



State Council

The Regulation on the Registration Management of Market Entities in the People's Republic of China

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On August 24, 2021, the State Council promulgated the **The Regulation on the Registration Management of Market Entities in the People's Republic of China**. This Regulation shall go into effect on March 1, 2022.

【Key Takeaways】

- **Integrate registration standards and management rules, optimize the registration management systems and processes for all market entities in China**
- **The main highlights of this Regulation are: optimization and reduction of the registration process, clarification of the simplified registration cancellation processing system, establishment of corporate closure system (up to three years), etc.**

1. Background of the Policy

Since the reform and opening up, China has formulated and promulgated a number of laws and regulations related to the registration of market-oriented entities, including the Companies Law, the Partnership Enterprise Law, the Law of Individual Proprietorship, the Law on Specialized Farmers Cooperatives, the Regulations on the Administration of the Registration of Enterprises as Legal Persons, the Regulations on Administration of Registration of Companies, and the Measures for the Administration of Partnership Enterprise Registration. These laws and regulations have played an important role in promoting economic development and entrepreneurial employment.

At the same time, the current system of market-based registration management has gradually exposed some problems that are not compatible with the new market-based development direction. The background to this is that (1) **the related laws and regulations are dispersed**, and registration management rules are separately established for ordinary companies, partnership companies, and other different market entities; (2) **the system rules are not uniform**, and there are major differences in matters to be registered, registration procedures, supervision and management, and legal responsibilities, etc. of market entities; (3) **the content is relatively lagging behind the targets advocated by the government**, especially in recent years, to deepen the reform of commercial system reform, continue to deepen vigorously decentralize government, strengthen ex-post supervision, and ease the regulations that hinder startup innovation, there is still a large gap; and (4) **new situations and new problems need to be answered**. For example, it's difficult for market entities to write-off, and market entities have difficulty operating due to natural disasters, accidents and disasters, need to reduce maintenance costs through closure and regulate at the institutional level. Therefore, it's urgent to issue a more unified law for market entities registration, further promote the construction of markets based on the rule of law and protect the good market order and legitimate rights and interests of market entities.

Since the reform of the industrial and commercial registration system was proposed at the second plenary meeting of the 18th Central Committee in 2013, the market supervision department has vigorously promoted the facilitation of the industrial and commercial registration system, changed the registration system of registered capital from the payment registration system to the underwriting registration system, implemented the reform of the "first license, then certificate" and the reform of the "certificate separation". The department has also been vigorously promoting measures to shorten the required time for establishing a company and simplifying procedures. In view of the rapid development of the market economy in recent years and the ongoing deepening of the reform of the commercial system, as an important part of a series of measures to optimize the business environment around the reform of "streamline administration and delegate power, improve regulation and upgrade services", the introduction of this Regulation unified the registration management system of market entities, which is very meaningful.

2. Main Contents of This Regulation

This Regulation is composed of 6 chapters and 55 articles in total and consists of Chapter 1 "General Rules", Chapter 2 "Registered Matters", Chapter 3 "Registration Standard", Chapter 4 "Supervision and Administration", Chapter 5 "Legal Liability", and Chapter 6 "Supplementary Rules". Important contents are as follows.

[Figure 1] Important matters of this ordinance (excerpt)			
No	Provisions	Contents	Impact/Attention Points
1	Chapter I General Rules Article 6	Develop unified market entities registration data and system construction standards. Introduce systems such as <u>on-the-spot procedures</u> , <u>one-time procedures</u> , and time-limited procedures to realize centralized procedures, neighborhood procedures, and <u>online procedures and in and off-site procedures will be implemented</u> to improve the convenience of market-based registration.	Improve <u>the convenience</u> of market entities registration.
2	Chapter II Registered Matters Article 8 Article 9	Article 8 The general matters to be <u>registered</u> by a market entity include the following. 1. Name 2. Type of entity 3. The scope of business 4. The address or main place of business 5. The registered capital or the amount of capital contribution 6. The name of the legal representative, executive partner, or the person in charge Article 9 The following matters of market entities shall be <u>filed</u> with the registration authority: 1. The articles of association or partnership agreements 2. The term of operation or partnership 3. The amount of capital contribution subscribed by the shareholders of a limited liability company or the	<u>Clarification</u> of the matters to be registered and the matters to be filed is <u>useful for the market entities to understand the scope of the matters to be registered and filed, and make advance preparatoinis.</u>

