article 36**

The issuer shall establish a placement/underwriting syndicate for the issuance of asset-backed securities. During the issuing period, the placer/underwriter may place to other investors the asset-backed securities which it has undertaken to place.

**Article 37**

The name of asset-backed securities shall be distinctly different from the names of the originator, the Trustee, the loan servicer and the fund custodian.

**Article 38**

The issuance of asset-backed securities may be conducted by way of full amount issuance in one shot or of issuance in instalments subject to a capped amount. In cases of instalment issuance of asset-backed securities, the Trustee shall, within five working days prior to issuance of each instalment of asset-backed securities, submit for filing to the People's Bank of China the final prospectus, rating report and final versions of all Relevant Legal Documents, and shall disclose relevant information pursuant to the requirements of the People's Bank of China.

**Article 39**

Placement/underwriting of asset-backed securities may be conducted by means of placement/underwriting by agreement or placement/underwriting by bidding. The placer/underwriter shall be a financial organization which must satisfy the following conditions:

- a) having a registered capital of no less than RMB two hundred million;
- b) having relatively strong capabilities for the placement/underwriting of bonds;
- c) having a team of professional personnel qualified for business on the bond market, and having bond placement/underwriting channels;
- d) not having committed any act in gross violation of laws and regulations within the past two years;
- e) other conditions required by the People's Bank of China.

**Article 40**

Within ten working days following the completion of issuance of asset-backed securities on the National Inter-bank Bond Market, the Trustee shall submit to the People's Bank of China and the CBRC a report on the issuance of the asset-backed securities.

**Article 41**

Asset-backed securities may be issued to identified investors. Asset-backed securities issued to identified investors may be exempted from credit ratings. Asset-backed securities issued to identified investors shall only be assigned among the subscribers.

**Article 42**

Within two months following the completion of issuance of asset-backed securities on the National Inter-bank Bond Market, the Trustee may apply for the trading of asset-backed securities on the National Inter-bank Bond Market pursuant to *the Rules on Examining and Approving the Trading and Negotiation of Bonds on the National Inter-bank Bond Market*.

**Article 43**

The registration, entrustment, trade and settlement of asset-backed securities on the National Inter-bank Bond Market shall be conducted according to the relevant provisions of *the Administrative Measures on the Negotiation of Bonds on the National Inter-bank Bond Market*.

**Chapter VII Information Disclosure****Article 44**

The Trustee shall disclose according to law information on the trust assets and the asset-backed securities prior to the issuance of the asset-backed securities and during the life of the asset-backed securities. The information disclosure shall be carried out via media designated by the People's Bank of China.

The Trustee and relevant insiders shall not divulge the information before its disclosure.

**Article 45**

The Trustee shall ensure that the information disclosed is true, accurate, complete, and that the disclosure is carried out in a timely manner, and is free from any false records, misleading statements or major omissions.

The institutions entrusted by the Trustees to render services for securitisation transactions shall, pursuant to stipulations of the Relevant Legal Documents, furnish the Trustees with reports on the relevant information, and ensure that the information provided is true, accurate, complete and provided in a timely manner.

**Article 46**

The Trustee shall release the final prospectus five working days prior to the issuance of asset-backed securities.

**Article 47**

The Trustee shall bring to the investors' attention, in a conspicuous section of the prospectus, the fact that the asset-backed securities are not liabilities that should be borne by the originator, the Trustee for the special purpose trust, or any other institution for a credit assets securitisation project, but represent only the corresponding shares of the benefits under a special purpose trust. The investors' right of recourse shall be limited to within the scope of the trust assets.

**Article 48**

During the life of the asset-backed securities, the Trustee shall verify the loan service reports and fund management reports provided periodically by the loan servicer and the fund custodian, and shall regularly disclose Trustee reports, which shall include information on the trust assets, the current payment status of principal of loans and interest thereon, the status of securities proceeds generation and other information required by the People's Bank of China and the CBRC.

**Article 49**

The Trustee shall disclose in a timely manner all information that will materially influence the investment value of the asset-backed securities.

**Article 50**

The annual reports of the Trustee shall be audited by a chartered public accountant. The audit report shall be disclosed by the Trustee.

**Article 51**

Prior to the disclosure of information, the Trustee shall submit relevant information disclosure documents to the National Interbank Lending Centre and the China Government Securities Depository Trust & Clearing Co., Ltd.

The National Interbank Lending Centre and the China Government Securities Depository Trust & Clearing Co., Ltd. shall render services for information disclosure concerning asset-backed securities, and shall report to the People's Bank of China and publicize in a timely manner any violation of the information disclosure regulations.

