

May 5, 2014  
Mizuho Bank (China), Ltd.  
(Translated Date: January 21, 2015)  
Advisory Division

—Policy Issues for Foreign Exchange Administration—

## **Mizuho China Business Express**

(No. 324)

### **State Administration of Foreign Exchange Issues Rules for the Implementation of Cross-border Foreign Exchange Fund Pooling and Centralized Settlement of Current Account Transactions by Multinationals**

On April 18, 2014, the State Administration of Foreign Exchange (SAFE) issued the [Circular of the SAFE on the Issuance of the Regulations on the Centralized Operation and Management of the Foreign Exchange Funds of MNCs \(Interim\)](#) (Huifa [2014] No. 23; hereinafter referred to as “Circular No. 23”), which took effect on June 1. The circular signals a nationwide extension of pilot reforms of the centralized operation and management of foreign exchange funds that commenced in December 2012 and included 73 multinational corporations and their domestic and/or foreign member enterprises, and which received widespread support from enterprises, banks and local governments by their efficacy.

Circular No. 23 and its Appendix: [Regulations on the Centralized Operation and Management of the Foreign Exchange Funds of MNCs \(Interim\)](#) (hereinafter referred to as the “Regulations”), provide for the opening of **master accounts for domestic foreign exchange funds** and **master accounts for international foreign exchange funds** by multinational corporations (MNCs) that meet certain conditions and have sound internal control system. Such master accounts can be used for the centralized operation and management of foreign exchange funds on behalf of domestic member enterprises via the master account for domestic foreign exchange funds, and on behalf of overseas member enterprises via the master account for international foreign exchange funds. This makes it possible for MNCs to operate cross-border foreign exchange fund pools and carry out the centralized settlement of current account transactions for member enterprises, and paves the way for effective management of foreign exchange funds at home and abroad and overall reductions in settlement and exchange costs for group enterprises.

This article explains the regulations governing centralized foreign exchange fund management operations on the basis of the Regulations.

#### **❑ MNCs that meet certain conditions can apply for record filing**

According to the Regulations, MNCs that meet certain conditions (i.e., the principal enterprise for centralized

foreign exchange fund management operations) can apply to open either a **master account for domestic foreign exchange funds** or a **master account for international foreign exchange funds** or both accounts simultaneously if needed, with a bank in their registered place of business.

**Master accounts for domestic foreign exchange funds** may be used for the centralized operation and management of the foreign exchange funds of **domestic member enterprises** and for the centralized foreign exchange receipts and payments and netting settlement under the current account.

**Master accounts for international foreign exchange funds** may be used for the centralized operation and management of the **funds of overseas member enterprises** and the foreign debt funds borrowed **from other overseas institutions**.

To commence centralized foreign exchange fund management operations, MNCs must first select a deposit bank to manage its accounts and handle the relevant settlements, and must then submit application documents to the SAFE in its registered place of business for record filing (see Table. 1). The SAFE shall complete the record filing formalities within 20 business days of the date on which a principal enterprise submits complete application documents, and will then issue a notice of record filing stating the quotas for foreign debt inflows and external lending outflows and other relevant matters (Article 10).

Having received a notice of record filing, principal enterprises may open a master account for domestic foreign exchange funds and/or a master account for international foreign exchange funds with a bank that has rated B or above in the annual assessment on compliance with foreign exchange administration regulations within the last three years, and may commence centralized foreign exchange fund management operations. There are no limits on the number of master accounts for domestic and/or international foreign exchange funds, but such master accounts must be in compliance with the regulatory requirements for prudent management.

**Table. 1: Admissible types of centralized foreign exchange fund management operations and application criteria, etc.**

<b>Operations that may be handled by MNCs</b>	<ul style="list-style-type: none"> <li>✓ Centralized operation and management of foreign exchange funds on behalf of domestic member enterprises (cash pooling)</li> <li>✓ Centralized settlement of foreign exchange funds under the current account</li> <li>✓ Netting settlement of current account transactions</li> <li>✓ Centralized operation and management of foreign debt funds belonging to overseas member enterprises and borrowed from other overseas institutions</li> </ul>
---	---

<b>Record filing criteria for an MNC</b>	<ul style="list-style-type: none"> <li>✓ It has genuine needs for the centralized foreign exchange fund management operations.</li> <li>✓ It has a sound managerial structure and internal control system for foreign exchange funds</li> <li>✓ It has established a reasonable electronic system for internal management.</li> <li>✓ Its scale of foreign exchange receipts and payments in the previous financial year exceeded US\$100 million (as calculated by consolidating the receipts and payments of all domestic member enterprises participating in the centralized operation and management of foreign exchange funds).</li> <li>✓ It has committed no serious breach of the laws and regulations on foreign exchange within the last three years (if the enterprise has been established for less than three years, it has committed no serious breach of the laws and regulations on foreign exchange since the date of establishment); where the MNC is engaging in the foreign exchange settlement for trade in goods, the classification results for trade in goods is Category A.</li> <li>✓ Other requirements specified by the SAFE</li> </ul>
<b>Criteria for a deposit bank</b>	<ul style="list-style-type: none"> <li>✓ A rating of B or above in the annual assessment on compliance with foreign exchange administration regulations within the last three years <ul style="list-style-type: none"> <li>* As a general rule, enterprises may select up to three deposit banks.</li> </ul> </li> </ul>
<b>Application documents for record filing</b>	<ul style="list-style-type: none"> <li>✓ Application for record filing: this shall include basic information on the MNC, its business needs, basic information on the principal enterprise, a list of participating enterprises and their share structure, written authorization from the MNC for the principal enterprise, etc. <ul style="list-style-type: none"> <li>* Where the MNC is engaging in centralized foreign exchange receipts and payments and netting settlement under the current account, it shall also submit a list of participating domestic and overseas member enterprises (including the names, organizational codes, and registered places of business, etc., of such enterprises).</li> </ul> </li> <li>✓ Relevant certification documents: the business licenses of the principal enterprise and domestic member enterprises (bearing the official seal of the principal enterprise) <ul style="list-style-type: none"> <li>* Where the principal enterprise is a finance company, it shall submit its financial business license and approval document for business scope; overseas member enterprises need only submit their registration certificates.</li> </ul> </li> <li>✓ The business model, operation procedures, internal control system, organizational structure, system construction, risk control measures, data monitoring methods, and technical service assurance schemes, etc., jointly established by the enterprise and its deposit bank. <i>Confirmation on Conducting the Centralized Operation and Management of the Foreign Exchange Funds of MNCs</i> signed and sealed by the enterprise or its legal representative. <ul style="list-style-type: none"> <li>* Where two or more deposit banks are chosen, the specific allocation of centralized quotas for foreign debt and external lending shall be stated for each deposit bank.</li> </ul> </li> <li>✓ Other documents required by the SAFE</li> </ul>
<b>Initial applications for a centralized foreign debt quota</b>	<ul style="list-style-type: none"> <li>✓ A application letter, which shall include a list of the names, organizational codes, and registered places of business of member enterprises participating in the centralized foreign debt quota, the foreign debt quotas available to individual member enterprises, registered contract amounts and withdrawals of existing foreign debts, and the centralized foreign debt quota</li> <li>✓ Relevant certification documents: printout interfaces of foreign debt borrowing limits, a list of registered foreign debt contracts and a list of foreign debt operating lines from the capital account information system for member enterprises participating in the centralized or partially centralized foreign debt quota</li> </ul>

