

People's Bank of China Macroprudential Policy Bureau Announces Trial Measures to Facilitate Cross-Border RMB Trade and Investment

China Business Solution Office
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On September 9, 2019, the People's Bank of China Macroprudential Policy Bureau released a notice on the implementation of trial operations to facilitate trade and investment (Yinfa [2019] No. 10), (hereinafter, "the Notice"), to improve the efficiency of cross-border RMB trade and investment at a higher level in the 18 free trade zones.

[Key Takeaways]

- The trial includes cross-border RMB settlements under the current account and the domestic use of capital revenue under the capital account.
- The evidence screening for domestic payments made using cross-border RMB revenue under the capital account has been further simplified for qualified companies.
- The qualified companies that are participating in the trial are selected through an autonomous mechanism for cross-border RMB in the region where the relevant free trade zone is located.

1. Background of the Policy

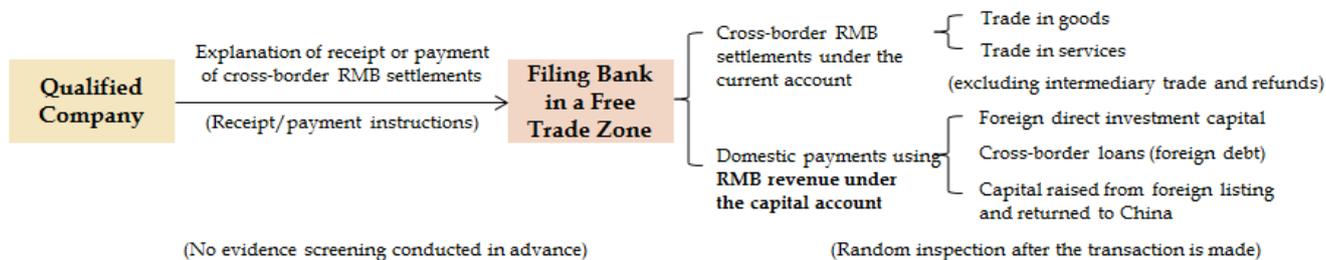
Since September 2013, China has established a total of 18 free trade zones in five stages. The procedures for transactions made in foreign currency and cross-border RMB in the free trade zones are simpler than in regions outside the zones. However, because the supervision and administration of foreign currency and cross-border RMB is managed separately by the State Administration of Foreign Exchange (SAFE) and the People's Bank of China Macroprudential Policy Bureau (formerly the Monetary Policy Department II; hereinafter, "PBOC Macroprudential Policy Bureau") respectively, the policies promulgated for simplifying the procedures differ in terms of timing and efficiency. For example, a trial run for streamlining foreign currency revenue payments under the capital account was already launched in the Shanghai free trade zone in the beginning of 2019. The PBOC Macroprudential Policy Bureau announced the current Notice in order to unify the policies for cross-border RMB and foreign currency.

2. Contents of the Notice

[Figure 1] Main Contents of the Notice

	Details
Trial Scope: Qualified Companies	Companies that are selected by an autonomous mechanism for cross-border RMB at the sub-provincial level or higher in the region where the free trade zone is located, conduct self-sustained business in compliance with the law, and will make cross-border RMB settlements in a long-term and stable manner.
Trial Content: Simplification of Evidence Screening	On the basis of the "Three Principles of Sustainable Development," banks in the free trade zones will be able to directly handle cross-border

	RMB transactions for qualified companies based on the instructions for receipt or payment of cross-border RMB settlements submitted by a qualified company.
Trial Operations: Current Account + Capital Account (For inflows of funds)	Cross-border RMB settlements for trade in goods or services (excluding intermediary trade and refunds) and domestic payments of RMB revenue under the capital account (not to exceed the scope of use stipulated by the current cross-border RMB policy).
Authorized Banks: Filing Banks in Free Trade Zones	Based on the specific policy for implementation enacted by the autonomous mechanism, authorized banks in free trade zones will clarify risk prevention measures such as an adjustment process in accordance with the certification criteria and the actual conditions of the qualified companies, and file the proposal for implementation with the branch of the People's Bank of China at the sub-provincial level or higher in the region where the free trade zone is located.



When making a payment as described above, qualified companies do not need to submit documents with proof of compliance or evidence substantiating the authenticity of cross-border RMB payment, etc. in advance each time, but it is necessary to properly store these types of relevant materials to prepare for random inspections or field inspections after the transaction is processed. If a qualified company is unable to provide materials relating to authenticity or compliance to the bank in the free trade zone or if any unusual circumstances are detected, the bank shall immediately carry out an inspection and remove any offending company that does not conform to the standards from the list of qualified companies through the autonomous mechanism. The bank must then report the incident to the local branch of the People's Bank of China.

3. Impact on Corporations

The Notice provides increased efficiency in cross-border RMB trade and investment for qualified companies in free trade zones. If a company in the zone is certified as a "qualified company," the convenience of current account and capital account settlements of cross-border RMB will be improved. The system for random post-transaction inspections, on the other hand, requires qualified companies to maintain an even higher standard of internal financial management. This ensures that qualified companies with proper internal governance will be able to enjoy the benefits of the trial run to improve efficiency.

Since the detailed regulations for the implementation of the trial will be enacted and announced through the autonomous mechanism for cross-border RMB operations in each region, there is a possibility that there will be some differences in the requirements by region. Please note that actual business operations will be possible after the regulations of various regions have been promulgated.

We will continue to follow up on relevant information and provide details from time to time as they become available.

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