

Regulation of the People's Republic of China on the Administration of Foreign-funded Banks

Chapter I General Provisions

Article 1 This Regulation is formulated to meet the demands for opening to the outside world and for economic development, to strengthen and improve the administration of foreign-funded banks, and to promote the steady and sound operation of the banking sector.

Article 2 The term "foreign-funded bank" as mentioned in this Regulation refers to the following institutions established upon approval within the territory of China in accordance with the relevant laws and regulations:

- (1) A solely foreign-funded bank established by a single foreign bank or by one foreign bank and other foreign financial institutions;
- (2) A Sino-foreign equity joint bank established by a foreign financial institution and a Chinese company or enterprise;
- (3) A branch of a foreign bank; and
- (4) A representative office of a foreign bank.

The institutions as listed in Items (1) to (3) of the preceding Paragraph are hereinafter referred to as business institutions of foreign-funded banks.

Article 3 The term "foreign-funded financial institution" as mentioned in this Regulation refers to the financial institutions registered outside the People's Republic of China and approved or licensed by the financial regulatory authority of the country or region where it is located.

The term "foreign bank" as mentioned in this Regulation refers to a commercial bank registered outside the People's Republic of China and approved or licensed by the financial regulatory authority of the country or region where it is located.

Article 4 A foreign-funded bank shall observe the laws and regulations of the People's Republic of China. It shall not impair any state interest of the People's Republic of China or any public interest.

The proper activities and lawful rights and interests of foreign-funded banks shall be protected by the law of the People's Republic of China.

Article 5 The banking regulatory institution of the State Council and its dispatched institutions (hereinafter referred to as the banking regulatory institutions) shall be responsible for the administration of the foreign-funded banks and their activities. If any law or administrative regulation provides otherwise for the administration of foreign-funded banks and their activities,

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such law or administrative regulation shall prevail.

Article 6 The banking regulatory administrative institution of the State Council shall, according to the regional economic development strategies of the State and the relevant policies, work out relevant incentives and directive measures, and implement them upon approval of the State Council.

Chapter II Establishment and Register

Article 7 The establishment of foreign-funded banks and their branches shall be subject to the examination and approval of the banking regulatory institutions.

Article 8 The minimum amount of the registered capital of a solely foreign-funded bank or Sino-foreign equity joint bank shall be RMB 1 billion yuan or a freely convertible currency of the equivalent value. The registered capital shall be paid-in capital.

Where a solely foreign-funded bank or a Sino-foreign equity joint bank establishes a branch, its headquarters shall gratuitously allocate to it an operating capital of 100 million yuan or a freely convertible currency of the equivalent value. The aggregate amount of the operating capitals allocated by a solely foreign-funded bank or by a Sino-foreign equity joint bank to its branches shall not exceed 60% of the total capital of the headquarters.

A solely foreign-funded bank or a Sino-foreign equity joint bank shall allocate an operating capital, which is at least 200 million yuan or a freely convertible currency of the equivalent value, to each of the branches.

The banking regulatory institution of the State Council shall, according to the business scope of the business institutions of foreign-funded banks and the need of prudent supervision, may increase the minimum amount of registered capital or operating capital, and clarify the proportion of RMB herein.

Article 9 A shareholder that plans to establish a solely foreign-funded bank or a Sino-equity equity joint bank, or a foreign bank that plans to establish a branch or representative office shall meet the following requirements:

- (1) It has the capability of making profits continuously and a good credit standing and does not have any record of gross violation of any law or regulation;
- (2) The shareholder that plans to establish a solely foreign-funded bank, the foreign shareholders of a foreign-funded equity joint bank, and the foreign bank that plans to establish a branch or representative office shall have of international financial experience;
- (3) It has an effective anti-money laundering system;
- (4) The shareholder that plans to establish a solely foreign-funded bank, the foreign

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shareholders of a Sino-foreign equity joint bank, and a foreign bank that plans to establish a branch or representative office shall be under the effective supervision of the financial regulatory authority of the country or region where it is located, and its application shall have been approved by it; and

(5) Other prudent conditions as prescribed by the banking regulatory institution of the State Council.

The foreign shareholder that plans to establish a solely foreign-funded bank, the foreign shareholders of a Sino-foreign equity joint bank, and a foreign bank that plans to establish a branch or representative office shall have a perfect financial regulatory system, and its financial regulatory authority shall have a good mechanism of cooperation with the banking regulatory institution of the State Council.