		<p>promoters of a stock company, the amount of capital contribution subscribed or actually paid by a partner of a partnership enterprise, payment deadline, and investment method</p> <p>4. Directors, supervisors, and senior management ...omitted...</p> <p>7. The liaison person of the registration of market entities, legal documents recipient of foreign investment company</p> <p>8. Relevant information about the beneficial owners of the companines, partnership enterprises and other market entities</p> <p>9. Other matters as prescribed for by laws and administrative regulations</p>	
3	<p>Chapter II Registered Matters Article 14</p>	<p>The scope of business of market entities includes <u>general management items</u> and <u>approved management items</u>. The scope of business belongs to the <u>approved management items</u> that must be approved prior to registration in accordance with the law, <u>the market entities shall submit approval documents at the time of application for registration.</u></p>	<p>This will lead to the thorough implementation of the " certificate separation " system. For approved management items, the companies must obtain prior approval from the relevant authorities.</p>
4	<p>Chapter III Registration Standard Article 19</p>	<p>A registration authority shall conduct a formal examination of the application documents. Complete the registration on the spot if the application documents are verified to be complete and in accordance with the legal form. If the registration cannot be completed on the spot, the registration may be <u>completed within three business days, and in more complex situations, it may be extended for another three business days with the approval of the person in charge of the registration authority.</u></p>	<p>The <u>clarification</u> of the confirmation time for the registration process will enable companies to <u>grasp the registration time more specifically and facilitates the companies to make business plan.</u></p>
5	<p>Chapter III Registration Standard Article 24 Article 29</p>	<p>The registration of changes in maket entities shall apply to the registration authority for change registration <u>within 30 days from the date of making the change resolution, decision or statutory change.</u></p> <p>Where market entities change the filing matters stipulated in Article 9 of this Regulation, it shall file the record with the registration authority <u>within 30 days from the date of making the change resolution, decision or statutory change.</u></p>	<p>If there is a change (e.g. Capital increase, capital reduction, etc.) in the matters to be registered or filed, the company shall complete the registration or filing within <u>30 days from the date of the change.</u></p>
6	<p>Chapter III Registration Standard</p>	<p>Market entities who have difficulty in operating due to natual disasters, accidents, public health events, social security events, etc. may decide to close down for a certain period of time for a maximum period of <u>not more than 3 years.</u> Market</p>	<p>The closure system allows enterprises to add new options in additon to liquidation and write-off,</p>

