

China tightens control of SOE's financial derivative transactions

China's state-owned enterprises regulator Wednesday reiterated that centrally administered state-owned enterprises (SOEs) should strengthen control of financial derivative transactions, and report quarterly to the commission.

This move by the State-owned Assets Supervision and Administration Commission (SASAC) was aimed at reinforcing the government's stated intention of effectively banning speculation by some SOEs.

In March, SASAC required the reports to include changes in holdings of derivatives, capital usage, settlements, profits and losses, and analysis of hedging results and risk exposure, said the commission in a statement released on its website.

The report form of financial derivative transactions covered futures and options, forward contracts, swap contracts and combinations of contracts, and should be sent to the commission with the financial reports within 10 working days of the end of each quarter, said the statement.

In order to better execute this measure, the commission designed a new form for SOEs to fill, said the statement.

Several central SOEs have reported huge derivatives losses since last year as the global financial crisis spread.

Three air carriers -- Air China, Shanghai Airlines and China Eastern -- had reported a total of 13.17 billion yuan (1.94 billion U.S. dollars) of book losses as of the end of January on aviation fuel hedging contracts.

CITIC Pacific disclosed in October potential losses may exceed 15 billion HK dollars (1.9 billion U.S. dollars) from unauthorized hedging by senior financial managers against changes in foreign exchange transactions, notably the Australian dollar.

Source: Xinhua
