

# On the Development Status of China's Asset Securitization

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**Abstract:** *In recent years, China's asset securitization market has shown a good development trend of rapid expansion, steady operation and constant innovation. Based on this, the paper analyzes the current situation of asset securitization development of our country, and put forward a number of policy recommendations asset securitization development in order to provide a theoretical reference for the development of securitization of assets.*

**Keywords:** Asset Securitization; current situation; suggestion

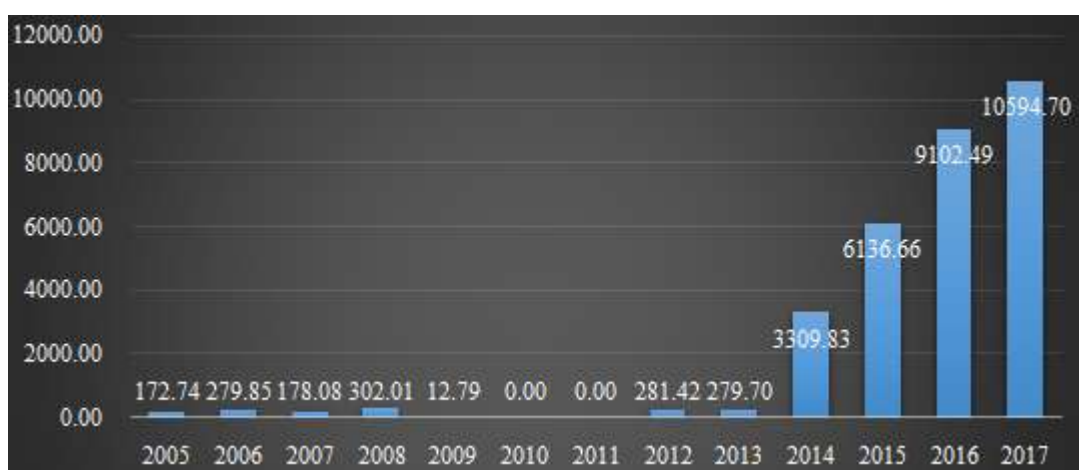
## 1. Introduction

Asset Securitization was first proposed by Lewis Ruinier, a U.S. investment bank, in 1977. Over the past few decades, scholars and authorities at home and abroad have been striving to come up with a comprehensive and accurate concept of asset securitization. Professor Fabazi at Yale University, the "father of securitization" in the United States, proposed that "securitization should be broadly defined as a process through which we can combine loans with common characteristics, consumer installment contracts, leases, receivables Accounts and other non-current assets are packaged as marketizable and investment-deniable securities. " American scholar Gordon Sodium proposed in 1991 that asset securitization should include the following four parts: the securitization of cash assets, the securitization of physical assets, the securitization of credit assets and the securitization of securities assets. In 2002, He Xiaofeng, a scholar of our country, put forward the concept of generalized securitization and endorsed the view of Kington. In addition, the US Securities and Exchange Commission also made a definition of asset securitization related definitions. In 2004, our scholar Jiang Jianqing summarized the domestic and foreign scholars' opinions and proposed that "asset securitization refers to the combination

of the illiquid loans or other detrimental assets through the special purpose carrier and packaging so that it can be expected In the future, a relatively stable cash flow will be formed, and on this basis credit quality or rating will be enhanced through credit enhancement, eventually transforming this form of expected cash flow right of return on assets into technology and processes that can be traded on the financial markets ". At this point, people have a more comprehensive understanding of asset securitization.

## 2. The Development Status of China Asset Securitization

China's asset securitization has grown from nothing for more than a decade and has undergone a period of twists and turns.As shown in Figure 1, from the scale of the development of China's asset securitization, securitization showed a twists and turns during 2005-2008.In 2008, due to the financial crisis, domestic securitization business was temporarily suspended. The issue scale of asset securitization from 2009 to 2011 was 0, and the resurgence of securitization in 2012 made the securitization scale soar from 2012 to the present.



**Figure 1:** Total Asset Securitization Offering, Unit: 100 million

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According to the report on the development of securitization in 2016 by the central government, the asset securitization market in our country presents a good momentum of rapid expansion, steady operation and innovation. The issuance of credit asset-backed securities has been normalized. The special plan for corporate asset support has been growing rapidly. The types of underlying assets are becoming increasingly rich. Various types of "first single" products are constantly emerging. Scale breakthrough trillion, non-performing assets securitization, green securitization, overseas distribution and other fields to achieve an important breakthrough.