Article 10 A shareholder that plans to establish a solely foreign-funded bank shall be a financial institution. Besides the requirements as described in Article 9 of this Regulation, the unique or controlling shareholder shall satisfy the following conditions:

- (1) It is a commercial bank;
- (2) 2 or more years have lapsed since it established a representative office within the territory of the People's Republic of China;
- (3) Its total assets at the end of the year prior to the establishment application shall not be any less than US\$ 10 billion; and
- (4) Its capital adequacy ratio meets the requirements of the financial regulatory authority of the country or region where it is located and of the banking regulatory institution of the State Council.

Article 11 For the shareholders that plan to establish a Sino-foreign equity joint bank, besides the requirements as mentioned in Article 9 of this Regulation, the foreign shareholder and the unique or key Chinese shareholder shall be financial institutions, and the unique or key foreign shareholder shall meet the following requirements:

- (1) It is a commercial bank;
- (2) It has set up a representative office within the territory of the People's Republic of China;
- (3) Its total assets shall not be any less than USD 10 billion at the end of the year prior to the filing of establishment application; and
- (4) Its capital adequacy ratio meets the requirements of the financial regulatory authority and the banking regulatory institution of the State Council.

Article 12 To establish a branch, a foreign bank shall not only meet the requirements as described in Article 9 of this Regulation, but also satisfy the following conditions:

- (1) Its total assets shall not be any less than USD 20 billion at the end of the year prior to the filing of establishment application;
- (2) Its capital adequacy ratio meets the requirements of the financial regulatory authority and

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the banking regulatory institution of the State Council; and

(3) For the initial establishment of a branch, 2 or more years have lapsed since it established a representative office within the territory of the People's Republic of China.

Article 13 After a foreign bank has already established a business institution within the territory of the People's Republic of China, it shall not set up any more representative office other than the representative offices already established, except that it establishes a new representative office in a region which satisfies the regional economic development strategies and the relevant policies of the state.

If a representative office is to be changed into a business institution upon approval, it shall go through the formalities for deregistration of the former representative office.

Article 14 To establish a business institution of a foreign-funded bank, the applicant shall first apply for preparatory establishment and submit the following application materials to the banking regulatory institution of the place where the said institution is to be established:

- (1) An application, which covers the name, address, registered capital or operating capital and categories of business of the institution to be established;
- (2) A feasibility study report;
- (3) A draft of the articles of association of the solely foreign-funded bank or Sino-foreign equity joint bank to be established;
- (4) A business operation contract concluded by all shareholders to a solely foreign-funded bank or Sino-foreign equity joint bank to be established;
- (5) The articles of association of the shareholder(s) to a solely foreign-funded bank or Sino-foreign equity joint bank to be established, or the articles of association of the foreign bank of a branch to be establish;
- (6) A diagram of the organizational structure of the shareholder that plan to establish a solely foreign-funded bank or Sino-foreign equity joint bank, or of the foreign bank that plans to establish a branch and of the conglomerate to which the foreign bank belong, name list of the main shareholders, name list of the overseas branches and connected enterprises;
- (7) The recent 3-year annual statements of the shareholder that plans to establish a solely foreign-funded bank or Sino-foreign equity joint bank or of the foreign bank that plans to establish branches;
- (8) The anti-money laundering system of the shareholder that plans to establish a solely foreign-funded bank or Sino-foreign equity joint bank, or of the foreign bank that plans to establish a branch;
- (9) A photocopy of the business license or financial business licensing document which is issued by the financial regulatory authority of the country or region to the shareholder that plans to establish a solely foreign-funded bank, of the foreign shareholder that plans to establish a Sino-foreign equity joint bank, or of the foreign bank that plans to establish a branch,; and

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(10) Other materials as required by the banking regulatory institution of the State Council.

The banking regulatory institution of the place where the financial institution to be established shall send the application materials together with its examination opinions to the banking regulatory institution of the State Council in a timely manner.

Article 15 The banking regulatory institution of the State Council shall, within 6 months after it receives a complete set of application materials for the establishment of a business institution of a foreign-funded bank, decides to approve or disapprove the preparatory establishment, it shall give a written notice to the applicant. If it makes a decision of disapproval, it shall make an explanation.

Under any special circumstance, if the banking regulatory institution of the State Council is unable to finish the examination and make a decision of approval or disapproval of the preparatory establishment, it may appropriately extend the examination time limit and give a written notice to the applicant about it, but the extension shall not exceed 3 months.

