

China lowers threshold for bond market entry

Experts saw the first announcement from the People's Bank of China (PBOC) in 2009 as the latest move to ease difficulties domestic companies encounter while trying to raise capital.

Companies now can issue bonds below 500 million yuan (\$73 million) in the country's inter-bank bond market. The central bank lowered the threshold for market entry, which was set up in 2004, in an online statement Friday.

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"The abolishment will make it easier for small and medium-sized companies (SMEs) to raise capital. It also reflects the PBOC's decision to help these companies," a bond trader, who declined to be named, told Xinhua Saturday.

Capital shortage has long been a bottleneck in the development of Chinese SMEs, as lenders tend to be reluctant to grant loans over concerns about risk.

The PBOC announced at a work meeting this week it would carry out short-term trial bonds for the country's small and

medium-sized companies in 2009. It was also considering the issue of high interest bonds and SME united bonds in the inter-bank bond market.

Zhao Xijun, professor of finance with Beijing-based China Renmin University, also saw it as good news for companies wishing to raise capital through bond issuing.

"To wipe out the regulation on the minimum fund amount is necessary to create a favorable environment to encourage enterprises to issue bonds," he said.

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