In 2016, a total of 910.249 billion yuan of asset-backed securities were issued, an increase of 37.32% over the same period of the previous year. The market stock stood at 1,197.768 billion yuan, an increase of 52.66% over the same

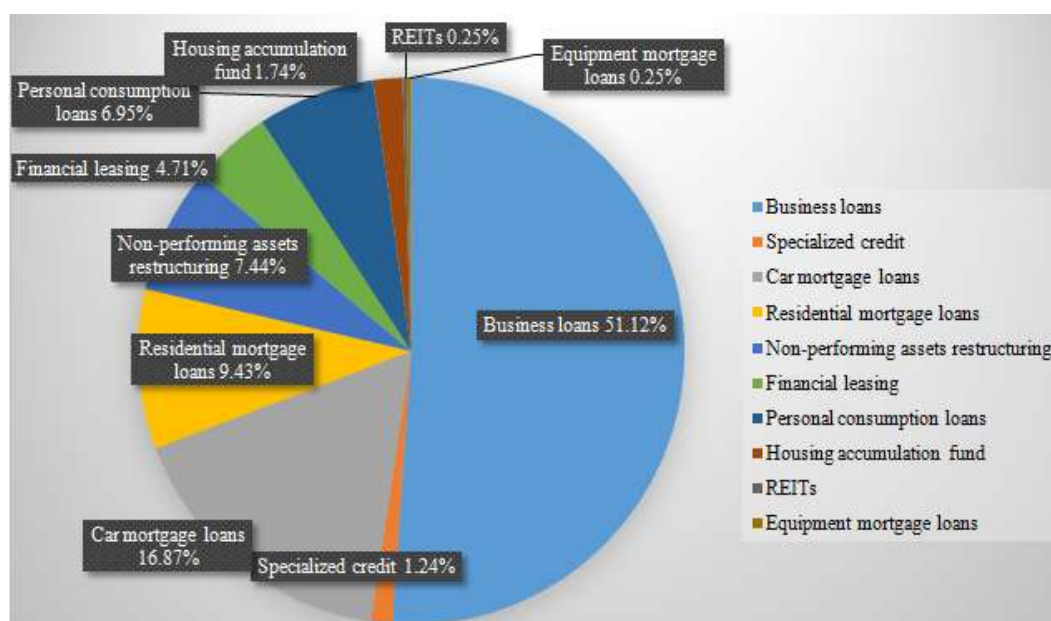
period of last year. Among them, the issuance of credit ABS amounted to 390.853 billion yuan, down 4.63% from the same period of last year, accounting for 45.94% of the total; the stock was 617.367 billion yuan, up 14.74% over the same period of last year, accounting for 51.54% of the total market. Enterprises issued 499.390 billion yuan ABS, an increase of 114.90%, accounting for 52.08% of the total circulation; stock 550.604 billion yuan, an increase of 138.72%, accounting for 45.97% of the total market. ABN issued 16.657 billion yuan, an increase of 375.91%, accounting for 1.98% of the total; stock 29.797 billion yuan, an increase of 87.52%, accounting for 2.49% of the total market.

As of November 16, 2017, the issuance of asset securitization products in China is as follows:

	The total number of 2017	The total amount of 2017(billion)	Cumulative total	The accumulative total(billion)	Outstanding total	The total amount of outstanding(billion)
Credit Assets Securitization	95	3672.53	403	15475.38	266	4877.47
Enterprise asset securitization	396	6569.23	1070	14408.48	887	10322.63
ABN	23	349.9	55	745.67	46	631.12
Insurance asset securitization	1	10	3	43.49	3	43.49
total	515	10601.66	1531	30673.02	1202	15874.71

In 2005, the number of asset securitization issuance in China was only 4, which were based on individual housing mortgage loans, corporate loans, rental rentals and infrastructure charges. By 2017, the number of China's asset-backed securities issuance has reached 1,531. The underlying asset types include corporate loans, auto loans, credit card loans, consumer loans, rental rentals, infrastructure charges, personal home loan, accounts receivable, Trust Benefit, Microfinance and other categories. After more than ten years of twists and turns, the types of basic assets in China's asset securitization have been greatly enriched.

To our country in 2017, according to the underlying asset securitization of credit assets, as shown in figure 2: on the basis of enterprise loan asset securitization and accounted for more than half of total credit asset securitization, reached 51.12%, the second car mortgage, mortgage loan, bad assets restructuring, etc., is 16.87%, 9.43% and 7.44%, respectively.



**Figure 2:** Classification of Basic Assets for Securitization of Credit Assets in 2017

As shown in Figure 3, the classification of our country's enterprise securitization in 2017 is based on the basic assets: the issuance of assets on the basis of financial leasing, fee-charging right, personal consumer loans, trust

beneficiary rights and accounts receivable is more, Accounting for 23.69%, 15.79%, 14.18%, 11.04% and 9.32% of the total number of ABS issuance respectively.