Source: Compiled by the Advisory Division based on the Regulations

**Table 2: Regulations on the handling of master accounts for domestic foreign exchange funds**

<b>Account characteristics</b>	<ul style="list-style-type: none"> <li>✓ Multiple currencies are permitted.</li> <li>✓ The setting up of sub-accounts is permitted.</li> <li>✓ Daytime and overnight overdrafts are permitted (overdraft funds may only be used for outbound payments).</li> <li>✓ The opening of multiple accounts is permitted.</li> <li>✓ Centralized foreign exchange settlement and sale for current account transactions, direct investment, foreign debt funds, and external lending funds is permitted.</li> <li>✓ Foreign exchange funds related to foreign direct investment pooled by enterprises to the principal enterprise (including foreign exchange capital funds, funds in asset realization accounts, and funds in domestic reinvestment accounts) and foreign debt funds may be converted into RMB on a discretionary basis and deposited into special RMB deposit accounts (capital accounts for foreign exchange funds settled and to be paid).</li> </ul>	<p>* Foreign exchange funds under direct investment and foreign debt funds that have been converted into RMB may not be used, directly or indirectly, for any of the following purposes:</p> <ol style="list-style-type: none"> <li>(1) For payments outside the approved business scope of enterprises and the scope of uses designated for foreign debt funds, or for payments prohibited by the laws and regulations of the state</li> <li>(2) For investment in securities and derivatives (unless otherwise stipulated by the laws and regulations)</li> <li>(3) For entrusted loans (unless permitted within the approved scope of business), repayment of intercompany loans (including third-party advances), and repayment of RMB bank loans that have been sub-lent to a third party</li> <li>(4) For payment of expenses related to the purchase of real estate that is not for own company use (except by foreign-invested real estate enterprises)</li> </ol>
<b>Scope of recipes</b>	<ul style="list-style-type: none"> <li>✓ Foreign exchange receipts under the current account obtained from overseas</li> <li>✓ Funds transferred from foreign currency current accounts, capital fund accounts, asset realization accounts, special accounts for reinvestment, and foreign debt accounts</li> <li>✓ Funds transferred from a master account for international foreign exchange funds</li> </ul> <p>* Where no master account for international foreign exchange funds has been opened, the scope shall also include foreign debt funds borrowed and the principal and interest on external lending collected from overseas within the prescribed quota.</p>	<ul style="list-style-type: none"> <li>✓ The principal and interest on wealth management products</li> <li>✓ Foreign currency purchases and deposits (funds obtained from the purchase of foreign exchange in external payments under the current account, or funds obtained from the purchase of foreign exchange for external lending or the repayment of foreign debt)</li> <li>✓ Other receipts approved by the SAFE (Foreign exchange loans borrowed from a domestic depository financial institution may not be deposited unless they are to be used for the repayment of foreign debt or external lending.)</li> </ul>
<b>Scope of payments</b>	<ul style="list-style-type: none"> <li>✓ Outbound foreign exchange payments under the current account</li> <li>✓ Funds transferred to foreign currency current accounts, capital fund accounts, asset realization accounts, special accounts for reinvestment, and foreign debt accounts</li> <li>✓ Funds transferred to a master account for international foreign exchange funds</li> </ul> <p>* Where no master account for international foreign exchange funds has been opened, the scope shall also include external lending and the principal and interest on foreign debts paid off within the prescribed quota.</p>	<ul style="list-style-type: none"> <li>✓ Settlements of foreign exchange</li> <li>✓ Fund transfers of the principals of wealth management products</li> <li>✓ Foreign currency deposit reserve payments</li> <li>✓ Other payments approved by the SAFE</li> </ul>

Source: Compiled by the Advisory Division based on the Regulations

☐ **Routes for the inflow and outflow of foreign exchange**

The Regulations provide for both the simultaneous and the separate opening of a **master account for domestic foreign exchange funds** and a **master account for international foreign exchange funds**, but the account opening procedures differ accordingly (see Table. 3). On that basis, there is no upper limit on fund transfers between master accounts for international foreign exchange funds and overseas recipients, but outbound fund transfers via a master account for domestic foreign exchange funds are subject to a quota.

**Table. 3: Procedures for foreign debt inflows and external lending outflows**

Master account for domestic foreign exchange funds	Master account for international foreign exchange funds	
Open	Open	The formalities are to be processed via the <b>master account for international foreign exchange funds</b> .
Open	—	Funds from overseas may be deposited into and withdrawn directly from the <b>master account for domestic foreign exchange funds</b> within the prescribed quota.* * Net inflows shall not exceed the centralized foreign debt quota of domestic member enterprises; net outflows shall not exceed the centralized external lending quota of domestic member enterprises.
—	Open	The formalities are to be processed via the <b>master account for international foreign exchange funds</b> .

Source: Compiled by the Advisory Division based on the Regulations

The acceptable foreign debt quota for master accounts for domestic foreign exchange funds is formed through the pooling of the foreign debt quotas (borrowing gaps) of respective member enterprises. Member enterprises can be required to participate in a wholly or partially centralized foreign debt quota (Article 18). **The centralized foreign debt quota is the amount yielded by subtracting the accrued amount of mid- to long-term foreign debts, the outstanding balance of the short-term foreign debts, and the foreign debt quota reserved by domestic member enterprises participating in partial centralization from the aggregate foreign debt quotas of the domestic member enterprises participating in the centralization** (Article 17) (see Table. 4). More specifically, the centralization of foreign debt quotas is equivalent to entrusting the foreign debt quotas of individual member enterprises to the principal enterprise (i.e., the master account for domestic foreign exchange funds). Accordingly, member enterprises are not permitted to use their own foreign debt quota, in whole or in part (in the case of partially centralizing enterprises), from the date on which the application for a centralized foreign debt quota is submitted (Article 18).

