

CBRC's new rules permit specialised subsidiaries of financial leasing companies to issue offshore bonds

The China Banking Regulatory Commission ("CBRC") issued the Interim Provisions on Specialised Subsidiaries of Financial Leasing Companies on 11 July 2014 ("Interim Provisions"). The Interim Provisions have become effective as of the issuance date. Among others, it is worth noting that the Interim Provisions:

- permit a financial leasing company to establish subsidiaries that are specialised in financial leasing businesses in certain areas (including aircraft and shipping financing) either in the free trade zones and bonded areas in China or outside of China, subject to CBRC's approval ("Specialised Subsidiary");
- require a financial leasing company intending to establish a Specialised Subsidiary to satisfy certain eligibility requirements, including without limitation to (i) its equity investment may not exceed 50% of its net assets (on a consolidated basis), (ii) it can only use proprietary funds to set up the Specialised Subsidiary, and (iii) for establishing an offshore Specialised Subsidiary, it has been profitable in the last two years;
- require the minimum registered capital of a domestic Specialised Subsidiary to be RMB50 million;
- allow a financial leasing company to bring in other qualified investors for setting up a Specialised Subsidiary provided the financial leasing company shall hold no less than 51% of shares in the Specialised Subsidiary;
- permit a financial leasing company to authorise its Specialised Subsidiaries to carry out business within its own business scope except for inter-bank lending and fixed-income products investment; and
- allow Specialised Subsidiaries to issues bonds outside of China (but the Interim Provisions are silent as to whether it is permitted for the parent company to provide guarantee which needs further clarity) and set up offshore SPVs to carry out financial leasing business.

For more details, please refer to CBRC's [home page](http://www.cbrc.gov.cn/index.html) (<http://www.cbrc.gov.cn/index.html>) or the [Interim Provisions](http://www.cbrc.gov.cn/chinese/home/docDOC_ReadView/6B902B93F79F4752BFC4D9B019BB2E58.html) (http://www.cbrc.gov.cn/chinese/home/docDOC_ReadView/6B902B93F79F4752BFC4D9B019BB2E58.html).

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