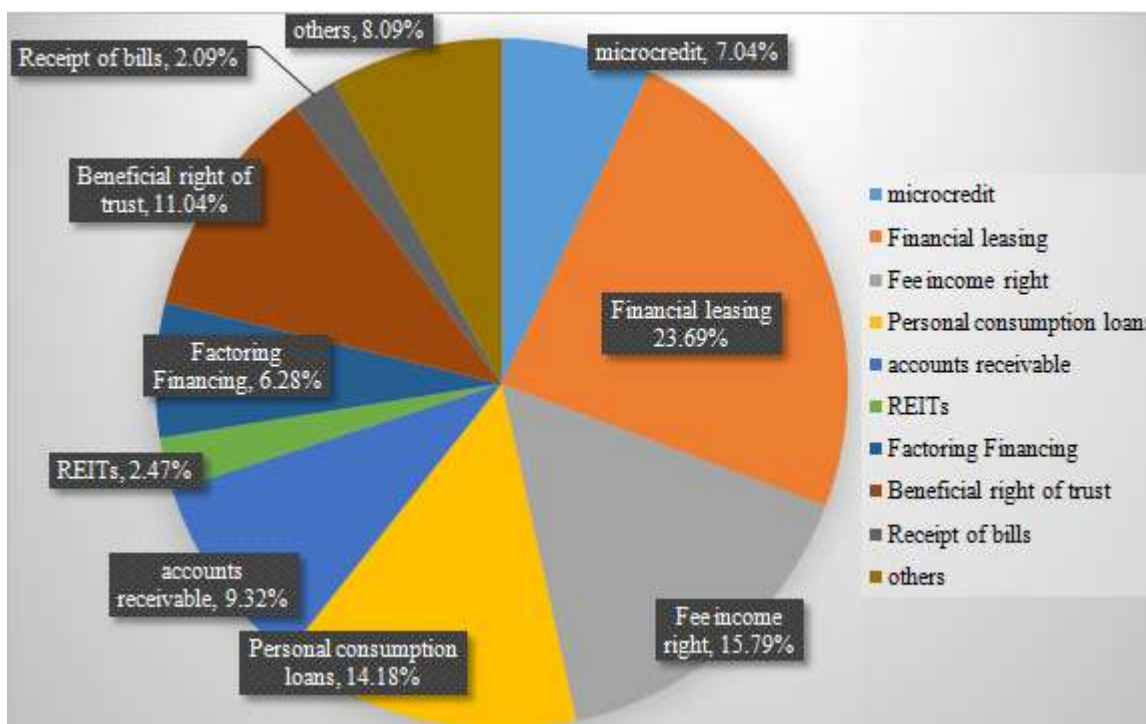


Figure 3: Classification of Basic Assets of Enterprise Securitization in 2017

### 3. Suggestions on the Development of Asset Securitization in China

#### 1) Innovative securitization product types

Strive to promote asset securitization in areas such as PPP and green industries to better serve the supply-side structural reforms. For PPP asset securitization, establish and improve supporting mechanisms such as information disclosure, credit rating, credit guarantee and risk hedging to speed up the standardization process and encourage medium and long-term institutional investors to participate. For the green asset securitization, it is suggested to constantly improve the incentive and restraint mechanism, optimize the market ecology and guide the issuance of more asset-backed securities with more low-carbon economy and ecologically-based assets as assets. In addition, the Bank actively explored the Belt and Road loans ABS. In the prior period, the Belt and Road loans issued by policy banks were taken as the base assets. Asset-backed securities denominated and settled in RMB were issued in the Shanghai FTA and the underlying assets were gradually extended to other foreign currencies Loans or foreign currency bonds.

#### 2) Improve secondary market liquidity

Specific measures include: exploring standard bond pledged repo transactions targeting asset-backed securities to facilitate investor participation; introducing specific regulations and guidelines for asset securitization market

makers to enhance transaction efficiency; encouraging investors to diversify and attract investors Insurance companies, asset management companies, various funds including pensions and social security funds, and trading financial institutions (such as foreign investment banks and hedge funds) have entered the market and broke the bank-mutual trust.

#### 3) Comprehensively strengthen risk management and control

At this stage, China's asset securitization should adhere to the direction of simple and transparent development, product structure design should not be too complicated. During the progress of securitization business, we should carefully control the risk of the source of underlying assets, improve the internal and external credit enhancement mechanism, strengthen the follow-up management and post-supervisory control, and improve the standardization, standardization and machine-readable information disclosure to meet the needs of third-party assessment Value agency inquiry analysis needs. Further research and enrich risk hedging instruments, continuously improve market risk indicators and risk prediction models, and enhance credit risk identification and dynamic measurement.

#### 3.4 increase the initiative of credit ABS issuance

In 2016, the credit ABS issuance slowed down to a certain

extent, demonstrating that the issuance of commercial banks was insufficient. It is suggested to study preferential tax policies on credit asset securitization, clarify the tax relief system for SPVs as soon as possible, address the issue of double taxation, and provide more conveniences for business development. In addition, it is recommended to further improve the criteria for the provision of venture capital, appropriately lower the risk weight of some banks in holding the secondary part of securitized products, and enhance the enthusiasm of banks in asset securitization business. We may consider giving proper credit to high-quality mortgage- Of the risk of retention of exemption until the system is complete and the time is ripe to gradually expand to other types of products.

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