**Table. 4: Centralized foreign debt quota**

<b>Centralized foreign debt quota formula</b>	Centralized foreign debt quota = aggregate foreign debt quotas of domestic member enterprises — contracted amount of registered mid- to long-term foreign debt of domestic member enterprises — outstanding balance of registered short-term foreign debt of domestic member enterprises — foreign debt quotas reserved by domestic member enterprises participating in partial centralization * The foreign debt quotas of member enterprises may be centralized in whole or in part. * Special, sensitive industries are not allowed to participate in a centralized foreign debt quota.
---	---

Source: Compiled by the Advisory Division based on the Regulations

By contrast, the Regulations state that external lending is to be processed in compliance with the current foreign

exchange administration procedure, but state that, where the external lending quota exceeds 50 percent of the owners' equity of its domestic member enterprises, an application is to be submitted to the SAFE in the registered place of business, and such transaction can be processed in accordance with the SAFE's decision (Article 20).

In addition, foreign exchange funds deposited into a master account for international foreign exchange funds from overseas are to be registered as foreign debt, and are subject to international balance of payment declaration requirements (Article 19).

#### **❑ Reporting requirements for individual foreign exchange receipt and payment transactions**

Principal enterprises are allowed to conduct centralized foreign exchange settlements under the current account on behalf of domestic member enterprises via the master account for domestic foreign exchange funds. Where the netting settlement is taken, such netting settlement shall be undertaken at least once a month, in principle (Article 27). In addition, enterprises participating in the centralized settlement or netting settlement for trade in goods are required to register on the List of Enterprises for Foreign Exchange Receipts and Payments under Trade (except in cases where the principal enterprise is a finance company). Where using trade finance or trade credit (advance payments and advances exceeding 30 days, deferred payments and collections on usance exceeding 90 days, etc. by Category A enterprises), such enterprises must report their foreign exchange receipts and payments via the Foreign Exchange Business Monitoring System for Trade in Goods (Article 28). Note that, operations that require submission of a **Registration Form for Foreign Exchange Business for Trade in Goods** to the SAFE may not participate in a centralized foreign exchange settlements and netting settlement operation (Article 30).

Principal enterprises are required to report two kinds of data when making international balance of payments declarations for centralized settlement and netting settlement, namely, "data for actual receipts and payments" settled by the principal enterprise and the original settlement data for respective member enterprises, which is referred to as "restored data." Such reports must be submitted even when the amount of the netting settlement remittance is zero as proof that the settlement was executed (Article 31).

Principal enterprises are required to file the change for record with the SAFE where a change in the relevant matters occurs without delay. Principal enterprises are also required to declare the nature of their cross-border receipts and payments to the banks and to declare international balance of payments statistics (Article 32).

#### **❑ Regional SAFE branch regulations and the handling of similar preexisting regulations, etc.**

According to the minutes from the SAFE press conference that was confined to announce Circular No. 23, regional SAFE branches are required to formulate separate operational rules on specific entry criteria in accordance with the Regulations and actual circumstances in the region and to submit them to the SAFE by June 1. Accordingly, foreign investors will need to contact their regional SAFE branch to check on the implementation status of these regulations in that jurisdiction.

In addition, pursuant to the provisions of the **Implementing Rules for Foreign Exchange Administration to**



*Support the Construction of the China (Shanghai) Pilot Free Trade Zone* (Shanghai Huifa [2014] No. 26) and its Appendix: *Trial Operational Rules on the Centralized Operation and Management of Foreign Exchange Funds by Multinational Headquarters in the Pilot Free Trade Zone*, which was issued by the Shanghai Branch of the SAFE on February 28, 2014, those MNCs that are already operating cross-border foreign currency cash pooling and centralized netting settlement under the current account via enterprises located in the China (Shanghai) Pilot Free Trade Zone, are not required to complete record filing procedures if they wish to continue applying existing foreign exchange administration policy on the centralized operation and management of foreign exchange funds, but should file the documents necessary to record a change in their business requirements should they wish to make adjustments on the basis of the Regulations. Moreover, MNCs that are registered in the China (Shanghai) Pilot Free Trade Zone may, having filed a record with the SAFE branch in their registered place of business, expand into centralized operation and management of foreign exchange funds for MNCs pursuant to the Regulations.

\*

A provisional translation of Circular No. 23 and the Regulations is presented below for further reference, whilst the original Chinese document is available via the following link:

[http://www.safe.gov.cn/resources/wcmpages/wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/zhfg/jbfg/node\\_zcfg\\_jbfg\\_store/7f56c68043c3be07915ad320e1240a3f/](http://www.safe.gov.cn/resources/wcmpages/wps/wcm/connect/safe_web_store/safe_web/zcfg/zhfg/jbfg/node_zcfg_jbfg_store/7f56c68043c3be07915ad320e1240a3f/)

Chie Jimbo, Naoki Tsukioka, Advisory Division, Mizuho Bank (China), Ltd.

**Disclaimer & Confidentiality**

1. Legal and accounting advice: The information contained herein does not incorporate advice on legal, accounting or tax issues. You should obtain your own independent professional advice on the legal, accounting and tax aspects of this information.
2. Confidentiality: The information contained herein is given for general informational purposes only and shall be kept strictly confidential. This information is intended for your company's internal use only, and the disclosure to any third party is strictly prohibited.
3. Copyright: The information contained herein is, as a general rule, the intellectual property of MHBK (China), and may not be copied, duplicated, quoted, reproduced, translated, or lent, in whole or in part, in any form or by any means for any purpose whatsoever without prior consent.
4. Limitation of liability:
  - (a) The information contained herein was obtained from information sources deemed reliable by MHBK (China) but in no way is the accuracy, reliability or integrity of such information guaranteed. MHBK (China) disclaims any liability whatsoever for any damage arising out of or relating to this information. Moreover, the analysis herein is hypothetical and is not intended as an indication of the certainty or completeness of the results thereof.
  - (b) Please note that information to be disclosed hereafter, appraisals, the opinions of credit rating agencies, and/or changes in the system and/or financial environment may necessitate substantial modification to the relevant processes and/or schemes, which may have the effect of rendering the analysis herein ineffectual. Further, this information is not intended to be an exhaustive statement of the risks to which your company is exposed.
5. The information contained herein does not constitute a solicitation or offer by MHBK (China) to buy or sell any financial instruments or to provide investment advice or service.

(Provisional Translation)

**State Administration of Foreign Exchange**  
**Huifa [2014] No. 23**  
**Circular on the Issuance of the Regulations on the Centralized Operation**  
**and Management of the Foreign Exchange Funds of MNCs (Interim)**

Provincial, autonomous region, and municipal branches, foreign exchange administrative departments, Shenzhen, Dalian, Qingdao, Xiamen and Ningbo branches of the SAFE:

To satisfy the requirements of multinational corporations (MNCs) to uniformly use foreign exchange funds both in China and in other countries, serve the real economy, promote the facilitation of trade and investment, support the restructuring and upgrading of industry, and pursue more greater exchange rate efficiency for investment and financing, the State Administration of Foreign Exchange (SAFE) has formulated the *Regulations on the Centralized Operation and Management of the Foreign Exchange Funds of MNCs (Interim)*, which are hereby promulgated for their implementation.

