

## 【Summary】 PBOC Released Notice of Relevant Issues on Conducting Centralized Management of RMB Cross-border Fund for Multi-national Corporations

On November 1, 2014, PBOC HQ released the circular “Notice of Relevant Issues on Conducting Centralized Management of RMB Cross-border Fund for Multi-national Corporations” (Yinfa [2014] No.324, hereinafter Circular No.324), which will take effect on the issuing date.

PBOC Shanghai HQ issued “Notice on Supporting the Expanding Usage of RMB Cross-border Fund in China (Shanghai) Pilot Free Trade Zone” on February 20, 2014 (Yinzongbufa [2014]No.22, hereinafter FTZ No.22), involving the permission for an FTZ host company to conduct innovation business concerning the RMB two-way cross-border cash pool, RMB cross-border centralized settlement, etc. Obviously, circular No.324 marks the centralized management of cross-border RMB fund open to companies nationwide.

### 1. Comparison of the circular No.324 (nationwide version) and No.22 (FTZ version)

Listed are the main differences between the two circulars mentioned above.

Objective		Circular No.22 (FTZ version)	Circular No.324 ( Nationwide version, issued this time)
Host company		Limited within FTZ company	Companies country-wide (independent legal entities including financial company)
Definition of member company		Affiliates with contribution ties (unspecified contribution rate )	Explicit equity ratio of member company
Valid period of member company		No requirements	More than three operating years
Procedures		Pre-record in PBOC is not required	<ul style="list-style-type: none"> <li>■Cross-border cash pooling: pre-recording in local PBOC required</li> <li>■Centralized settlement: no specified requirements</li> </ul>
Cooperative banks		Only one bank	<ul style="list-style-type: none"> <li>■Cross-border cash pooling: in principle, one bank is priority. Otherwise, setting up several cash pools in various banks requires record in the HQ of PBOC. In addition, one domestic member company is merely allowed to attend one cash pool.</li> <li>■Centralized settlement: allow to cooperate with different banks.</li> </ul>
Cross-border cash pool	Access conditions	No limitation (required only to meet the definition of the member company)	<ul style="list-style-type: none"> <li>■Total operating revenue in the previous year owned by domestic member companies shouldn't be less than RMB 5 billion</li> <li>■Total operating revenue in the previous year owned by overseas member companies shouldn't be less than RMB 1 billion</li> </ul>
	Fund transfer quota	No limitation	<ul style="list-style-type: none"> <li>■Net inflows quota(=each participants' equity * shareholding ratio of MNC group) * policy parameter confirmed by PBOC initial value 0.1)</li> <li>■No restriction on net outflows quota</li> </ul>
	Fund resource	Fund raised from financing activities is prohibited	<ul style="list-style-type: none"> <li>■Limited within operational cash flow and investment cash flow (need written commitment presented in record documents)</li> <li>■No explicit clause aimed at explaining any need for document verification</li> </ul>
	Usage of Special A/C	Prohibited from mixing up the fund in the special account with others	Fund usage forbidden in securities investment, financial derivatives as well as non-self used real estate, neither in purchasing financial products nor entrusted loan for non-member company. (Fund available for all areas excluding method above)
Centralized settlement/ Netting settlement		Centralized settlement under the current account	Centralized settlement under current account and netting settlement
Others		Verbal guidance will be given by PBOC in practical operations	<ul style="list-style-type: none"> <li>■Company registered in FTZ is adaptable to both No.22 and No.324, record needed in PBOC (unchangeable)</li> <li>■Unsure if existing guidance in practical operations</li> </ul>

## 2. Relevant procedures for implementing RMB cross-border cash pooling

The company, adopting RMB cross-border cash pooling, should record local PBOC incorporated in the central sub-branch of the vice provincial city and above via settlement banks.

### (1) Required documents for recording

- ✓ Agreement signed between settlement bank and host company about RMB cross-border cash pooling
- ✓ Application for conducting RMB cross-border cash pooling (host company)

Application should contain the following content

- ◆ Name lists of overseas and domestic member companies
- ◆ Statements indicating owner's equity and operating revenue in the previous year (domestic member company)
- ◆ Operating revenue report in the previous year (overseas member company)
- ◆ Agreement on RMB cross-border cash pooling signed by host company and member company or agreed evidence documents explaining each company's rights and obligations ※

※Agreement or evidence documents must guarantee the cash flow is from operational activity and investment activity

(2) Within ten working days after the settlement bank submission of record documents, the local PBOC incorporated in the central sub-branch of the vice provincial city and above will finish the record procedures and issue the record notice.

There are still some unclear issues in this circular about the practical operations and implementation. We will continuously provide up-to-date information.

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