



Chinese insurers approved for AAA-rating unsecured corp bond purchase

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BEIJING, Jan. 4, 2010 (Xinhua News Agency) – The China Insurance Regulatory Commission (CIRC) recently released a circular permitting Chinese insurance firms to invest in AAA-rated unsecured corporate bonds floated on the local interbank market.

The circular publicized by the CIRC on December 31 showed that the industry regulator has decided to adjust the bond investment policies of insurance institutions.

The CIRC had previously merely allowed several qualified local insurance firms to invest in unsecured bonds. Specifically, the enlargement refers to AAA-rated unsecured corporate bonds assessed by local credit rating agencies or unsecured corporate bonds whose issuers enjoy AAA-equivalent long-term credit ratings.

Meanwhile, one insurer can not invest more than 60 percent of the issue volume of one unsecured corporate bond. And the total bond investment of one insurer must be less than 20 percent of its net assets, the circular said.

As for the purchase of bonds sold by local insurers' affiliates, the maximum investment value must be less than 10 percent of their net assets.

Moreover, the circular highlights requirements for the public auction of unsecured corporate bonds to fix their market-accepted coupon rates, saying that insurers cannot procure illegitimate interest via directional subscriptions.

The circular also increased the corporate bond investment proportion of insurers from 30 percent of their total assets in previous quarter end to 40 percent.

So far, Chinese insurance firms' bond investments are enlarged to cover Treasuries, municipal bonds, mid-term notes, and corp bonds and convertibles sold by large state-owned enterprises in Hong Kong and the AAA-rating interbank debentures. (Edited by Duan Jing, Duanjing@xinhua.org)

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