The applicant shall, upon the strength of the document of approval of preparatory establishment, fetch an application form from the banking regulatory institution of the place where the business institution is to be established.

Article 16 The applicant shall finish the preparatory establishment within 6 months from the date of approval of preparatory establishment. If it fails to finish it within the prescribed time limit, it shall make an explanation but may extend the time limit by 3 months upon approval of the banking regulatory institution of the place where the business institution is to be established. If it fails to finish the preparatory establishment within the extended time limit, the decision of approval of preparatory establishment made by the banking regulatory institution of the State Council shall be invalidated automatically.

Article 17 If the preparatory establishment is finished and passes the check, the applicant shall submit a business start application it has filled out, along with the following materials, to the banking regulatory institution of the place where the business institution is to be established:

- (1) A name list and resumes of the key persons-in-charge of the institution to be established;
- (2) An authorization to the key persons-in-charge of the institution to be established;
- (3) A capital verification certification issued by the statutory capital verification institution;
- (4) The safety prevention measures and the materials of other facilities relating to its businesses;
- (5) The guarantee of the foreign bank to establish a branch, which promises to bear the the tax and debts of the said branch; and
- (6) Other materials as prescribed by the banking regulatory institution of the State Council.

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The banking regulatory institution of the place where the financial institution to be established shall timely submit the application materials, along with the examination opinions, to the banking regulatory institution of the State Council.

Article 18 The banking regulatory institution of the State Council shall, within 2 months after it receives a complete set of business start application materials, make a decision of approval or disapproval of business start and give a written notice to the applicant. If it makes a decision of approval, it shall issue a financial business permit to the applicant. If it makes a decision of disapproval, it shall make an explanation.

Article 19 After a business institution of a foreign-funded bank has been established upon approval, it shall, upon the strength of the financial business permit, fetch a business license from the administrative organ for industry and commerce.

Article 20 To establish a representative office of a foreign bank, the applicant shall submit the following application materials to the banking regulatory institution of the place where the representative office is located:

- (1) An application, which includes the name and address of the representative office to be established;
- (2) A feasibility study report;
- (3) The applicant's articles of association;
- (4) A diagram of the organizational structure of the applicant and the conglomerate to which the applicant belongs to, a name list of the main shareholders, a name list of overseas branches and connected enterprises;
- (5) The recent 3-year annual statements of the applicant;
- (6) The anti-money laundering system of the applicant;
- (7) Photocopies of the identity certificate and academic certificate(s), resumes and statement of no bad record of the candidate chief representative of the representative office;
- (8) An authorization to the candidate of chief representative of the representative office;
- (9) The applicant's business license or financial business licensing document issued by the financial regulatory authority of the country or region where the applicant is located; and
- (10) Other materials as required by the banking regulatory institution of the State Council.

The banking regulatory institution of the place where the representative office is to be established shall timely submit the application materials, along with the examination opinions, to the banking regulatory institution of the State Council.

Article 21 The banking regulatory institution of the State Council shall, within 6 months after it receives a complete set of application materials for the establishment of a representative office of a foreign bank, make a decision of approval or disapproval and shall give a written notice to the applicant. If it makes a decision of disapproval, it shall make an explanation.

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Article 22 After a representative office of a foreign bank is established upon approval, it shall, upon the strength of the approval documents, go through the registration formalities in the administrative department for industry and commerce and shall fetch an industrial and commercial registration certificate.

Article 23 Among the materials as listed in Articles 14, 17 and 20 of this Regulation, except for the annual statements, those written in a foreign language shall be accompanied by a Chinese translation.

Article 24 According to the principles of legality, prudence and sustainable business operation, a foreign bank may, upon approval of the banking regulatory institution of the State Council, change a branch, which it established within the territory of the People's Republic of China, into its solely foreign-funded bank. The applicant shall, according to the examination and approval conditions, procedures and applications materials as required by the banking regulatory institution of the State Council, submit an application for establishing a solely foreign-funded bank.

Article 25 If a branch of a foreign bank is changed into a solely foreign-funded bank solely invested by its headquarters, this foreign bank may, upon approval of the banking regulatory institution of the State Council, and within the prescribed time limit, maintain one branch engaging in the wholesale business of foreign exchange. The applicant shall file an application according to the examination and approval conditions, procedures and applications materials as required by the banking regulatory institution of the State Council.

