

# Supporting SMEs through Long-term Market-based Financing

**Ms. SONG Liping, President & CEO  
Shenzhen Stock Exchange**

深圳证券交易所  
SHENZHEN  
STOCK EXCHANGE



# Introduction: Market-based Long-term Financing is Critical for Sustainable Development in China

- **Deleveraging has become important and urgent for Chinese companies.**
  - Some listed companies are reporting debt/asset ratios above 60%. Some companies in traditional sectors are seeing their debt/asset ratio exceed 80%.
- **The capital market plays an important role in**
  - Supporting growth in real economy;
  - Developing financial intermediaries
  - Promoting product innovation

# 1. The SZSE is Committed to Serving SMEs

- SZSE's Multi-tiered Market Structure

## Main Board

- Established on 1 Dec., 1990
- Blue-chip companies

## SME Board

- Established on 17 May, 2004
- High-quality SMEs

## ChiNext Market

- Established on 30 Oct, 2009
- Emerging and high-technology enterprises

***SME Board and ChiNext have raised USD 157 billion for 1,098 SMEs and innovative start-ups.***

# 1. The SZSE is Committed to Serving SMEs

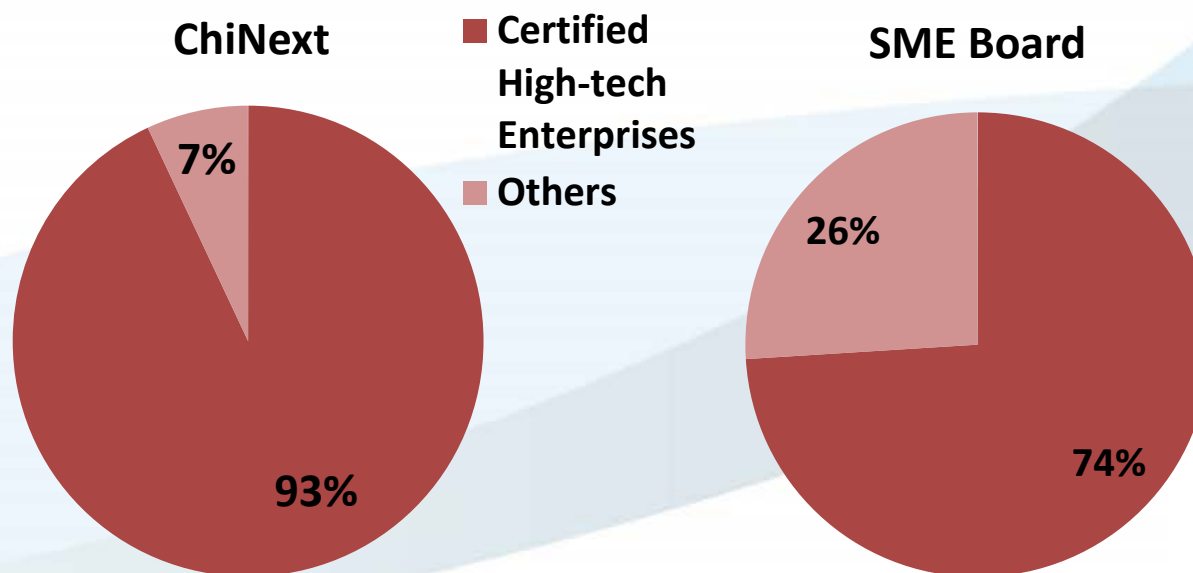
**Chinese  
SMEs  
account for**



- **SMEs are cornerstones for economic growth and social well-being.**

## 2. The SZSE Fostered Financial Supply Chain

- Capitalizing both tangible and intangible assets;
- There currently are 6,000 venture capital firms in China; with USD 170 billion available for investment;
- More than 300 listed companies on the SZSE are backed by venture capital;
- The capital market completes the circle of innovation by linking industrial demands with investment funds.



### 3. The SZSE Supports Green Industries

- The SZSE gives priority to serving environmental, alternative energy and new materials companies.
- More than 50 green companies are listed on the SZSE.
- The SZSE developed social Responsibilities Index to promote environmentally sensitive practices.
- The SZSE has established a special fund to restore deserts in Inner Mongolia. The project has attracted wide participation by financial institutions and companies.





