

Order No. 4 [2022] of the People's Bank of China and China Banking and Insurance Regulatory Commission

The Measures for the Administration of Acceptance, Discount, and Central Bank Discount of Commercial Drafts, adopted on August 24, 2022 at the seventh executive meeting of the People's Bank of China in 2022 and countersigned by the China Banking and Insurance Regulatory Commission, is hereby issued and shall come into force as of January 1, 2023.

Yi Gang, Governor of the People's Bank of China

Guo Shuqing, Chairman of China Banking and Insurance Regulatory Commission

November 11, 2022

Measures for the Administration of Acceptance, Discount, and Central Bank Discount of Commercial Drafts

Chapter I General Provisions

- Article 1** This *Measures* is made in accordance with the *Law of the People's Republic of China on Negotiable Instruments*, the *Law of the People's Republic of China on the People's Bank of China*, the *Law of the People's Republic of China on Banking Regulation and Supervision*, the *Law of the People's Republic of China on Commercial Banks*, and other relevant laws and regulations for the purposes of regulating the acceptance, discount, and central bank discount of commercial drafts.
- Article 2** In this *Measures*, a “commercial draft” refers to any negotiable instrument that is issued by the drawer and requires the payer to make an unconditional payment of an amount certain to the payee or the holder at sight or on a specified date. Commercial drafts include but are not limited to banker's acceptances, finance-company acceptance drafts, and commercial acceptance drafts in either paper or electronic form.
- Article 3** The issuance, acceptance, discount, pre-discount endorsement, pledge, guarantee, presentation for payment, recourse, and other activities in relation to electronic commercial drafts shall be carried out through a negotiable instrument market infrastructure recognized by the Peoples' Bank of China (“PBOC”). Supply chain bills are deemed as electronic commercial drafts.
- Article 4** In this *Measures*, “acceptance” refers to the promise of a payer to unconditionally pay the amount indicated on the commercial draft on the due date of the draft.
- Article 5** In this *Measures*, “discount” refers to the transfer, at a certain amount of interest, of a commercial draft by its holder to an institution qualified to make loans before the due date of the draft. The draft held by the holder shall be lawfully and compliantly acquired from a bona fide transaction and indebtedness, except for those that are acquired gratuitously in accordance with the law through tax arrangement, inheritance, or gift.
- Article 6** In this *Measures*, “central bank discount,” which is one of central bank's monetary policy tools, refers to the discount by PBOC, before the due date, of a previously discounted commercial draft held by a financial institution.

Article 7 The acceptance, discount, and central bank discount of commercial drafts shall be carried out in compliance with laws and regulations and on an equitable, voluntary, and self-regulatory basis in good faith and under self-assumption of risks.

Chapter II Acceptance

Article 8 “Banker’s acceptance” refers to a commercial draft accepted by a bank or rural credit cooperative. For the purposes of this *Measures*, banks mainly consist of policy and development banks, commercial banks, and rural cooperative banks. The acceptor of a banker’s acceptance shall be lawfully established within the mainland of the People’s Republic of China, hold a financial license issued by the China Banking and Insurance Regulatory Commission (“CBIRC”) or its local offices, and be licensed to accept negotiable instruments.

Article 9 “Finance-company acceptance draft” refers to a commercial draft accepted by the finance company of a corporate group. The acceptor of a finance-company acceptance draft shall be lawfully established within the mainland of the People’s Republic of China, hold a financial license issued by the CBIRC or its local offices, and be licensed to accept negotiable instruments.

Article 10 “Commercial acceptance draft” refers to a commercial draft accepted by legal person or unincorporated organization other than a bank, rural credit cooperative, or finance company. The acceptor of a commercial acceptance draft shall be a legal person (or one of its branches) or unincorporated organization lawfully established within the mainland of the People’s Republic of China.