The term "wholesale business of foreign exchange" refers to the foreign exchange business geared to clients other than to individuals.

Article 26 The appointment qualifications of the directors, senior managers, chief representative of a foreign bank shall satisfy the conditions as prescribed in the banking regulatory institution of the State Council and shall have been approved by the banking regulatory institution of the State Council.

Article 27 Where a foreign-funded bank is under any of the following circumstances, it shall be subject to the approval of the banking regulatory institution of the State Council and shall go through the registration formalities in the administrative organ or industry and commerce by submitting the following application materials according to the relevant provisions:

- (1) Changing its registered capital or operating capital;
- (2) Changing its name, business site or office;
- (3) Adjusting its scope of business;
- (4) Changing any shareholder or adjusting the proportion of shares held by any shareholder;
- (5) Revising its articles of association; or

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(6) Other circumstances as prescribed by the banking regulatory institution of the State Council.

Where a foreign-funded bank intends to appoint a new director, senior manager or chief representative to replace the old one, it shall be subject to the examination and approval of the banking regulatory institution of the State Council.

Article 28 Where a solely foreign-funded bank or Sino-foreign equity joint bank changes its shareholder(s), the new shareholder(s) shall satisfy the requirements for shareholders as described in Article 9 through 11 of this Regulation.

Under any special circumstance, if it is consented to by the banking regulatory institution of the State Council, the new shareholder(s) may not be governed by Article 10 (2) and Article 11 (2) of this Regulation.

Chapter III Scope of Business

Article 29 A solely foreign-funded bank or Sino-foreign equity joint bank may, according to the business scope as approved by the banking regulatory institution of the State Council, engage in part or all of the following foreign exchange businesses and RMB businesses:

- (1) Taking in deposits from the general public;
- (2) Granting short-term, medium-term and long-term loans;
- (3) Handling acceptance and discount of negotiable instruments;
- (4) Buying and selling government bonds and financial bonds, buying and selling non-stock negotiable securities denominated in foreign currencies;
- (5) Providing L/C (letter of credit) services and guaranties;
- (6) Handling domestic and overseas settlements;
- (7) Buying and selling foreign currencies;
- (8) Selling insurances on a commissioned basis;
- (9) Inter-bank funding;
- (10) Bank-card business;
- (11) Providing service of safety-deposit box;
- (12) Providing credit standing investigation and consultation service; and
- (13) Other business activities approved by the banking regulatory institution of the State Council.

A solely foreign-funded bank or Sino-foreign equity joint bank may, upon approval of the PBC, engage in the foreign exchange settlement and sale businesses.

Article 30 A branch institution of a solely foreign-funded bank or Sino-foreign equity joint bank shall engage in its business according to the authorization of the headquarters. Its civil liabilities

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shall be born by their headquarters.

Article 31 A branch of a foreign bank may, according to the business scope as approved by the banking regulatory institution of the State Council, engage in part or all of the following foreign exchange businesses, and the RMB businesses to clients who are not residents within China:

- (1) Taking in deposits from the general public;
- (2) Granting short-term, medium-term and long-term loans;
- (3) Handling acceptance and discount of negotiable instruments;
- (4) Buying and selling government bonds and financial bonds, buying and selling non-stock negotiable securities denominated in foreign currencies;
- (5) Providing letter of credit services and guaranties;
- (6) Handling domestic and overseas settlements;
- (7) Buying and selling foreign currencies;
- (8) Selling insurances on a commissioned basis;
- (9) Inter-bank funding;
- (10) Providing service of safety-deposit box;
- (11) Providing credit standing investigation and consultation service; and
- (12) Other business activities approved by the banking regulatory institution of the State Council.

A branch of a foreign bank may take in time deposits from residents within China, each of which shall not be less than 1 million yuan.

A branch of a foreign bank may engage in settlement and sale of foreign exchange upon approval of the PBC.

Article 32 The civil liabilities of the branches and other branch institutions of a foreign bank shall be born by their headquarters.

Article 33 A representative office of a foreign bank may engage in the liaison, market investigation, consultation, market investigations and other non-business activities.

The civil liabilities arising from the activities of a representative office of a foreign bank shall be born by the foreign bank it represents.

