



Newsletter

Update

March 23, 2021

- **China Issued Measure for QFLP Pilot in Shenzhen**
- **China Issued Measure for the Issuance and Trading of Corporate Bonds**
- **China Issued Negative List of “Zero-Tariff” for Self-use Production Equipment in Hainan**
- **China Issued Guideline for Regulate Collection of Personal Data by Mobile Apps**
- **China Issued Measure for Information Disclosure of Listed Company**

Article(s)

- **Brief Analysis of Decision for Foreign Insurance Company**

Update

China Issued Measure for QFLP Pilot in Shenzhen

On January 29, 2021, Shenzhen Local Financial Administration issued the Measure for QFLP Pilot (“Measure”), which was implement on February 8, and valid for 3 years.

The Measure indicated that the QFLP can engage in the following businesses: (1) Initiating the establishment of equity investment enterprises; (2) Entrusted to manage the investment business of equity investment enterprises and provide related services; (3) Equity investment consulting.

The QFLP can engage in the following businesses: (1) Investing in the equity of non-listed companies; (2) Investing in non-publicly issued and traded ordinary shares of listed companies, including directional issuance of new shares, block trades, and transfers by agreement; (3) Participating in the allotment of shares as the original shareholders of listed companies; (4)) Provide management consulting for the invested enterprises; (5) Other businesses permitted by the China Securities Regulatory Commission or the Fund Industry Association.

The QFLP can participate in investing in domestic private equity and venture capital funds, and they shall comply with relevant national laws, regulations, and rules regarding foreign investment, and encourage private equity and venture

capital funds invested in to directly invest in real economy enterprises.

China Issued Measure for the Issuance and Trading of Corporate Bonds

On February 26, 2021, CSRC (“China Securities Regulation Commission”) issued the “*Revision on Administrative Measures for the Issuance and Trading of Corporate Bonds*” (“Measure”), which will implement from the date of publication.

The revision of the measure mainly involves following four aspects:

1. Implement the registration system for the public issuance of corporate bonds, clarify the issuance conditions, registration procedures and supervision mechanisms for the review of securities trading venues for the public issuance of corporate bonds.
2. Involving adaptive amendments to the new securities law, including matters such as the filing of securities service agencies, relevant regulations on trustees, the use of raised funds, the definition of major events, the disclosure obligation of public commitments, information disclosure channels, and the distinction between professional investors and ordinary investors, etc.
3. Strengthen supervision during and after the event, consolidate the responsibilities of the issuer and its controlling shareholder, actual controller, as well as the underwriting agency and securities service agency, prohibit evasion of debt and other behaviors that damage the rights and interests of bondholders, and increase restrictions in accordance with regulatory practices Terms of issuance.

In conjunction with other relevant amendments made in bond market supervision, adjustment of corporate bond trading venues, cancellation of mandatory credit ratings for public issuance of corporate bonds, clarification of the regulatory mechanism for non-public issuance of corporate bonds, and emphasizing that the issuance of corporate bonds should comply with local government debt management Relevant regulations.

China Issued Negative List of “Zero-Tariff” for Self-use Production Equipment in Hainan

On March 4, 2021, the ministry of Finance, General Administration of Customs and Excise Office jointly released the “*Notice on Hainan Free Trade Port Released the Negative List of “Zero-Duty” for Self-use Production Equipment*” (“Notice”). The implement period is from the date of publication to the island customs clearance.

Before the operation of the island customs clearance, enterprises registered in Hainan Free Trade Port and have independent legal personality import production equipment for their own use are exempted from tariffs, import value-added tax and consumption tax, except for goods that are not exempted from taxes and are prohibited by national regulations and listed in the Negative List.

The equipment that is not eligible for "Zero-Tariff" includes: coal mining and washing industry, metal mining and dressing industry, leather tanning and processing industry, coal chemical industry, nuclear fuel processing industry, calcium carbide process PVC industry, metal smelting and rolling industry, lead storage battery Manufacturing, coal

product manufacturing, nuclear radiation processing, small hydropower, coal-fired power and heat production and supply industries and other imported production equipment. The list will be dynamically adjusted according to Hainan's actual needs and regulatory conditions.