Appendix:

*Regulations on the Centralized Operation and Management of the Foreign Exchange Funds of MNCs (Interim)*

State Administration of Foreign Exchange

April 18, 2014

**Regulations on the Centralized Operation and Management**  
**of the Foreign Exchange Funds of MNCs (Interim)**

**Chapter I: General Provisions**

Article 1: These Regulations are established for the purpose of promoting smoother trade and investment and serving the real economy.

Article 2: An MNC may, in light of its operational needs, open a master account for domestic foreign exchange funds with a bank in its place of business, and may engage in the centralized operation and management of foreign exchange funds of domestic member enterprises. They may also undertake the centralized foreign exchange receipts and payments and netting settlement under the current account.



Article 3: An MNC may, in light of its operational needs, open a master account for international foreign exchange funds with a bank in its place of business, and may engage in the centralized operation and management of the funds of overseas member enterprises and the foreign debt funds borrowed from other overseas institutions.

There is no restriction on the transfer of overseas funds between master accounts for international foreign exchange funds and the domestic foreign exchange accounts of overseas institutions. Funds held in a master account for international foreign exchange funds shall not be deemed part of the enterprise's foreign debt quota, but shall be registered as foreign debt according to the relevant regulations.

Domestic bank deposits that are pooled via such master accounts for international foreign exchange funds may be used in China up to a ceiling of 10 percent. On the premise that such deposits are deemed part of the bank's short-term foreign debt quota, that portion of deposits pooled via master accounts for international foreign exchange funds that exceeds 10 percent may be used in China.

Article 4: The net inflow into a master account for domestic foreign exchange funds and a master account for international foreign exchange funds shall not exceed the centralized foreign debt quota of domestic member enterprises. The net outflows from such accounts shall not exceed the centralized external lending quota of domestic member enterprises.

Article 5: An MNC may, in light of its operational needs, open both a master account for domestic foreign exchange funds and a master account for international foreign exchange funds concurrently, or may opt to open one or other of the above accounts.

If both a master account for domestic foreign exchange funds and a master account for international foreign exchange funds are opened concurrently, all fund inflows and outflows from foreign debt and external lending shall be processed via the master account for international foreign exchange funds. Where the MNC has only opened a master account for domestic foreign exchange funds, fund inflows and outflows from foreign debt and external lending may be deposited into and withdrawn directly from the master account for domestic foreign exchange funds within the quota prescribed in Article 4 of these Regulations. Where the MNC has only opened a master account for international foreign exchange funds, foreign debt and external lending transactions shall be processed via such account.

MNCs and banks shall undertake proper quota control, and shall ensure that fund inflows and outflows from foreign debt and external lending do not exceed the prescribed quotas at any time.

Article 6: A deposit bank shall be one rated B or above in the annual assessment on compliance with foreign exchange administration regulations within the last three years. A principal enterprise shall, as a general rule, select not more than three domestic banks qualified for foreign exchange settlement as its deposit banks for centralized operation and management of funds, and the deposit banks shall operate and manage transactions in the relevant accounts in accordance with these Regulations.

A deposit bank may continue its original business if it is rated below B (exclusive) after being assessed on the centralized operation and management of funds.

## **Chapter II: Business Filing**

Article 7: A MNC that meets the following requirements may, in light of its operational needs, open a master account for domestic foreign exchange funds and/or a master account for international foreign exchange funds.

- (1) It has genuine needs for the centralized foreign exchange fund management operations;
- (2) It has a sound managerial structure and internal control system for foreign exchange funds;
- (3) It has established a reasonable electronic system for internal management;
- (4) Its scale of foreign exchange receipts and payments in the previous financial year exceeded US\$100 million (as calculated by consolidating the receipts and payments of all domestic member enterprises participating in the centralized operation and management of foreign exchange funds);
- (5) It has committed no serious breach of the laws and regulations on foreign exchange within the last three years (if the enterprise has been established for less than three years, it has committed no serious breach of the laws and regulations on foreign exchange since the date of establishment). In the case of enterprises on the List of Enterprises for Foreign Exchange Receipts and Payments under Trade, the classification results for trade in goods is Category A; and
- (6) It complies with the regulatory requirements for prudent management specified by the SAFE.

Article 8: In applying to open a master account for domestic foreign exchange funds and/or a master account for international foreign exchange funds, the principal enterprise shall submit the following documents and file a record with the SAFE branch or foreign exchange administrative department (hereinafter referred to as a “branch”) in its place of business.

- (1) Application for filing. This shall include basic information on the MNC, its business needs, basic information on the principal enterprise, a list of participating enterprises and their share structure,

written authorization from the MNC for the principal enterprise, etc. Where the MNC is opting for the centralized foreign exchange receipts and payments and netting settlement under the current account, it shall also submit a list of participating domestic and overseas member enterprises, including the names, organizational codes, and registered places of business of such enterprises.

- (2) Relevant certification documents. This shall include the business licenses of the principal enterprise and its domestic member enterprises bearing the official seal of the principal enterprise, financial business license, and approval document for business scope (which should be submitted for finance companies). Overseas member enterprises need only submit their registration certificates.
- (3) The business model, operational procedures, internal control system, organizational structure, system construction, risk control measures, data monitoring methods, and technical service assurance schemes, etc., jointly established by the enterprise and its deposit bank. *Confirmation on Conducting the Centralized Operation and Management of the Foreign Exchange Funds of MNCs* (see Appendix 1) signed and sealed by the enterprise or its legal representative. Where two or more (inclusive) deposit banks are chosen, the specific allocation of centralized quotas for foreign debt and external lending shall be stated for each deposit bank.
- (4) Other documents required by the SAFE.

Article 9: In applying for a centralized foreign debt quota for the first time, a principal enterprise shall submit the following documents:

- (1) An application letter, which shall explain, in list form, the names, organizational codes, and registered places of business of member enterprises participating in the centralized foreign debt quota, the foreign debt quotas available to individual member enterprises, registered contract amounts and withdrawals of existing foreign debts, and the centralized foreign debt quota.
- (2) Printout interfaces of foreign debt borrowing limits, a list of registered foreign debt contracts and a list of foreign debt operating lines from the capital account information system for member enterprises participating in the centralized or partially centralized foreign debt quota.

Special, sensitive industries shall not participate or share in the centralized foreign debt quota.

Article 10: The SAFE shall complete the record filing formalities and issue a notice of record filing within 20 business days of the date on which a principal enterprise submits complete application documents. The notice of record filing shall include quotas for foreign debt inflows and external lending outflows.

Article 11: Where the principal enterprise is a finance company, it shall comply with the regulations of the

relevant industrial authorities, and account for the centralized operation and management of foreign exchange funds separately from other businesses (including the business for its own assets and liabilities).