Article 34 A business institution of a foreign-funded bank, which intends to engage in the RMB businesses as described in Article 29 or Article 31 of this Regulation, shall meet the following conditions and shall be subject to approval of the banking regulatory institution of the State Council:

- (1) Before it files an application, three years have lapsed since it started business within the territory of the People's Republic of China;

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- (2) It has kept a favorable balance for 2 consecutive years prior to filing the application; and
(3) Other prudent conditions as prescribed by the banking regulatory institution of the State Council.

After a branch of a foreign bank is changed into a solely foreign-funded bank of its headquarters, the time limits as mentioned in Items (1) and (2) of the preceding Paragraph shall be calculated from the date of establishment of this branch of the foreign bank.

Chapter IV Supervision and Administration

Article 35 A business institution of a foreign-funded bank shall, pursuant to the relevant provisions, formulate operating rules of this bank, establish sound systems for risk management and internal control and comply with them.

Article 36 A business institution of a foreign-funded bank shall observe the national uniform accounting system, as well as the provisions of the banking regulatory institution of the State Council regarding information disclosure.

Article 37 A business institution of a foreign-funded bank shall follow the relevant provisions of the State when it borrows foreign debts.

Article 38 A business institution of a foreign-funded bank shall determine the interest rates for deposits and loans, as well as the commission fees.

Article 39 To engage in the deposit business, a business institution of a foreign-funded bank shall prepare a deposit reserve according to the provisions of the PBC.

Article 40 A solely foreign-funded bank or Sino-foreign equity joint bank shall observe the provisions of the Law of the People's Republic of China on Commercial Banks governing the asset-liability ratio. If the asset-liability ratio of a solely foreign-funded bank changed from a branch of a foreign bank, or the asset-liability ratio of a solely foreign-funded bank or Sino-foreign equity joint bank does not conform to the relevant provisions, it shall manage to meet the relevant requirement within the time limit as prescribed by the banking regulatory institution of the State Council.

The banking regulatory institution of the State Council may require a solely foreign-funded bank or Sino-foreign equity joint bank with high risks or with weak capability of risk management to increase its capital adequacy ratio.

Article 41 A business institution of a foreign-funded bank shall prepare a reserve for non-performing loans according to the relevant provisions.

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Article 42 A solely foreign-funded bank or Sino-foreign equity joint bank shall follow the relevant provisions of the banking regulatory institution of the State Council regarding corporate governance.

Article 43 A solely foreign-funded bank or Sino-foreign equity joint bank shall follow the relevant provisions of the banking regulatory institution of the State Council regarding connected transactions.

Article 44 30% of the operating capital of a branch of a foreign bank shall exist in the form of interest-generating assets as designated by the banking regulatory institution of the State Council.

Article 45 The proportion of RMB and RMB risk assets of a branch of a foreign bank shall not be less than 8% of the total amount of the operating capital and the reserves thereof.

The banking regulatory institution of the State Council may require the branch of a foreign-funded bank with high risks or with weak capability of risk management to increase the rate as mentioned in the preceding Paragraph.

Article 46 A branch of a foreign bank shall ensure the liquidity of its assets. The proportion of the balance of current assets and the balance of current liabilities shall not be less than 25%.

Article 47 The balance of the domestic assets in home and foreign currencies of a branch of a foreign bank shall not be less than the balance of the domestic liabilities in home and foreign currencies.

Article 48 For a foreign bank which has established 2 or more branches within China, it shall authorize one of them to administer the other ones in a centralized manner.

The banking regulatory institution of the State Council shall supervise and administer the China-based branches of a foreign bank on a consolidated basis.

Article 49 A business institution of a foreign-funded bank shall, under the relevant provisions of the banking regulatory institution of the State Council, report to the local banking regulatory institution about the transnational flow of large-sum money and about the transnational transfer of assets.

Article 50 The banking regulatory institution of the State Council may, according to the risks of a business institution of a foreign-funded bank, take special supervisory measures, such as ordering it to stop some businesses, ordering it to dismiss and change the senior managers.

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Article 51 A business institution of a foreign-funded bank shall hire an accountant firm lawfully established within the territory of the People's Republic of China to audit its financial statements and shall report to the local banking regulatory institution. If it dismisses the accountant firm, it shall make an explanation.

Article 52 A business institution of a foreign-funded bank shall submit financial reports, statements and other relevant materials to the banking regulatory institution pursuant to the relevant provisions.

The representative office of a foreign-funded bank shall submit pertinent materials to the banking regulatory institution under the relevant provisions.

Article 53 A foreign-funded bank shall accept the supervision and inspection conducted by the banking regulatory institution according to law. It shall not reject or hinder such supervision and inspection.

