

State Administration of Foreign Exchange Issues Explanation of Bank Handling of Bonded Goods Trade Balance Operations

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On August 20, 2019, the Current Account Management Department of the State Administration of Foreign Exchange (SAFE) issued the “Explanation of the Handling of Bonded Goods Trade Balance Operations by Banks” (hereinafter, the Explanation), which clarifies issues regarding the application of customs procedures and foreign exchange administration that came to light after the introduction of the Bonded Goods Verification and Reconciliation Checklist.

[Key Takeaways]

- With the introduction of the Bonded Goods Verification and Reconciliation Checklist, it is no longer necessary for companies to carry out declaration procedures with a customs declaration form (or notification list) for the movement of goods between special customs supervision zones and bonded supervision locations, or to and from companies outside of the zones (locations).
- If there is no digital customs declaration form (notification list) data available for a company, banks may use the Bonded Goods Verification and Reconciliation Checklist in place of the customs declaration notification list to conduct business operations for receiving or paying in foreign currencies.

1. Background of the Policy

China rolled out a next-generation customs management system in 2018 called “Jinguan Phase II”. There are 109 sub-systems in the new system, and the Bonded Goods Verification and Reconciliation Checklist system is one which was introduced for the management of the special customs supervision zones.

On March 26, 2018, the General Administration of Customs (GACC) issued the “Announcement of the Introduction of the Bonded Goods Verification and Reconciliation Checklist” (GACC Announcement No. 23 of 2018; hereinafter, Announcement No. 23), and the full-scale implementation of the Bonded Goods Verification and Reconciliation Checklist took place on July 1, 2018. The Bonded Goods Verification and Reconciliation Checklist is a list dedicated to the reconciliation of bonded goods in the new customs system and is categorized as a document related to processing trade and bonded goods supervision.

The introduction of the Bonded Goods Verification and Reconciliation Checklist system has changed the foreign exchange administration of trade in goods in special customs supervision zones. In response, SAFE’s Current Account Management Department issued the Explanation to clarify how to handle related changes.

2. Main Contents of the Regulations

Since the Bonded Goods Verification and Reconciliation Checklist was introduced in accordance with Announcement No. 23, companies **are no longer required to carry out declaration procedures with a customs declaration form** for the transfer of surplus materials for processing trade, the scrapping of goods related to processing trade (generating no revenue due to disposal), or when conducting procedures for the free-of-charge transfer of processing trade equipment, and **are no longer required to carry out declaration procedures with the notification list** for the movement of goods between special customs supervision zones

and bonded supervision locations, or to and from companies outside of the zones (locations).

As a result, if companies within the zones (locations) choose not carry out declaration procedures with a customs declaration form (notification list), customs authorities will not be able to provide foreign exchange bureaus with digital customs declaration form (notification list) data. The Explanation stipulates that in such case, “for transactions which require that customs declaration forms (notification lists) be examined in accordance with current foreign exchange administration regulations, banks may conduct screening using the Bonded Goods Verification and Reconciliation Checklist in place of the customs declaration form (notification list), and after confirming the authenticity and legality of the transactions, may conduct business operations to receive or make payments in foreign currency for the company.”

3. Impact on Companies

The Explanation serves to clarify the handling of operations related to the bonded goods trade balance at banks after the introduction of the Bonded Goods Verification and Reconciliation Checklist. We will continue to follow up on relevant information and provide updates on a regular basis.

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