

### Verification of Customs Declaration Information becomes more Stringent in the Guangdong Province

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The State Administration of Foreign Exchange (hereinafter "SAFE"), Guangdong Branch (hereinafter "Guangdong SAFE") promulgated a "Circular regarding Introduction and Application of the 'Foreign Trade Documentation Publicity Platform' (hereinafter the "Platform") in the Guangdong Province" (hereinafter the "Circular") on 24 June 2016. The Circular specifies that with effect from 1 July 2016, for trade finance<sup>1</sup> or FCY-denominated trade payments with large amounts<sup>2</sup>, verification and publicity of customs declaration information via the Platform becomes necessary for all the enterprises located in the Guangdong Province (except Shenzhen).

#### BACKGROUND

According to the "Announcement on the Reform of Foreign Exchange Management for Trade in Goods"<sup>3</sup> jointly promulgated by SAFE and other authorities, procedures and documentations for import payments have been simplified significantly since 1 August 2012. For enterprises classified as Category A<sup>4</sup>, only submission of either the contract, invoice or the customs declaration form that can prove the authenticity of the transaction is required. It is believed that convenience and efficiency of the trading procedures has also facilitated cross-border trading to some extent.

However, despite the rapid growth of trade financing business and stringent governmental supervision in recent years, forgery, alteration or reuse of documents for trade financing business by some enterprises still occurs from time to time, bringing continuous credit risks to the financial institutions. In order to prevent fraudulent trading activities by the enterprises, the Platform was launched as an innovative financial infrastructure, which provides both policy and technical supports to the verification of authenticity for the financial institutions.

<sup>1</sup> Trade finance service (excluding FCY-denominated loan) provided by the financial institutions to the enterprises, where customs declaration form of the import and export trades is required as one of the supporting documents.

<sup>2</sup> Single trade payment for import with the amount greater than or equal to USD1 million, including the payment to an overseas institution's Chinese account, offshore account, special customs supervision areas and deep processing.

<sup>3</sup> SAFE Announcement [2012] No.1 (27 Jun 2012). Retrieved from:  
[http://www.safe.gov.cn/wps/portal/!ut/p/c4/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8POyNPI\\_2CbEdFAKLWUno!/?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/jcxmwhgl/jcksfhyhxl/node\\_zcfg\\_jcxm\\_jck\\_store/376a05804bd2c07bb224ba53b1488d08](http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8POyNPI_2CbEdFAKLWUno!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/zcfg/jcxmwhgl/jcksfhyhxl/node_zcfg_jcxm_jck_store/376a05804bd2c07bb224ba53b1488d08)

<sup>4</sup> Enterprises are classified into Category A, B or C by SAFE, according to the compliance level of the foreign exchange receipts and expenditures in trade, as well as the consistency of the import and export of goods.

## HIGHLIGHTS

The Platform is for use of verification and publicity of enterprises' customs declaration information for trade finance or FCY-denominated trade payments with large amounts. For RMB settlement, publicity is not mandatory and is subject to the requirements of each financial institution.

### Introduction

- The Platform is solely for the purpose of verification of i) trade finance and ii) FCY-denominated trade payments with the amount greater than or equal to USD1 million.
- With effect from 1 July 2016, for enterprises conducting the aforementioned transactions in the Guangdong Province (except Shenzhen), publicity of customs declaration information (including operating number, enterprise code, declaration number and amount) is required.
- Publicity of RMB settlement, as well as the FCY-denominated credit voucher within 90 days, is not mandatory.

### Roles of the Relevant Parties

- SAFEs in the Guangdong Province: Responsible for the administration management of the Platform (management and maintenance of the customs declaration database), etc.
- Financial institutions: During the process of loan review, financial institutions can use the Platform to check and verify the customs declaration information and its status submitted by the enterprises, and further proceed with the business in accordance with the results.
- Enterprises: Provide the customs declaration information to the financial institutions where necessary.

Compared with the documentation requirements before the Platform was launched, an electronic customs declaration list becomes necessary as one of the supporting documents for transactions no less than USD1 million, unless the customs declaration form is provided instead. In case the customs declaration is not yet finished (e.g. deferred payment, etc.), enterprises will be required to provide the customs declaration information later when it is ready for publicity on the Platform. Abnormity of the customs declaration information may cause transaction failure, or even be reported to the Guangdong SAFE.

| Amount                                | Before   | After   |
|---------------------------------------|--|---|
| <USD1 million                         | <i>Any of the following options:</i>   | (Remain unchanged)  |
| ≥USD1 million<br>and<br>≤USD5 million | <ul style="list-style-type: none"> <li>■ Contract</li> <li>■ Invoice</li> <li>■ Customs declaration form</li> </ul>  | <i>Any of the following options:</i> <ul style="list-style-type: none"> <li>■ Contract + <b>Electronic customs declaration list</b></li> <li>■ Invoice + <b>Electronic customs declaration list</b></li> <li>■ Customs declaration form</li> </ul>        |
| >USD5 million                         | <i>Any of the following options:</i> <ul style="list-style-type: none"> <li>■ Contract + Invoice</li> <li>■ Contract + Customs declaration form</li> <li>■ Invoice + Customs declaration form</li> </ul> | <i>Any of the following options:</i> <ul style="list-style-type: none"> <li>■ Contract + Invoice<br/>+ <b>Electronic customs declaration list</b></li> <li>■ Contract + Customs declaration form</li> <li>■ Invoice + Customs declaration form</li> </ul> |

## COMMENTS

Piloted in the Guangdong Province, the Platform can be interpreted as another measure to combat illegal trade and capital outflow. It is expected that introduction of the Platform can facilitate the standardization of market behaviour and further lead to a fair, healthy and orderly financial market.

It is true that along with the publicity of the customs declaration information, verification of the trade authenticity can be strengthened and its validity and efficiency will be improved. However, impact for the enterprises in Category A is observed. While enterprises are still allowed to choose what sort of materials to be provided, requirement on submission of customs declaration information indicates that essentially, provision of customs declaration forms has become necessary again just as the situation before August 2012, and procedures for trade in goods will become more complicated.

Enterprises that doing large trade payments in the area are highly encouraged to submit full trade related documents in time to ensure smooth transactions. In addition, attention should be paid that mandatory publicity of the customs declaration information is only targeting the large amount FCY-denominated payments. Transactions in RMB is not affected and publicity on the Platform is not a must.

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