Article 54 A solely foreign-funded fund or Sino-foreign equity joint bank shall set up independent systems of internal control, risk management, financial accounting, and computer information management.

Article 55 The chairman of the board of directors and the senior managers of a solely foreign-funded bank established within the People's Republic of China by a foreign bank shall not concurrently assume the position of a senior manager of a branch of foreign bank engaging in the wholesale business of foreign exchange, and vice versa.

Article 56 The transactions between a solely foreign-funded bank, which was established within the People's Republic of China by a foreign bank, and a branch of foreign bank engaging in wholesale business of foreign exchange shall conform to the business principle. The transaction conditions shall not be more favorable than the transactions between non-connected parties. A foreign bank shall provide full-amount guaranty for any money transaction between a solely foreign-funded bank, which was established within the People's Republic of China by a foreign bank, and a branch of foreign bank engaging in the wholesale business of foreign exchange.

Article 57 No representative office of a foreign bank and none of its staff members may engage in any form of business activities.

Chapter V Termination and Liquidation

Article 58 Where a business institution of a foreign-funded bank intends to terminate its business activities on its own initiative, it shall, 30 days prior to the termination of its business activities, file a written application with the banking regulatory institution of the State Council for

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examination and approval. Upon examination and approval, it shall be dissolved, closed down and liquidated.

Article 59 Where any banking institution of a foreign-funded bank is unable to repay its mature debts, the banking regulatory institution of State Council may order it to stop its business operations and settle the debts within a time limit. If it becomes solvent again during the aforesaid time limit and needs to resume its business operations, it shall file with the CBRC an application for resuming its business operations. If it fails to become solvent within the aforesaid time limit, it shall be liquidated.

Article 60 Where any business institution of a foreign-funded bank terminates after being dissolved, closed down, revoked or declared bankrupt, it shall be liquidated in accordance with the relevant laws and regulations of the People's Republic of China.

Article 61 After the liquidation of a business institution of a foreign-funded bank is finished, the business institution shall go through the deregistration formalities in the original registration organ within the statutory time limit.

Article 62 After any representative office of a foreign bank intends to terminate its activities on its own initiative, it shall be subject to the approval of the banking regulatory institution of the State Council for closedown and shall, within the statutory time limit, go through the deregistration formalities in the original registration organ.

Chapter VI Legal Liabilities

Article 63 Any foreign-funded bank established without examination and approval of the banking regulatory institution of the State Council or any violator illegally engaging in the business activities of a banking financial institution shall be banned by the banking regulatory institution of the State Council. Within 5 years after it is banned, the banking regulatory institution of the State Council shall not accept any application of the party concerned for the establishment of a foreign-funded bank. If any crime is constituted, it shall be subject to criminal liabilities. If no crime is constituted yet, its illegal gains shall be confiscated by the banking regulatory institution of the State Council. If the amount of illegal gains is 500, 000 yuan or more, it shall be fined 1 up to 5 times the amount of the illegal gains. If it has no illegal gains or if its amount of illegal gains is less than 500, 000 yuan, it shall be fined not less than 500, 000 yuan but not more than 2 million yuan.

Article 64 Where a business institution of a foreign-funded bank is under any of the following circumstances, the banking regulatory institution of the State Council shall order it to make a correction and confiscate its illegal gains. If the amount of illegal gains is 500, 000 yuan or more,

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the said business institution shall be fined 1 up to 5 times the amount of illegal gains. If it has no illegal gains or if its amount of illegal gains is less than 500, 000 yuan, it shall be fined not less than 500, 000 but not less than 2 million yuan. If the circumstance is extremely gross or if it fails to make a correction within the time limit, it shall be ordered to stop its business operations or its financial permit shall be revoked. If any crime is constituted, it shall be subject to criminal liabilities:

- (1) Establishing any branch institution without approval;
- (2) Modifying any registration item or being terminated without approval;
- (3) Illegally engaging in any business activities without approval; or
- (4) Increasing or decreasing deposit or loan interest rates by violating the relevant provisions.