Article 12: Where there are changes to a deposit bank, a principal enterprise or a member enterprise within the term of business, an application for the filing of such changes shall be submitted to the SAFE branch at least one month in advance.

For changes to a deposit bank record, the following documents shall be submitted:

- (1) An application for changing a deposit bank, mainly including the reason, the intended replacement deposit bank, and the method of processing the balance in the original account, etc.
- (2) The business model, operating procedure, internal control system, organizational structure, system construction, risk control measures, data monitoring methods and technical assurance schemes, etc., of the proposed deposit bank.
- (3) A balance statement for the original account bearing the bank's official seal.
- (4) The signed *Confirmation on Conducting the Centralized Operation and Management of the Foreign Exchange Funds of MNCs*.
- (5) Other documents required by the SAFE.

For changes to the foreign debt and/or external lending quotas or business type of member enterprises or the principal enterprise, a copy of the notice of record filing shall be submitted in addition to the documents listed in Article 8 and Article 9.

Article 13: Where the classification result for trade in goods of a principal enterprise is lowered to Category B or Category C, the SAFE shall, in light of the gravity of regulatory breach, notify the MNC of the need to change its principal enterprise and submit new application documents, or of the disqualification of the offending principal enterprise for such business. Where the classification of any other member enterprise is lowered to Category B or Category C, the principal enterprise shall terminate such business and apply to the SAFE for a change in record filing in respect of such member enterprise(s).

Article 14: A principal enterprise that is acting in violation of the foreign exchange provisions will be disqualified for business as of the date on which the penalty becomes effective. Any member enterprise that is acting in violation of the foreign exchange provisions will be disqualified for participation in such business as of the date on which the penalty becomes effective.

### **Chapter III: Administration of master accounts for domestic and international foreign exchange funds**

Article 15: A principal enterprise shall, bringing a notice of record filing, open with a bank a master account for domestic and/or international foreign exchange funds. The master account for domestic and/or international foreign exchange funds may be in multiple currencies, and daytime and overnight overdrafts are permitted. Overdraft funds may only be used for outbound payments and, upon receipt of foreign exchange funds, priority shall be given to the reimbursement of such overdraft. In light of operational needs, sub-accounts may be set up under such master accounts.

There are no limits on the number of master accounts for domestic foreign exchange funds and master accounts for international foreign exchange funds, but such master accounts shall be in compliance with the regulatory requirements for prudent management.

Article 16: Scope of receipts and payments on master accounts for domestic foreign exchange funds:

(1) Scope of receipts:

1. Foreign exchange receipts under the current account obtained directly from overseas by domestic member enterprises;
2. Funds transferred from the foreign currency current accounts, capital fund accounts, asset realization accounts, special accounts for reinvestment, and foreign debt accounts of domestic member enterprises;
3. Foreign debts borrowed or the principal and interest of external lending paid off from overseas, which are transferred from the master account for international foreign exchange funds within the prescribed quota;
4. Foreign currency purchases and deposits (funds obtained from the purchase of foreign exchange in external payments under the current account, or funds obtained from the purchase of foreign exchange for external lending or the repayment of foreign debt);
5. The principal and interest on wealth management products; or
6. Other receipts approved by the SAFE.

Where a single MNC has not opened a master account for international foreign exchange funds, the scope of receipts for the master account for domestic foreign exchange funds shall also include foreign debt funds borrowed and the principal and interest on external lending collected from overseas within the prescribed quota.

Foreign exchange loans borrowed by an MNC from a domestic depository financial institution shall not be deposited into the master account for domestic foreign exchange funds (except where such foreign exchange loans are to be used for the repayment of foreign debt or external lending, etc.).

(2) Scope of payments:

1. Outbound foreign exchange payments under the current account made by domestic member enterprises;
2. Funds transferred to the foreign currency current accounts, capital fund accounts, asset realization accounts, special accounts for reinvestment, and foreign debt accounts of domestic member enterprises;
3. External lending transferred or the principal and interest of foreign debts paid off into the master account for international foreign exchange funds within the prescribed quota;
4. Settlements of foreign exchange;
5. Fund transfers of the principals of wealth management products;
6. Foreign currency deposit reserve payments; or
7. Other payments approved by the SAFE.

Where a single MNC has not opened a master account for international foreign exchange funds, the scope of payments for the master account for domestic foreign exchange funds shall also include external lending and the principal and interest on foreign debts paid off within the prescribed quota.

Article 17: The centralized foreign debt quota of a MNC shall be equal to the foreign debt quotas of the domestic member enterprises participating in the centralization, minus the registered contractual amount of mid-to long-term foreign debts of the domestic member enterprises participating in the centralization, minus the registered outstanding balance of the short-term foreign debts of domestic member enterprises participating in the centralization, minus the foreign debt quota reserved by domestic member enterprises participating in partial centralization.

Article 18: A principal enterprise may centralize all or part of the foreign debt quotas of its member enterprises.

Where the principal enterprise centralizes all the foreign debt quotas, as of the date on which the application is submitted, its member enterprises shall not borrow foreign debt independently. Where the principal enterprise is partially centralizing the foreign debt quotas of member enterprises, the remaining foreign debt quotas shall be processed in accordance with the current foreign debt administration regulations. The specific administrative methods shall be formulated upon verification by the SAFE in the place of business of the principal enterprise and the relevant SAFE branch following consultation with the principal enterprise and its deposit bank(s), and the foreign debt data shall be verified on a quarterly basis with the relevant SAFE branch.

Article 19: A principal enterprise shall register the foreign exchange funds borrowed from overseas via its master account for international foreign exchange funds as foreign debt. The foreign debts shall be registered

by creditor and currency. That is, the liability of the enterprise for each overseas creditor in each currency shall be deemed to constitute a single foreign debt. When processing business relating to withdrawals of foreign debt or the repayment of principal and interest, the enterprise shall correctly declare its international balance of payments, and shall enter the corresponding transaction reference number accurately in the “approval document number of the SAFE/filing record number/transaction reference number.” The principal enterprise shall, within 15 business days of the signing of a foreign debt contract and before the first foreign debt funds are credited to the relevant account, complete contract registration formalities with the SAFE, and the formalities for a change in foreign debt registration shall be completed in accordance with the current regulations.

Where a single MNC has not opened a master account for international foreign exchange funds, the foreign debt funds borrowed via the master account for domestic foreign exchange funds shall be processed in accordance with the provisions of the preceding paragraph within the prescribed quota.

Article 20: The external lending of MNCs shall be processed in compliance with the current foreign exchange administration procedure. Where its external lending quota exceeds 50 percent of the owners’ equity of its domestic member enterprises, an application must be filed with the SAFE branch. The SAFE branch shall make a decision after a group discussion according to the prescribed procedure.