## 4. The SZSE Supports Agricultural Industries

- The SZSE signed a cooperative pact with *Yangling Modern Agricultural Pilot Zone* to foster hi-tech high-value-added agricultural issuers.
- The SZSE had listed 53 issuers in agriculture, husbandry, fish farming and food processing by the end of 2012.
- The capital market facilitates the transition of agricultural businesses into high value-added, modern enterprises.

### ➤ *Leading Companies in the Agricultural Sector:*



## 5. The SZSE has Expanded its Reach to Cover Unlisted Companies

- Given China's huge geographic expanse, the SZSE has partnered with local equity or asset transfer markets to build local capital platforms.
- With concentrated information, corporate equity and investors, local capital platforms reduce market friction, enhance corporate visibility and facilitate trading.
- Local capital platforms facilitate long-term financing for small and micro-sized firms, which contributes to economic growth and job creation in the region.



## 6. The SZSE Serves Market Intermediaries

- As the Chinese capital market has a short history of just 24 years, intermediary services have a lot to be desired.
- The SZSE offers a suite of live and televised training programs and discussion seminars to enhance intermediaries' professional knowledge and qualification.



- The SZSE facilitates knowledge-sharing among financial intermediaries.

# 7. The SZSE Supports Intermediaries' Advisory Services for M&As

- The SZSE supports intermediaries by offering M&A advisory services.
- China's pharmaceutical industry is heavily fragmented, with more than 6,000 firms competing against each other. Consolidation in the industry helps larger firms achieve economies of scale with heavy investment in R&D.
- Financial intermediary services can be very helpful in promoting M&As in the industry.

## 8. The SZSE Supervises and Incentivizes Financial Intermediaries with High Standards of Service

- With proper supervision, intermediaries bring front-line supervision and guidance to listed companies and investors.
- The exchange works with financial intermediaries in the following aspects:
  - assessing new products, services and supervisory rules to reduce transaction costs and facilitate capital market activities;
  - offering incentives for intermediaries to develop services in western China;
  - providing subsidies for financial intermediaries to advise companies in western China.

## 9. The SZSE Provides Support for Intermediaries in Product Innovation

- Intermediaries play an essential role in product innovation. However, because of the short history of the capital market, intermediaries are inadequately equipped for product innovation.
- SZSE provides solid support for intermediaries in product innovation.
  - During the development process of Asset-Backed Securitization (ABS), SZSE offers free consulting and guidance for intermediaries to develop proper project-planning, oversight, credit-rating, distribution and liquidity management. With hands-on experience, intermediaries are up and running -- and so is the ABS market.

# Summary

- The exchange serves as a platform for interaction among issuers, investors and financial intermediaries.
- The exchange maintains the fairness and integrity of the market.
- Financial intermediaries that connect investors and issuers play a central role in facilitating market-based, long-term investment.

## ***Success Story -***

### **■ Small Business Lending Backed by ABS: Case Study of Aliloan**

#### **□ Background Introduction**

- Alibaba, China's e-commerce giant
- Spill-over effects from its e-commerce platform to micro-loan services
- Aliloan leverages Alibaba's extensive trading data to track customer trade.

#### **□ How it Works**

- Small and micro-sized businesses as underlying assets
- Distribution of interest to investors.
- Proceeds raised by the ABS are used to finance further micro-loans.
- The ABS are designed to roll over repaid loans to purchase new small-loan assets.

#### **□ First Micro-loan ABS Product**

Aliloan was the first ABS of micro-loans. It expanded the exchange's capacity to serve small and micro-sized businesses.

## ***Success Story -***

### **■ Infrastructure Project- Nanjing Sewage**

- Nanjing government decided to finance a sewage system through ABS in 2012.
  - Usufruct of the sewage system was the underlying asset.
  - Backed by expected future discharge fee collection
  - Interest certificates issued to raise 2 billion USD
  - The government collected sewage fees and paid interest
  
- The Nanjing Sewage ABS project offers a sustainable model for infrastructure development.



# Thank You!

[www.szse.cn/main/en/](http://www.szse.cn/main/en/)