

**Welcome Address by Secretary-General of NAFMII, Shi Wenchao, at China
Global Debt Capital Markets Congress**

(November 16, 2010)

**Governor Zhou Xiaochuan, Vice President Kenneth Lay, Chairman Padraic
Fallon, Distinguished Guests,**

Good morning!

We are greatly honored to co-host the China Global Debt Capital Markets Congress together with Euromoney Institutional Investor PLC. Here, on behalf of the National Association of Financial Market Institutional Investors of China (NAFMII), I warmly welcome you all to come to Beijing and to attend this congress!

The Chinese debt capital market has grown rapidly in recent years, especially since 2005. In the past two years, the Chinese financial market has not only resisted the impact from the international financial crisis, but also seized the favorable policy environment and opportunity to realize faster development. The Chinese bond market has attained the particularly evident development, made a long stride in infrastructure construction, market innovation, risk prevention, self-regulatory management and other aspects. In addition, it strongly supported the national economic development, and played an important role in maintaining the steady, fast and stable economic growth in the battle against the financial crisis. In 2009, the issuance volume and the trading volume of the Chinese bonds market hit RMB8.73 trillion and RMB125.9 trillion, and the custody volume at the yearend reached RMB17.7 trillion, growing 22 times, 71 times and 33 times compared to 1997 respectively. In January to October 2010, the issuance volume added up to RMB8.2 trillion, growing 25% year on year, while the balance amounted to RMB20.5 trillion, up 21% over a year ago. The size of the Chinese bond market has catapulted to rank the second in Asia and the sixth in the world. The swift development of the Chinese debt capital market has principally benefited from a series of positive and effective measures taken by the Chinese government, the central bank and the regulators. The most predominant move is to change the government's market management mode by reducing the microscopic intervention and giving a bigger role to the market in resource allocation. As an experiment and exploration of the government's reform of the market management pattern, the NAFMII was founded in September 2007.

The NAFMII is a new type of self-regulatory organization and is joined

on voluntary base by interbank market participants. Since the foundation, the NAFMII has received supports from the central bank and financial regulators; always shouldered the mission to promote the innovation and development of China's OTC financial market, formulate and penetrate market standards, explore and practice the reform of the market management pattern, advocate and communicate market ethics and concepts, and drive and participate in market internationalization; always adhered to the direction of market orientation and internationalization; and done a lot of work to enhance financial product innovation, strengthen market self-regulatory management, provide services to members and protect their legal rights and interests, and promote two-way communication between the government and the market.

To spur market innovation, the NAFMII has pooled the wisdoms of market members to build issuance registration system for non-financial corporate debt financing vehicles, and materialized steady transition from the examination and approval system and the filing system to the registration system for relevant products. In addition, NAFMII also organizes market players to conduct research and launch a host of innovative varieties, including the medium-term notes, the medium-term notes with embedded options, USD-dominated medium-term notes and the SME collective notes. By the end of October 2010, the consolidated amount of debt financing instruments issued by non-financial enterprises through registration with the NAFMII has exceeded RMB3 trillion, representing 56% of the outstanding volume, 68% of the cumulative issuance volume and 80% of the new issuance volume.

The rapid expansion of credit bonds in the bond market makes it necessary to have the corresponding credit risk management instruments and credit risk sharing mechanism. To comply with market demand, the NAFMII has recently organized the market members to jointly research and publish the Guidance to the Pilot of Credit Risk Mitigation Instruments in the Interbank Market, and launched credit derivatives that are suitable for the Chinese market. China's credit derivatives uphold the principle of suitable for the actual demand, stressing simplicity and transparency, strictly controlling leverage ratio and preventing excessive speculation, which has been highly appraised by the domestic market, international media and professionals.

The NAFMII organized market members to promulgate the Master Agreement on Financial Derivative Trading in China's Interbank Market in 2009, in a move to guarantee the smooth launch of the CRM; published the Master Agreement on Loan Transfer Transaction, in a move to spur the compliant development of the credit asset transfer market; and is now engaging in drafting the master agreement on repurchase agreement

transactions. In addition, the NAFMII has also formulated more than 20 market trading specifications and codes of conducts as well as a series of self-regulatory management frameworks and systems related to primary and secondary market businesses, and driven the development of self-regulatory management system for the interbank market.

The NAFMII has systematically researched and pushed the solution of financing difficulties faced by “agriculture, farmers and rural areas”, small and medium enterprises and hi-tech enterprises, in an active response to the policy of the Chinese government to “expand domestic demand, adjust structure, promote growth and benefit people’s well-being”. The NAFMII has also made a remarkable effect in building effective member communication mechanism, member training service and other areas, which spoke highly by our members. By the end of October this year, more than 1,400 institutions joined NAFMII’s membership.

One of NAFMII’s key objectives is to become the advocator and participant of market internationalization. In the aftermath of the global financial crisis, countries have realized that with the high degree of integration and interdependence of the global economy, the national financial market can make no exception. Cooperation on financial market management in a global context is becoming ever more important. Self-regulatory organizations play a key role in such cooperation. Now, the NAFMII has established multilevel and multidimensional cooperation with embassies in China regulators, self-regulatory organizations, academic institutions and other organizations in the United States, Europe and major financial market countries in Asia. At the same time, the NAFMII pays attention to the cooperation with the World Bank, the Asian Development Bank and other international organizations, plays an active part in the international and regional multilateral cooperation mechanisms, and conceives an open mind to explore the route to realize the healthy and sustainable development of the bonds market with global friends.

In one world, the NAFMII has been contributing and participating actively in promoting the development of the Chinese financial markets for the past three years. The practices of these years have also brought much experience and enlightenment. In summary, that is, to propel the development of the debt capital market, we must rely on the objective rules of market development, uphold to the principal of focusing on the OTC market, adhere to the market positioning of qualified institutional investors oriented, and upholding to the OTC market based development model. Currently, the world’s economic situation is still very complex. The global economy has not fully recovered from the international financial crisis, and there are still many

obstacles to overcome before the world economy back on track. After successfully resisting the impact of the international financial crisis, China is also facing with economic transformation, reshaping the economic development pattern and adjusting the economic structure. As China's economic development is embracing a new stage, the Chinese bond market will also enter a new era of deepening development in every aspect. It is a question we are caring about and thinking in depth how to realize the sound development of the Chinese bond market under the current situation. Today, we are jointly holding this international congress together with our partner Euromoney, just to enhance the exchange between China's and all other countries' bond markets, and listen to the opinions of counterparts from the international community. Hope we will exchange views in depth, hold open dialogues, seek the way to deepen the development of the bond markets, and provide valuable wisdom for the sustainable development of the bond markets both in China and the world.

Finally, wish every honorable guest a happy and smooth journey to Beijing and a rich harvest from this journey. Wish every participant good luck and good health. Thank you!

NOTE: This is the translation of the speech made by Secretary-General Shi Wenchao. Should there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.