Article 21: For foreign exchange receipts, payments, settlement and sale between the master account for domestic foreign exchange funds and overseas current accounts, including centralized foreign exchange receipts and payments and netting settlements, the processing banks shall complete the relevant procedures on the basis of the three principles of “know your customer,” “know your business,” and “due diligence.” Where the nature of the funds cannot be determined, the banks shall require the principal enterprise to submit relevant documents. A notice of tax record filing shall be submitted in accordance with the relevant regulations for external payments under trade in services and other items.

The banks and principal enterprises shall respectively keep the relevant documents for five years for future reference.

Article 22: Foreign exchange settlement and sale under the current account, direct investment, foreign debt and external lending may be processed in a centralized way via the master account for domestic foreign exchange funds.

Foreign exchange funds related to foreign direct investment pooled by enterprises to the principal enterprise (including foreign exchange capital funds, funds in asset realization accounts, and funds in domestic reinvestment accounts) and foreign debt funds shall be settled on a discretionary basis via the



master account for domestic foreign exchange funds, where the RMB funds obtained from exchange settlement shall be transferred to a special RMB deposit account opened by the principal enterprise (capital accounts for foreign exchange funds settled and to be paid), and may be paid out directly following examination and verification of transaction authenticity within the approved business scopes of respective member enterprises. Banks shall keep the relevant documents for five years for future reference.

Enterprises and deposit banks shall submit the data on foreign exchange settlement and payment to the relevant business information system of the SAFE in a timely and accurate manner. Banks shall, with reference to the requirements of Appendix 4: *Standards on Data Collection of Foreign Exchange Accounts (version 1.1)* of the *Circular of the SAFE on the Pilot Implementation of the Capital Account Information System and Relevant Data Submission Operations* (Huifa [2012] No. 60), submit information on the opening and closing of special RMB deposit accounts, and the receipts, payments and balance thereof. The code for the nature of special RMB deposit accounts shall be “2113,” while the name for the nature of the account shall be “capital accounts for foreign exchange funds settled and to be paid.” Banks shall, with reference to the requirements of the *Circular of the SAFE on Doing Well the Work Related to Adjustments in the Domestic Banks’ Foreign-related Receipt and Payment Vouchers and Preparation of the Relevant Information for Submission* (Huifa [2011] No. 49), use domestic receipt and payment vouchers to report information on receipts and payments between special RMB deposit accounts and other domestic RMB accounts.

The use of funds obtained from the settlement of foreign exchange funds under foreign direct investment or foreign debt shall be in compliance with the current foreign exchange administration regulations, and may not be used for any of the following purposes:

- (1) For direct or indirect payments outside the approved business scope of enterprises and the scope of uses designated for foreign debt funds, or for payments prohibited by the laws and regulations of the state;
- (2) For direct or indirect investment in securities or derivatives, unless otherwise stipulated by the laws and regulations;
- (3) For direct or indirect entrusted loans (unless permitted within the approved scope of business), repayment of intercompany loans (including third-party advances), and repayment of RMB bank loans that have been sub-lent to a third party; or
- (4) For payment of expenses related to the purchase of real estate that is not for company use, except by foreign-invested real estate enterprises.

Where the principal enterprises is a finance company, its member enterprises may apply to the finance

company for the processing of foreign exchange settlements and sales, and the principal enterprise may conduct such foreign exchange settlement and sale with a bank on behalf of its member enterprises. Where a finance company is handling foreign exchange settlement and sale business for member enterprises, it shall be qualified to engage in foreign exchange settlement and sale business, and shall report data on its foreign exchange settlement and sale operations to the SAFE in accordance with the relevant regulations.

Article 23: The deposit banks or financial companies shall report the information on master accounts for international foreign exchange funds (using the code “3600”) and master accounts for domestic foreign exchange funds (using the code “3601”) to the SAFE in accordance with the relevant regulations.

Article 24: All the cross-border receipts and payments of funds via master accounts for domestic and/or international foreign exchange funds shall be declared in accordance with the requirements on international balance of payments in cross-border receipts and payments of funds in the *Circular of the SAFE on the Issuance of the ‘Operating Procedures for the Declaration of BOP Statistics via Financial Institutions’* (Huifa [2010] No. 22). The receipts and payments of funds between master accounts for domestic and/or international foreign exchange funds and domestic non-residents shall be declared in accordance with the requirements on trading between domestic residents and domestic non-residents in the *Circular of the SAFE on Specifying and Adjusting Matters Related to the Declaration of the Balance-of-Payments Statistics* (Huifa [2011] No. 34). The declaration of international balance of payments statistics for the centralized foreign exchange receipts and payments and netting settlement under the current account of master accounts for domestic foreign exchange funds shall be subject to Article 31 of these Regulations.

Article 25: The declaration of international balance of payments statistics is not required for fund transfers between master accounts for domestic foreign exchange funds and master accounts for international foreign exchange funds. However, the relevant data shall be submitted in accordance with the requirements on the transfer of funds among domestic residents in the *Circular of the SAFE on Doing Well the Work Related to Adjustments in the Domestic Banks’ Foreign-related Receipt and Payment Vouchers and Preparation of the Relevant Information for Submission* (Huifa [2011] No. 49), the *Circular of the SAFE on Starting to Use the Relevant Vouchers of Domestic Banks for Foreign-related Receipts and Payments and the Clarifying of the Submission Requirements for the Relevant Data* (Huifa [2012] No. 42), and the *Circular of the SAFE on the Issuance of ‘Foreign Exchange Transaction Data Collection Rules for Financial Institutions (Version 1.0)’* (Huifa [2014] No. 18).

Article 26: Where the principal enterprise is a finance company, the declaration shall be made in accordance with

the provisions in the *Circular of the General Affairs Department of the SAFE on Strengthening the Declaration of Overseas Assets and Liabilities as well as the Profits and Losses by Financial Institutions and Upgrading the Reporting System* (Huizongfa [2012] No. 145) and the *Circular of the SAFE on Printing and Distributing the Statistical System for External Financial Assets, Liabilities, and Foreign Transactions* (Huifa [2013] No. 43). All the funds of overseas member enterprises under centralized operation and management or the funds borrowed from overseas via master accounts for international foreign exchange funds shall be declared as external liabilities of the principal enterprise.

#### **Chapter IV: Administration of Centralized Foreign Exchange Receipts and Payments and Netting Settlement under the Current Account**

Article 27: Centralized foreign exchange receipts and payments refer to the foreign exchange receipts and payments under current accounts that are processed in a centralized way by a principal enterprise on behalf of its domestic member enterprises via a master account for domestic foreign exchange funds.

