China to scrutinize state-owned firms' hedging deals

BEIJING, Oct. 21 (Xinhua) -- China's state-owned firms looking to hedge their losses from rising crude oil prices will be supervised more stringently, China Daily reported Wednesday.

The State-owned Assets Supervision and Administration Commission (SASAC) has required companies under its control to scrutinize hedging deals more closely while signing financial derivatives contracts.

The move follows rising book losses from hedging contracts suffered by such state-owned firms as China Eastern Airlines and Air China, who have only recently begun to narrow down such losses-on-paper from former hedging deals.

SASAC tightened the rules during a recent budget meeting convened by state-owned enterprises.

The futures trading volume should not exceed 90 percent of the spot volume. The percentage for those who are inexperienced in such trades or those who have reported significant losses previously will be no higher than 50, the newspaper said, citing Shen Ying, director-general of the SASAC Statistics Evaluation Bureau.

SASAC also clarified that it would defend the legal interests of hedging firms through negotiations with investment institutions in case there are misleading clauses in previously signed deals.

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