

**Circular of the State Administration of Foreign Exchange on Foreign
Exchange Administration Relating to Foreign Institutional Investors
Investing in China's Inter-bank Bond Market**

SAFE [2016] No.12

Branches / foreign exchange department of the State Administration of Foreign Exchange (hereinafter referred as to “SAFE”) at provincial capital levels, autonomous regions and municipalities; branches of SAFE in Shenzhen, Dalian, Qingdao, Xiamen and Ningbo; designated Chinese-funded foreign exchange banks,

To regulate the foreign exchange issues relating to foreign institutional investors investing in China's Inter-bank bond market, in accordance with *Regulations of the People's Republic of China on Foreign Exchange Administration* and relevant rules and policies, the relevant matters are hereby notified as follows.

1. foreign institutional investors in this circular refer to commercial banks, insurance companies, securities companies, fund management companies and other asset management institutions that are legally registered in China and are complied with the requirements of *Announcement of the People's Bank of China* (hereinafter referred as to “PBC”) [2016] No. 3; investment products such as pension fund, charitable fund and endowment funds issued by those institutions and other medium to long term investors approved by PBC.
2. Registration is required for foreign institutional investors investing in China's Inter-bank Bond Market. A foreign institutional investor shall entrust its settlement agent to register at the Capital Account Information System of SAFE (hereinafter referred to as “System”) within the time period in the registration notice issued by the Shanghai Head Office of PBC. The settlement agent shall keep a copy of the registration notice for future reference.

Settlement bank shall check if the entity information of the foreign institutional investor has already been recorded in the system before making registration. If the investor's information is not in the system, the settlement agent shall apply to

the local SAFE branch for the special organization code and register the entity information.

Registration of alternation is required if there are any changes in vital information such as change of settlement agent or intended investment amount. In case of alternation of settlement agent, the new settlement agent shall handle alternation registration through the local SAFE branch; in case of an alternation of the intended investment amount or other registered information, the settlement agent shall record the alternation in the System.

In case of foreign investor exiting the inter-bank bond market, the settlement agent shall firstly register to the ShangHai Head office of PBC, then apply to SAFE for cancellation.

3. With registration voucher, settlement agent shall open a designated foreign currency account for foreign institutional investor (account code: 3400 foreign institution / personal onshore foreign currency account).

The designated foreign currency account's sources of fund includes principal and interest profit remitted from abroad, funds transferred from the designated RMB deposit account (hereinafter referred to as the "RMB account") and other sources approved by SAFE; purposes of withdrawal include transferring to the RMB account, remitting principal and profit to aboard account and other withdrawal approved by SAFE.

The funds in the special foreign exchange account shall not be used for the purposes other than investing in the inter-bank bond market.

4. A settlement agent shall, according to the registration voucher and the information in the System, handle outward/inward remittance and foreign exchange sales and settlement for its foreign institutional investors. The accumulative outward remittance (foreign currency and RMB) shall be basically the same as the accumulative inward remittance (10% fluctuation is accepted). The first outward remittance (either foreign currency or RMB) shall not exceed 110% of the accumulative inward remittance.

5. A settlement agent shall report relevant data about foreign institutional investors on a complete, accurate and timely basis in accordance with *Circular of SAFE on the 'Statistical Rules for Foreign Financial Assets/Liabilities and Transactions'* (SAFE Document [2013] No.43), *Circular of SAFE on the 'Foreign Exchange Data Collection Standards for Foreign Institutions'* (SAFE Document [2014] No.18), *Circular of SAFE on Detailed Rules for the Implementation of the Declaration of Balance of Payments Statistics through Banks* (SAFE Document [2015] No.27) and relevant data reporting standards (refer to attachments).

6. If foreign institutional investor or settlement agent has any of the following acts, SAFE will impose punishment in accordance with *Regulations of the People's Republic of China on Foreign Exchange Administration*.

(1) Information or data is reported without complying with relevant regulations, or reported information or data is incomplete or false, or false materials, data, information proof are provided;

(2) Registration is made without complying with relevant regulations;

(3) Outward/inward remittance is handled without complying with relevant regulations;

(4) Relevant account is opened or closed without complying with relevant regulations;

(5) Foreign currency purchase, settlement, receipt and payment are proceeded without complying with relevant regulations;

(6) Balance of payments statistics are reported without complying with relevant regulations; and

(7) Other regulations of SAFE are violated.

7. The materials submitted by foreign institutional investors to SAFE and its branches and departments shall be made in Chinese upon this circular. If both

Chinese version and the version in other language are available, the Chinese version shall prevail.

8. Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) shall still be subject to the prevailing foreign exchange administration regulations for the investment in the inter-bank bond market.

9. SAFE is responsible for the interpretation of this circular.

10. This circular will be implemented from the date of issuance.

All branches and departments of SAFE shall timely forward this circular to the central sub-branches, sub-branches and foreign banks within respective jurisdiction. All designated Chinese-funded foreign exchange banks shall forward this circular to their branches and sub-branches as soon as possible.

In case of any problems in the implementation, please send timely feedback to SAFE.

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State Administration of Foreign Exchange
May 27, 2016