Article 11 Banks, rural credit cooperatives, and finance companies, in carrying out acceptance activities, shall strictly examine the drawer for its transaction background, creditor-debtor relationship, and creditworthiness and the risk of acceptance. The amount accepted shall be commensurate with the transaction concerned, the amount of indebtedness, and the acceptance applicant’s solvency.

Article 12 Banks, rural credit cooperatives, and finance companies shall strictly manage the collaterals they have acquired for accepting a commercial draft. Where the collateral takes the form of guarantee deposits, the funds shall be deposited in a separate account and may not be misappropriated or arbitrarily withdrawn in advance.

Article 13 The acceptance business carried out by banks, rural credit cooperatives, and finance companies shall be regulated by a uniform credit management and risk management framework for depository institutions.

Chapter III Discount and Central Bank Discount

- Article 14** The discounter of a commercial draft shall be a legal person (or one of its branches) legally established within the mainland of the People's Republic of China and qualified to make loans. The holder of a commercial draft that requests for discount shall be a natural person or a legal person (or one of its branches) or unincorporated organization lawfully established within the mainland of the People's Republic of China.
- Article 15** Any holder of a commercial draft that requests for discount service shall have obtained the commercial draft in compliance with laws and regulations and have a bona fide transaction and creditor-debtor relationship with the drawer or the prior holder, unless it has obtained the commercial draft gratuitously in accordance with the law through tax arrangement, inheritance, or gift.
- Article 16** A holder requesting for discount shall submit an application for discount, the unexpired commercial draft with the holder's endorsement, and proof of the transaction and creditor-debtor relationship concerned.
- Article 17** A holder of a commercial draft may request for quote and transact with a discounter through brokers. Matching of holders and discounters shall be carried out through a negotiable instrument market infrastructure recognized by the PBOC.
- Article 18** A negotiable instrument broker shall be a reputable financial institution with active negotiable instrument business. Each broker shall have an independent department for negotiable instrument brokerage, sound internal controls, and dedicated brokerage channels; ensure that its brokerage business is strictly segregated from its proprietary business; and operate a professional brokerage team.
- Article 19** Interbank discount shall be carried out in accordance with rules of the PBOC and CBIRC on the trading of negotiable instruments.
- Article 20** Financial institutions that provide discount services for commercial drafts may request for central bank discount. The requirements, interest rate, duration, and method of central bank discount are governed by the relevant rules of the PBOC.

Chapter IV Risk Control

- Article 21** Financial institutions shall establish sound management protocols and internal controls for the negotiable instrument business, engage in the acceptance and discounting of commercial drafts in a prudent manner, and take effective

measures to prevent market risk, credit risk, and operational risk.

Article 22 Acceptors and discounters of commercial drafts shall be in good operating and financial conditions and have no history of successive payment delinquencies or violation of disclosure rules in the preceding two years. Acceptors of commercial drafts shall be capable of honoring the accepted drafts when they come due.

Article 23 The corporate group to which a finance-company acceptor belong shall be in good operating and financial conditions, have no history of successive payment delinquencies or violation of disclosure rules in the preceding two years, and have not, in the preceding two years, committed any major violation of the law or any other act that materially harms the lawful rights and interests of market participants or the public interest.

Article 24 With respect to banker's acceptance or finance-company acceptance drafts of an acceptor, the maximum acceptance balance shall not exceed 15 percent of the acceptor's total asset and the balance of guarantee deposits shall not exceed 10 percent of the deposits taken by the acceptor. The PBOC and CBIRC may impose other supervisory indicators, such as the maximum ratio of acceptance balance to loan balance on a financial institution based on the soundness of its internal controls.

Article 25 The payment date of a commercial draft shall match the performance period for the transaction concerned and shall not exceed 6 months from the drawing date to the due date.

Chapter V Information Disclosure

Article 26 Information on commercial drafts shall be disclosed in accordance with the rules of the PBOC in a timely, truthful, accurate, and complete manner.