Netting settlement refers to the operational mode in which a principal enterprise accounts in a centralized way the foreign exchange funds receivable and payable of its domestic and overseas member enterprises under current accounts via the master account for domestic foreign exchange funds, and consolidates foreign exchange receipts and payments within a certain period as a single foreign exchange transaction. In principle, the netting settlement shall be made at least once each natural month.

Article 28: When processing the centralized foreign exchange receipts and payments or netting settlement for trade in goods, domestic member enterprises shall go through the formalities for registration on the List of Enterprises for Foreign Exchange Receipts and Payments under Trade (except in cases where the principal enterprise is a finance company) in accordance with the relevant regulations. Domestic member enterprises shall also report the trade credit or trade finance via the Foreign Exchange Business Monitoring System for Trade in Goods (enterprise terminal) in a timely and accurate manner in accordance with the regulations on foreign exchange administration for trade in goods.

Article 29: Principal enterprises may, in light of their real and legal demands for foreign exchange payment for imports, purchase foreign exchange in advance and deposit it in the master account for domestic foreign exchange funds.

Where the date of return remittance of foreign exchange and the date of the original receipt or payment have an interval of over 180 days (exclusive), or where special circumstances preclude the return remittance via the original route in accordance with the relevant regulations, the principal

enterprise shall carry out the registration formalities for trade in goods with the SAFE, and shall submit a written application, the original income or expenditure declaration, the original import or export contract, and the contract for return remittance, etc.

Article 30: Operations that need to be processed by domestic member enterprises on the strength of the *Registration Form for Foreign Exchange Business for Trade in Goods* in accordance with the *Guidelines on Foreign Exchange Administration for Trade in Goods* and its implementation rules, shall not participate in the centralized foreign exchange receipts and payments and netting settlement, and shall be processed in accordance with the current regulations.

Article 31: In conducting the centralized foreign exchange receipts and payments or netting settlement under the current account, the declaration of international balance of payments shall be made in accordance with the following requirements.

Principal enterprises shall declare the statistics on their international balance of payments for two kinds of data: one is the data for actual receipts and payments of principal enterprises at the time of centralized foreign exchange receipts and payments or netting settlement (hereinafter referred to as “data for actual receipts and payments”); the other is the data for original receipts and payments of all member enterprises restored item by item before the centralized foreign exchange receipts and payments or netting settlement is executed (hereinafter referred to as “restored data”).

Where the data for actual receipts and payments is not zero, principal enterprises shall make declaration via the domestic banks at which the actual external receipts and payments are handled, and the domestic banks shall mark the transactional code for the data for actual receipts and payments as “999999.” If the data for actual receipts and payments is zero (i.e., the netting settlement is zero), principal enterprises shall fabricate a set of statistical data with the settlement as zero, and shall complete the Application for Overseas Remittance giving the name of the principal enterprise, the transactional code as “999998,” “China” as the country, and filling in other required fields or “N/A” (in English capital letters), as applicable. Domestic banks shall, before 12:00 p.m. on the first business day following the date of the actual external receipt and payment transaction (netting settlement date or accounting date when the netting settlement is zero), complete the submission of actual data.

Principal enterprises shall, based on the date of actual external receipt and payment transactions (or the netting settlement date or accounting date when the netting settlement is zero), determine the time point for the declaration of restored data and, in accordance with the principle of full receipt and full payment, provide the basic information and the declaration information on the restored data on behalf of domestic member enterprises to the banks that actually handle or make the account entry of external

receipts and payments, including, as a bare minimum, the data required for the declaration of international balance of payments statistics. Domestic banks shall, before 12:00 p.m. on the first business day following the declaration of the aforementioned restored data (T+1), complete the submission of the basic information on the restored data, and before 12:00 p.m. on the fifth business day (T+5), shall complete the submission of the declaration information for the restored data.

The declaration code shall be formulated by the bank at which the actual receipt or payment transactions occur, and the transactional code shall be entered in accordance with the nature of the actual transaction. Domestic banks shall fill in the “Bank Transaction Code” for the restored data with the corresponding declaration code to the data for actual external receipts and payments so as to establish correspondence relationships between centralized foreign exchange receipts and payments data and restored data. Domestic banks shall provide declaration channels and other basic conditions for the principal enterprises, and shall be liable for the transfer of basic information and declaration information on the restored data to the SAFE.

## **Chapter V: Supervision and Administration**

Article 32: Principal enterprises shall develop their business in strict accordance with these Regulations and the requirements of the notice of record filing. Where a change in the relevant matters occurs during the period of business development, principal enterprises shall file the change for record with the SAFE as required in a timely manner.

Principal enterprises and member enterprises shall declare the nature of their cross-border receipts and payments to the banks in strict accordance with the relevant regulations, and shall declare their international balance of payment statistics.

Article 33: Deposit banks shall examine and verify the authenticity and compliance of the centralized operation and management of foreign exchange funds and the documents submitted by MNCs, shall properly execute their registration and record filing duties as is appropriate to fluctuations in the relevant foreign exchange funds, and shall undertake proper monitoring, examination and quota management in respect of fund flows.

Article 34: Deposit banks shall, in a timely, complete and accurate manner, submit account information of enterprise headquarters, such as master accounts for domestic and/or international foreign exchange funds and accounts for foreign exchange funds settled and to be paid, and the data for international balance of payments declaration, domestic transfers of funds, and foreign exchange settlement and sale, etc., examine and verify the operational data submitted by enterprises, and assist the SAFE in the

effective execution of off-site monitoring.

Article 35: SAFE branches shall adopt the following measures to ensure the smooth and orderly conduct of centralized operation and management of foreign exchange fund businesses, and shall integrate policy into their field operations.

- (1) Perfect operational mechanisms, spread responsibility across all relevant personnel, and report data in a timely and accurate manner. Appoint a lead location/office and a business contact to take responsibility for the reporting of such data to the SAFE. For the first year following the enforcement of these Regulations, submit reports to the SAFE, via the designated transmission methods, on the status of operations and the relevant statistics by the 10<sup>th</sup> day of each month, and submit quarterly reports on the basic status of operations, including a list of enterprises engaging in the centralized operation and management of funds in their jurisdiction. After the first year, submit monthly statistical reports and quarterly basic status reports, including a list of enterprises engaging in the centralized operation and management of funds in their jurisdiction, and biannual status reports in the name of the coordinating department (see Appendix 2–5 for the relevant report forms).
- (2) Strengthen off-site monitoring and on-site inspections. Make effective use of existing foreign exchange administration systems, such as the cross-border fund flow monitoring and analysis platform, build cross-border enterprise list function installations, and analyze all data on foreign exchange receipts and payments, foreign exchange settlements and sales, fund transfers, centralized foreign exchange receipts and payments, and netting settlements processed through master accounts for domestic and/or international foreign exchange funds.
- (3) Properly execute risk statement and window guidance operations for banks and enterprises. Introduce effective measures to meet enterprise demand, and gradually construct a rational framework to support two-way cross-border fund flows. Urge banks to establish operational rules and internal control systems and to provide the necessary technical service guarantees. Where necessary, banks may be required to audit the compliance of the centralized operation and management of foreign exchange funds being executed by principal enterprises.
- (4) Formulate operational rules, including refined entry criteria, in accordance with these Regulations and actual circumstances in the region and, having filed a record with the SAFE in accordance with the designated procedure, implement such rules.