**Chapter VIII Rights of ABS Holders and Their Exercise****Article 52**

ABS Holders shall enjoy the following rights in accordance with the Relevant Legal Documents:

- a) sharing the trust benefits;
- b) participating in the distribution of the remaining trust assets after liquidation;
- c) assigning the asset-backed securities in their possession according to law;
- d) convening ABS Holders' meetings in accordance with relevant rules;
- e) exercising voting rights over the issues under discussion at ABS Holders' meetings;
- f) accessing or making copies of the publicly disclosed documents related to the trust assets and asset-backed securities;
- g) other rights specified in the trust agreement and prospectus.

**Article 53**

The following issues shall be decided through discussion at ABS Holders' meetings, provided that where such issues have been clearly provided in the trust agreement, the agreement shall prevail.

- a) replacement of the Trustee for the special purpose trust;
- b) other issues as specified in the trust agreement.

**Article 54**

ABS Holders' meetings shall be convened by the Trustee. Where the Trustee does not do so, the ABS Holders shall have the right to convene the meetings at their own discretion in accordance with the trust agreement, and shall report to the People's Bank of China for filing.

**Article 55**

The convenor of an ABS Holders' meeting shall issue a public announcement on items such as the time, venue, manner in which the meeting is to be held, the issues to be discussed, the procedural rules, the voting rules, etc. at least thirty days before the meeting is convened.

No voting shall be conducted at the ABS Holders' meetings on issues not included in the public announcement.

**Article 56**

The ABS Holders' meetings may be held by way of on-site meetings or such other means as telecommunications meetings.

ABS Holders shall have the right of voting in accordance with the trust agreement. ABS Holders may designate their agents to be present at ABS Holders' meetings and to exercise their voting rights.

**Article 57**

Issues decided upon by the ABS Holders' meetings shall be reported to the People's Bank of China for filing and be announced to the public.

**Chapter IX Supplementary Provisions**

**Article 58**

Regulations on accounting and taxation arrangements and on changes in real property mortgage registration concerning credit assets securitisation shall be formulated separately by the relevant department(s) of the State Council.

**Article 59**

Investment administration policies with regard to the purchase and possession of asset-backed securities shall be formulated separately by the relevant regulatory organs.

**Article 60**

These Measures shall take effect as of the date of promulgation.

**Article 61**

The People's Bank of China and the China Banking Regulatory Commission shall be responsible for the interpretation of these Measures.

**ATTACHMENT****REQUIREMENTS FOR PREPARATION  
OF ASSET-BACKED SECURITIES PROSPECTUS**

1. The names and domiciles of the issuing institution (the Trustee), the originator, the loan servicer, the fund custodian, the securities registration and depositary institution and other institutions rendering services for securitisation transactions
2. A brief introduction to the originator and an overview of its financial status
3. A statement on the experience and record of breaches of the originator, the Trustee, the loan servicer and the fund custodian in previous securitisation transactions
4. The transaction structure and the main rights and obligations of the parties concerned
5. The organization and powers of ABS Holders' meetings
6. A statement of the affiliate relationships between/among the parties to transactions
7. The main contents of Relevant Legal Documents including the trust agreement, the loan servicing contract, and the fund management contract, etc.
8. The procedures for the granting of loans, criteria for examination and verification, forms of guarantee, rules of management, procedures and measures for punishment for loans in default
9. The criteria for the selection of credit assets for the establishment of a special purpose trust and relevant statistical information
10. A list of taxes payable in respect of the cash flow of the trust assets, sources of payment of various taxes and priority of payment
11. A statement on the grading of the asset-backed securities issued, and the principal amount, credit rating, coupon rate, estimated term and priority of payment of the principal and interest of each grade
12. Methods for enhancing internal and external credit for asset-backed securities
13. A summary of the credit rating report on the asset-backed securities issued by a credit rating institution and an explanation of continuous follow-up rating arrangements
14. An outline of the legal opinion issued by a licensed lawyer
15. Selective or mandatory redemption or termination clauses, including but not limited to the total buyback clause
16. An analysis of the interest rate sensitivity of each grade of the asset-backed securities and changes of the rate of return and weighted average period of each grade of the asset-backed securities under the given anticipation rate
17. A reminder of investment risks
18. A tax arrangement opinion issued by a certified public accountant concerning such transaction
19. A description of the information which is subject to disclosure during the life of the securities and of the manner in which it is to be obtained
20. Other items as specified in the regulations issued by the People's Bank of China