

CBRC Regulates PE Business by Trust Companies

Chinese version Trust companies may invest, via raising funds by issuing trust plans, in unlisted corporate equities, the limited tradable shares of listed companies or other equity-based trust products approved by the China Banking Regulatory Commission (CBRC).

The CBRC recently released the Guidelines for the Operation of Private Equity Investment Trust Business of Trust Companies (Guidelines) so as to further regulate the PE business activities of trust companies and guarantee the legal rights and interests of parties involved.

Under the Guidelines, if trust companies participate in private equity investment trust plans with self-owned capitals, the investment must not exceed 20% of the property of the trust plans. During the lock-up period, trust companies may not transfer the beneficiary rights of the investment, nor can they raise funds by the use of the rights.

Also, trust companies must prepare reports for related factors such as the investment concepts, strategies and directions of the private equity trust plans, and the reports must be approved by the trust committees of the companies. The trust companies are also required to conduct due diligence investigation of the specific companies targeted for investment, and the investment may be carried out only after investment decision-making reports are prepared based on due diligence and approved in line with decision-making procedures.

(Source: Shanghai Securities News)

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