The benefits of the “Zero-Tariff” policy for self-use production equipment include not only processing and manufacturing, but also productive service industries such as R&D, design, inspection and maintenance, as well as medical and health, cultural and sports tourism and other advantageous service industries in Hainan Free Trade Port, which will be powerful support the development of tourism, modern service industries and high-tech industries.

China Issued Guideline for Regulate Collection of Personal Data by Mobile Apps

On March 12, 2021, the Cyberspace Administration of China (“CAC”), the Ministry of Industry and Information Technology (“MIIT”), Ministry of Public Security (“MPS”) and State Administration for Market Regulation (“SAMR”) have issued a guideline “Provision on Scope of Necessary Personal Information for Common Types of Mobile Internet Applications” (“Provision”) for banning mobile app providers from illegally collecting unnecessary personal information, which shall implement on May 1, 2021.

The Provision specifies the scope of necessary personal information for 39 types of mobile apps. For example, navigation apps may have access to a user's location, place of departure and destination. Instant messaging apps may collect personal information including a user's mobile phone number, their messaging account and the accounts of their contacts. Mobile apps cannot deny users access to their services if users refuse to share unnecessary personal information, as per the guideline.

The Provision is aimed at regulating the collection of personal information by mobile apps to safeguard people's personal information security.

China Issued Measure for Information Disclosure of Listed Company

On March 18, 2021, China Securities Regulation Commission (“CSRC”) issued the “*Revision on Measures for Information Disclosure of Listed Company*” (“Measure”), which shall take effect on May 1, 2021.

The measure mainly include as follow:

1. Improving the basic requirement of information disclosure and equity disclosure system, refining the standard requirement of voluntary disclosure, reduce the cost of information disclosure, clarify the scope of the obligation party of information disclosure.
2. Improving the periodical reporting system and the dissent declaration system of director, supervisor and senior manager of listed company. Require the directors and supervisors shall vote negative or abstention during the board deliberate and check the periodic report when directors and supervisor unable to ensure the authenticity, accuracy, integrity or disagreement of the content of the report.
3. Refining the requirements for interim reporting, supplement and improve the situation of major events, improve the timing of the disclosure of major events of listed companies, and clarify that when directors, supervisors or senior

managers become aware of the occurrence of such major events, the listed company will trigger the disclosure obligation.

4. Improving the information disclosure management system, increase the requirements that listed companies should establish a registration management system for insiders, and newly-added listed companies should formulate requirements for the conduct of directors, supervisors and senior executives in publishing information.

Article(s)

Brief Analysis of Decision for Foreign Insurance Company

by *Denise Song*

On March 19, 2021, the China Banking and Insurance Regulation Commission (“CBIRC”) issued the “Decision on Revising the Enforcement Regulations for Foreign Insurance Company” (“Decision”), further explicit the access standard for the foreign insurance group company and outbound finance institutions investment foreign insurance company.

The Decision mainly include as follow:

1. Expliciting the Access Conditions on Foreign Insurance Group Company and Outbound Financial Institutions.

The outbound investment entities of foreign insurance companies include three types of institutions: foreign insurance company, foreign insurance group company and foreign financial institutions. Meanwhile, to ensure the professional advantage of foreign insurance company, further stipulate that the only or major shareholder of foreign insurance company should be the foreign insurance company or foreign insurance group company.

2. Improving the Conditions for Foreign Insurance Group Companies Investment

According to the Decision, A foreign insurance group company refers to a company that has been registered in accordance with the law in the country where it is located, and exercises control, joint control and significant influence over one or more insurance companies in the group.

A foreign insurance group company applying for the establishment of a foreign-funded insurance company shall meet the following conditions: (1) Comply with the provisions of Items 1, 4, and 5 of Article 8 of the "Regulations"; (2) The country or region where it is located has a sound insurance supervision system, In addition, the foreign insurance group company or its main insurance subsidiary has been effectively supervised by the competent authority of the country or region where it is located; (3) The foreign insurance group or its main insurance subsidiary company to which it belongs meets the solvency standards of the country or region where it is located.