Article 27 Acceptors of commercial acceptance drafts or finance-company acceptance drafts shall disclose the main terms and conditions of the commercial drafts and their own credit information in accordance with PBOC rules. Acceptors of banker's acceptances shall disclose their credit information.

Article 28 Any discounter that offers discount service for a commercial draft shall review the disclosures for the commercial draft in accordance with PBOC rules. The discounter may not provide discount service to the holder if such disclosures were not made or are inconsistent with the information on record.

Article 29 Upon the negotiation of a commercial draft by endorsement, the endorsee may review the information about the commercial draft in accordance with PBOC

rules and, if such information does not exist or is inconsistent with the information on record, may take effective measures to determine the truthfulness of the information and the credit risk of the commercial draft to better prevent the associated risks.

Article 30 If the acceptor of a commercial acceptance draft is an unlisted company and is not rated in the bond market, the acceptor is encouraged to obtain a corporate credit rating from a credit rating agency before the commercial draft enters the market and disclose relevant information in accordance with PBOC rules.

Article 31 A negotiable instrument market infrastructure shall monitor the disclosure of information by acceptors in accordance with PBOC rules. Where an acceptor commits successive payment delinquencies, has made false or incomplete disclosures, or is late in its disclosures, the negotiable instrument market infrastructure shall take actions in accordance with its rules and report the matter to the PBOC.

Chapter VI Supervision

Article 32 The PBOC monitors the acceptance and discount of commercial drafts and administers the negotiable instrument market in accordance with the law.

Article 33 The PBOC and CBIRC supervise the acceptance, discount, risk control, and information disclosure in relation to commercial drafts in accordance with their mandates. The PBOC supervises central bank discount activities.

Article 34 Each negotiable instrument market infrastructure and entity taking part in the acceptance, discount, or central bank discount of commercial drafts shall submit relevant transaction data to the PBOC and CBIRC in accordance with applicable rules and regulatory requirements.

Chapter VII Legal Liabilities

Article 35 Any acceptor of banker's acceptances or finance-company acceptance drafts that violates the acceptance limit or payment date is subject to the warning and public reprimand by the PBOC and its branches and the CBIRC and its local offices, and will be additionally fined by the CBIRC and its local offices.

Article 36 Financial institutions shall not provide acceptance, discount, guarantee, or pledge services to any commercial draft acceptor that has a history of successive payment delinquencies or violation of disclosure rules in the preceding two years.

Article 37 Any financial institution that provides acceptance or discount services to the

drawer or holder of a commercial draft in the absence of a bona fide transaction or creditor-debtor relationship (except for commercial drafts that are acquired gratuitously in accordance with the law through tax arrangement, inheritance, or gift) will, depending on the circumstances, be subject to regulatory measures such as suspension of negotiable instrument business or administrative penalties imposed by the CBIRC and its local offices according to law. The directors and officers with direct responsibilities and other directly responsible individuals will similarly be held liable according to law.

Article 38 Any drawer or holder of commercial draft that receives acceptance or discount services from a financial institution through fraud will be held liable according to law and, if the act may constitute a crime, be referred to the judicial authorities for prosecution of criminal liabilities.

Article 39 Any person that engages in the discount of commercial drafts without due approval or in violation of state rules on financial administration is punishable in accordance with relevant laws and regulations.

Chapter VIII Ancillary Provisions

Article 40 The PBOC and CBIRC reserve the right to interpret this *Measures*.

Article 41 Article 24 of this *Measures* takes effect on January 1, 2024.

Article 42 This *Measures* takes effect on January 1, 2023. The *Interim Measures for the Administration of the Acceptance, Discount and Rediscount of Commercial Drafts* (Yinfa No. 216 [1997]), and the *Notice of the People's Bank of China on Effectively Strengthening the Management of the Acceptance, Discount and Rediscount Business of Commercial Bills* (Yinfa No. 236 [2001]) expire on that same date.