

Overseas Updates

[CHINA] Issuance of Private Placement Bonds by Small and Medium-Sized Enterprises

Shanghai Stock Exchange and Shenzhen Stock Exchange announced the “Pilot Measures for the Issuance of Private Placement Bonds by Small and Medium-Sized Enterprises” (the “Pilot Measures”) on May 22. Under the Pilot Measures, small and mid-sized enterprises (“SME”) will be capable of issuing privately raised corporate bonds in China. SME refer to firms that are not publically listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, are not real-estate and/or financial companies, and conform to the stipulations in the “Notice on Issuing Provisions on Classification Standards for Small and Medium-Sized Enterprises”.

Private placement bonds to be issued pursuant to the Pilot Measures shall satisfy the following conditions:

- (1) The issuer shall be a limited liability company or a limited company by share;
- (2) The return rate shall not exceed three times the interest rate on a bank loan with the same maturity date as the one at the time of issuance; and
- (3) The Term shall be one year or more.

The above conditions don't specifically determine the net asset and business capability of an issuer of private placement bonds. And thus, investors should make prudent decisions based on the information disclosed by the issuer, as investment in bonds via private placement could be risky.