Article 65 Where a foreign-funded bank is under any of the following circumstances, it shall be ordered to make a correction by the banking regulatory institution of the State Council. It shall be fined not less than 200, 000 yuan but not more than 500, 000 yuan. If the circumstance is extremely gross or if the foreign-funded bank fails to make a correction within the time limit, it may be ordered to stop its business operations, its financial business permit may be revoked and its representative offices may be revoked. If any crime is constituted, it shall be subject to criminal liabilities:

- (1) Failing to comply with the provisions on information disclosure;
- (2) Rejecting or hindering the lawful supervision and inspection of the banking regulatory institution;
- (3) Providing any financial reports, statements or relevant materials which contain any false information or in which any important fact is concealed;
- (4) Concealing or destroying any document, certificate, book account, electronic data or other materials necessary for the supervision and inspection;
- (5) Appointing any director, senior manager or chief representative without examination and approval of his qualifications; or
- (6) Refusing to execute the special supervisory measures as mentioned in Article 50 of this Regulation.

Article 66 Where a business institution of a foreign-funded bank, in violation of the Regulation, fails to timely submit its financial statements, reports or relevant materials, or fails to formulate relevant business rules under the relevant provisions, or fails to establish sound management systems, it shall be ordered to make a correction by the banking regulatory institution of the State Council within a time limit. If it fails to make a correction within the time limit, it shall be fined not less than 100, 000 yuan but not more than 300, 000 yuan.

Article 67 Where a business institution of a foreign-funded bank, in violation of Chapter IV of this Regulation, engages in any business operation or seriously violates other prudent rules on business operations, the banking regulatory institution of the State Council shall order it to make a correction and fine it not less than 200, 000 yuan but not more than 500, 000 yuan. If the

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circumstance is extremely gross or if the said business institution fails to make a correction within the time limit, the banking regulatory institution of the State Council may order it to stop its business operations for rectification or revoke its business financial business permit.

Article 68 Where a business institution of a foreign-funded bank violates this Regulation, the banking regulatory institution of the State Council shall punish it according to Articles 63 through 67 of this Regulation, in addition, it may take the following measures in light of different circumstances:

- (1) It may order the business institution of a foreign-funded bank to dismiss and change the directly liable directors, senior managers and other directly liable persons;
- (2) If the activity of the business institution of a foreign-funded bank does not constitute a crime yet, it may give a warning to the directly liable directors, senior managers and other directly liable persons and may fine them not less than 50, 000 yuan but not more than 500, 000 yuan; and
- (3) It may disqualify the directly liable directors and senior managers from taking positions within the territory of the People's Republic of China for a certain time period to even a life-long period, prohibit the directly liable directors, senior managers and other directly liable persons from working in the banking sector within the People's Republic of China for a certain time period to even a life-long period.

Article 69 Where any representative office of a foreign bank engages in any business activities in violation of this Regulation, the banking regulatory institution of the State Council shall order it to make a correction, give it a warning and confiscate its illegal gains. If its amount of illegal gains is less than 500, 000 yuan, the banking regulatory institution of the State Council shall fine it 1 up to 5 times the amount of the illegal gains. If it has no illegal gains or if the amount of illegal gains is less than 500, 000 yuan, the banking regulatory institution of the State Council shall fine it not less than 500, 000 yuan but not more than 2 million yuan. If the circumstance is serious, the banking regulatory institution of the State Council shall revoke it. If any crime is constituted, it shall be subject to criminal liabilities.

Article 70 Where a representative office of a foreign bank is under any of the following circumstances, the banking regulatory institution of the State Council shall order it to make a correction, give it a warning and fine it not less than 100, 000 yuan but not more than 300, 000 yuan. If the circumstance is serious, the banking regulatory institution of the State Council shall disqualify the chief representative from assuming such positions within the territory of the People's Republic of China for a certain period, or order the foreign bank which he represents to dismiss and change the chief representative. If the circumstance is extremely gross, the banking regulatory institution of the State Council shall revoke it:

- (1) Changing its office without approval;
- (2) Failing to submit to the banking regulatory institution of the State Council the materials as required; or

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(3)Violating this Regulation or other provisions of the banking regulatory institution of the State Council.

Article 71 Where a foreign-funded bank violates any other law or regulation of the People's Republic of China, it shall be punished by the relevant competent organ.

Chapter VII Supplementary Provisions

Article 72 The banking institutions established in the Mainland by financial institutions from Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region shall be governed by this Regulation by analogy. If it is otherwise provided for by the State Council, the provisions of the State Council shall prevail.

Article 73 This Regulation shall become effective as of December 11, 2006. The Regulation of the People's Republic of China on the Administration of Foreign-funded Financial Institutions promulgated by the State Council on December 20, 2001 shall be repealed simultaneously.



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