

CBRC New Rules on Fixed Assets Loan & Project Finance (For August)

July 18, 2009

- 1) Guidelines for Project Finance Business, [2009] No.71

July 23, 2009

- 2) Provisional Measures on the Administration of Fixed Assets Loans, CBRC Order [2009] No.2

In order to regulate the fixed assets loans and project finance business of the commercial banks, China Banking Regulatory Commission ("CBRC") released the Guidelines for Project Finance Business on July 18, 2009, and the Provisional Measures on the Administration of Fixed Assets Loans on July 23, 2009. Both of the regulations apply to all banking institutions and will come into force three months after the date of its promulgation.

As a conclusion, the Provisional Measures and the Guidelines reflect the efforts by the regulator to enhance supervision of large amount loans. Banks thus need to make more detailed risk control internal policies in terms of loan documentation and disbursement procedures. At the same time, banks also need to consider how to implement some of the requirements in the Provisional Measures and the Guidelines, such as ensuring the truthfulness and completeness of due diligence reports and how to accommodate the "pay on trust of the borrower" rule with the various funding demands of borrowers.