Article 36: Where abnormal circumstances or an act in violation of the provisions occurs at an enterprise, SAFE branches shall suspend or cancel the qualification of such enterprise for handling various businesses within the scope of these Regulations, and shall impose administrative penalties in accordance with the Regulations on Foreign Exchange Administration and other relevant regulations. Where deposit banks commit an act in violation of the provisions on the verification of authenticity enshrined by the

principles of “know your customer,” “know your business,” and “due diligence,” SAFE branches shall cancel the qualification of such bank for handling various businesses within the scope of these Regulations, and shall impose administrative penalties in accordance with the Regulations on Foreign Exchange Administration and other relevant regulations.

## **Chapter VI: Supplementary Provisions**

Article 37: A “multinational corporation” as referred to in these Regulations refers to a consortium of legal persons bound by capital, consisting of a parent company, subsidiaries and other member enterprises or institutions (excluding financial institutions other than finance companies).

“Member enterprises” refer to companies within an MNC that hold each other’s shares directly or indirectly and possess independent legal person status, which are divided into domestic member enterprises and overseas member enterprises.

A “principal enterprise” refers to an MNC or a domestic company that has independent legal person status and has been duly authorized by the MNC to perform such duties as application, record filing, implementation, data reporting, and the submission of feedback in respect of the main business. Where the principal enterprise is a finance company, it shall execute all cross-border capital transactions in compliance with the relevant industrial authorities.

The domestic foreign exchange accounts of overseas institutions referred to in paragraph 2 of Article 3 of these Regulations include the non-resident accounts opened with domestic banks and the offshore accounts opened with the offshore banking business divisions thereof subject to the acquisition of the relevant qualification by overseas institutions.

Article 38: Where a single enterprise group satisfies the various conditions, including sound internal control systems, foreign exchange receipts and payments in the previous financial year in excess of US\$100 million, and no material violations of the foreign exchange laws and regulations in the last three years, it may, in light of actual business needs, apply to open a separate master account for domestic foreign exchange funds, and may engage in netting settlement under the current account. It may also simplify the procedure for documentary verification pursuant to Article 21 of these Regulations and undertake the formalities for foreign exchange settlement pursuant to paragraphs 2 and 3 of Article 22, or may open a separate master account for international foreign exchange funds for the centralized operation and management of overseas funds.

Entrusted loans extended within the framework for the centralized operation and management of funds



by MNCs shall be in compliance with the regulations on the administration of domestic foreign exchange loans, and do not, in practical terms, require the opening of a foreign exchange account or the various related operations. The direct transfer of funds between member enterprises is permitted, and such funds need not be pooled in a master account for domestic foreign exchange funds first before being passed back to respective member enterprises.

Article 39: The SAFE shall progressively perfect and improve its policies in light of the state's macroeconomic control policies, foreign exchange receipt and payment trends, and the circumstances surrounding business development.

Article 40: These Regulations shall take effect on June 1, 2014, and the SAFE shall be responsible for their interpretation. These Regulations shall supersede the *Circular of the General Affairs Department of the SAFE on Several Issues related to Data Reporting for the Centralized Receipts and Payments of Foreign Exchange Funds by Multinational Corporations* (Huizongfa [2013] No. 47). MNCs that have already expanded into the centralized operation and management of foreign exchange funds with the approval of the SAFE, may continue to apply the original framework and policies for the centralized operation and management of funds, and may, having submitted documents on changes in their business requirements (unless such documents have already been submitted) and filed a record with the competent SAFE branch, apply these Regulations.

## Appendix 1

**Confirmation on Conducting the Centralized Operation and Management  
of the Foreign Exchange Funds of MNCs**

We understand the policies and related requirements for the centralized operation and management of the foreign exchange funds of MNCs and we have read our obligations noted and implied in this confirmation as well as the regulatory requirements of the Foreign Exchange Administration. We hereby commit that:

1. We shall carry out the centralized operation and management of the foreign exchange funds in conformity with the laws. We shall be entitled to the right to handle the relevant business based on the measures for convenience as stipulated by the policies provided that the following requirements are met: the signing of this confirmation; the handling of the business in accordance with the pilot policy; and the operating of the business in conformity with the laws.
2. We shall submit the business data promptly, accurately, and completely pursuant to the policies of the Foreign Exchange Administration; shall not conduct business using false contracts or by structuring transactions; shall accept and cooperate with the Foreign Exchange Administration in terms of supervision and inspections; and shall make timely and accurate statements and provide the relevant documents and materials.
3. We shall understand and accept timely adjustments of the policies and business made by the Foreign Exchange Administration based on the balance-of-payments situation. In the case of violations of the policies or the related requirements, we shall accept the Foreign Exchange Administration's measures, including administrative penalties, suspensions or terminations of the business, and announcements of related decisions regarding penalties. We also promise that we shall bear the related losses caused by the SAFE's adjustments of the policies or by our violating behavior.
4. This confirmation shall be applicable to the centralized operation and management of the foreign exchange funds of MNCs. Matters disclosed in this confirmation shall be handled in accordance with the relevant Foreign Exchange Administration regulations.
5. This confirmation shall be applicable to us and our subordinates and shall become effective upon signing. We shall conscientiously study and abide by the relevant policies and requirements and shall actively support and cooperate with the Foreign Exchange Administration in the centralized operation and management of the foreign exchange funds of MNCs.

Company (seal):

Bank (seal):

Legal Representative (signature):

Principal (signature):

Date:

Date:

---

To further promote trade and investment facilitation, the Foreign Exchange Administration has duly developed this confirmation to notify companies and banks of their legitimate rights and the obligations they shall perform in carrying out the centralized operation and management of the foreign exchange funds of MNCs. Companies and banks shall sign and perform this confirmation before being entitled to the right to handle the relevant business based on the measures for convenience stipulated by the regulations regarding the centralized operation and management of the foreign exchange funds.

The Foreign Exchange Administration shall develop and adjust the policies on the centralized operation and management of the foreign exchange funds of MNCs based on the balance-of- payments situation and shall lawfully notify the companies and banks.

The Foreign Exchange Administration shall supervise and inspect the centralized operation and management of the foreign exchange funds of MNCs in conformity with the laws and shall impose administrative penalties on companies and banks for any violations in accordance with the *Regulations on Foreign Exchange Administration. of the People's Republic of China*