	<p>Article 30</p>	<p>entities <u>shall negotiate with the employees on</u> such matters as <u>the handing of labor relations in accordance with the law before closing down</u>. The registration authority <u>announces to the public the closure peirod, the delivery address of legal documents and other information through the national enterprise credit information publicity system</u>.</p>	<p>which is conducive to the sustainable operation of small and medium-sized enterprise. Enterprises need to complete the processing of labor relations before closing (how to properly handle labor relations during the closure of employees is particularly important).</p>
<p>7</p>	<p>Chapter III Registration Standard Article 32</p>	<p>Where the market entities shall be liquidated according to law before the cancellation of registration, the liquidation group shall <u>announce the list of members of the liquidation group and the person in charge of the liquidation group through the national enterprise credit information publicity system within 10 days</u> from the date of its establishment. The liquidation group may <u>issue creditor announcements through the national enterprise credit information publicity system</u>. The liquidation group shall <u>apply for cancellation of registration to the registration authority within 30 days</u> from the date of completion of liquidation. Before market entities apply for cancellation of registration, the branch office shall be deregistered in accordance with the law.</p>	<p>Creditor announcements can be issued on the publicity system, which helps to <u>simplify the liquidation process of the enterprise</u>. However, there are inconsistencies between the content of this article and article 185 of the Company Law indicating that “the liquidation group shall announce in the newspaper within 60 days”, the specific operation of the relevant policies to be clearly formulated.</p>
<p>8</p>	<p>Chapter III Registration Standard Article 33</p>	<p>If the market entities have not incurred the debt of creditor’s rights or paid off the debt of the creditor’s rights, have not incurred or have settled the settlement expenses, wages of employees, social insurance expenses, statutory compensation, taxes payable (late fees, fines), and all investors have written commitments to bear legal responsibility for the authenticity of the above-mentioned situation, the registration <u>may be cancelled by simplified procedure. The publicity period is 20 days</u>.</p>	<p>Further clarification of the simple write-off system <u>make enterprises exit more convenient</u>, and indirectly <u>create favorable conditions</u> for more entrepreneurs to venture to try to start a business.</p>
<p>9</p>	<p>Chapter IV Supervision and Administration Article 39</p>	<p>Article 39 The registration authority may investigate and punish any suspected violation of the provisions of this Regulation by market entities and exercise the following powers: <u>(5) To inquire into the bank accounts of market entities suspected of violating the law in accordance with the law.</u> When the registration authority exercises the authority</p>	<p>The new regulation gives the registration authority the authority to conduct bank accounts inquires in accordance with the lay, indicating that the authority of the registration authority has been expanded and enterprises need to operate in</p>

		prescribed in paragraph (4) or paragraph (5) of the preceding paragraph, it shall obtain the approval of the principal person in charge of the registration authority.	compliance with the provisions of this Regulation.
10	<p>Chapter V</p> <p>Legal Liability</p> <p>Article 46</p> <p>Article 47</p>	<p>If the market entities fail to register the changes in accordance with this Regulation, the registration authority shall order the correction; and if the registration entities refuse to do so, the market entities shall <u>be fined from 10,000 yuan to 100,000 yuan</u>. If the circumstances are serious, <u>the business license shall be revoked</u>.</p> <p>If market entities fail to file the records in accordance with this Regulation, the registration authority shall order it to make corrections; and if it refuses to do so, it shall <u>be fined not more than 50,000 yuan</u>.</p>	<p>Enterprises should pay attention to the process and processing time stipulated in these Regulations to complete the registration and filing procedures, otherwise they may face relevant penalties.</p>

3. Impact on Companies (Summary)

- ✓ Further promote the facilitation of registration of market entities. Implement the reform of “streamline administration and delegate power, improve regulation and upgrade services” required by the Central Committee of the CPC and the State Council, reflect the results of the reform, compress the registration link (such as finishing the registration on the spot), streamline the application materials, optimize the registration process of market entities, further reduce institutional costs, and reduce the burden on enterprises.
- ✓ The simple write-off system make enterprises exit more convenient, and indirectly create favorable conditions for more entrepreneurs to venture to try to start a business.
- ✓ The closure system enables companies to “dormant” in timely manner, and the closure system is the most prominent system innovation of the Regulation, which is rich and complementary to the existing registration management system in China, which is conducive to the sustainable operation of small and medium-sized enterprises, to the stable development of social economy and to the improvement of the credit system. And provides an innovative direction to further enrich and perfect the existing registration system.
- ✓ To make business more convenient, government services more high-quality, government supervision more efficient, and to lay a fast lane for the development of market entities.
- ✓ The details of the relevant content need to be issued urgently. Such as the study of enterprise name, address, business scope and other specific provisions on registration, the new closure system, etc., Operation rules need to be formulated as soon as possible to maximize the institutional innovation of regulations into practice.

We will continue to follow up on related information and provide further updates as they come.

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