The Decision put forward the concept of a major insurance subsidiary for the first time, which refers to an insurance company that is controlled and jointly controlled by an insurance group company and applies for the establishment of one or more insurance companies with the highest total assets in the previous year, and the total assets of the one or more insurance companies Assets account for no less than 60% of the total insurance assets in the insurance group’s consolidated statement.

3. Clarifying the Investment Conditions of Outbound Financial Institutions

According to the Decision, outbound financial institutions refer to 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 they are located. It is worth noting that there has been no clear definition of overseas financial institutions before.

The Decision clarifies that if an insurance company or an overseas financial institution other than an insurance group company becomes a shareholder of a foreign-funded insurance company, the relevant provisions of the "Administrative Measures on Equity of Insurance Companies" shall apply. As shareholders of insurance companies and overseas financial institutions other than insurance group companies, as well as Chinese shareholders of foreign insurance companies, the relevant restrictive provisions of the "Measures for the Administration of Equity of Insurance Companies" will apply.

4. Cancelling the Restrictive Provison of Foreign Shares

For keeping the consistency of institution, CBIRC states that the foreign insurance company and foreign insurance group company as the shareholder of foreign insurance company, their shareholding ratios can fetch 100%.

5. Refining the Condition of Establishment of Foreign Insurance Group Company

The Decision puts forward the relevant system requirements for foreign insurance group companies for the first time, and clearly stipulates that foreign insurance companies and foreign insurance group companies are shareholders of Chinese domestic insurance companies. If an insurance group company is established, the relevant regulations on the management of insurance group companies shall apply. , Refer to the "Regulations" and "Implementation Rules".

The current effective relevant regulations for the management of insurance group companies are the "Administrative Measures for Insurance Group Companies (for Trial Implementation)" ("Measures") implemented on March 12, 2010. The "Administrative Measures" stipulates:

(1) An insurance group refers to a collection of companies composed of an insurance group company and companies under its control, joint control and significant influence. In addition to the insurance group company, two or more subsidiaries are insurance companies and the insurance business is the group of companies. The main business of the enterprise collection.

(2) The establishment of an insurance group company shall meet the following conditions: (a) It has qualified investors, a reasonable equity structure, and the investor controls more than 50% of the equity of two or more insurance companies in total; (b) An insurance company controlled by the investor At least one of them has been operating insurance business for more than 6 years and has been profitable in the last 3 years, with a net asset of no less than RMB 1 billion and a total asset of no less than RMB 10 billion. The investor has controlled the solvency of the insurance company in compliance with the regulations of the China Insurance Regulatory Commission, has a relatively complete corporate governance structure and internal control system, and has no major violations of laws and regulations in the past three years; (c) The minimum registered capital is RMB 2 billion; (d) Have directors, supervisors and senior managers who meet the qualifications required by the China Insurance Regulatory Commission; (e) Have a sound governance structure, sound organizational structure, effective risk management and internal control management systems; (f) Have business development Applicable business premises and office equipment; (g) Laws, administrative regulations and other conditions stipulated by the China Insurance Regulatory Commission.

(3) The establishment of an insurance group company can take the following two methods: (a) The shareholders of the insurance company act as promoters, and the insurance company's equity and currency contributions are used to establish the insurance group company. The total currency contribution shall not be less than that of the insurance group. 30% of the company's registered capital. (b) The insurance company was renamed as an insurance group company, and the insurance group company invested in currency to establish an insurance subsidiary, and the insurance business of the original insurance company was transferred to the insurance subsidiary in accordance with the law

6. Engaging the Foreign Investment Security Review System

Since the National Development and Reform Commission and the Ministry of Commerce promulgated the "Measures for the Security Review of Foreign Investment" ("Security Review Measures") on December 19, 2020, the state has carried out security reviews of foreign investment in related fields, including Foreign businessmen invest in important financial services and obtain actual control of the invested enterprises. In order to achieve a good system connection, the Decision requires investment in foreign insurance companies that affect or may affect national security, the foreign investment security review shall be carried out in accordance with the law.

All in all, the promulgation of the Decision further demonstrates that the Chinese government adheres to the principle of consistent domestic and foreign investment, improves the relevant system design, and makes the investment entities of foreign insurance companies more diversified.

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