



## Newsletter

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December 31, 2024

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## Update

### **Two Departments Optimize Four Policies to Promote Integrated Domestic and Foreign Currency Cash Pool Business Pilot for Multinational Corporations**

On December 18, 2024, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) announced their decision to optimize the pilot policies (the "Policies") for the integrated domestic and foreign currency cash pool business for multinational corporations in 10 provinces and cities, covering regions such as Shanghai, Beijing, Jiangsu, Zhejiang, Guangdong, Hainan, Shanxi, Ningbo, Qingdao, and Shenzhen.

The main contents of the Policies include: first, allowing intracompany lending between domestic member enterprises of multinational corporations in different currencies for cross-border current account payments; second, simplifying the filing process and the review of materials related to foreign-related receipts and payments; third, permitting multinational corporations to independently determine the

collection ratio of foreign debt and outbound loans based on macro-prudential principles; and fourth, supporting multinational corporations' host enterprises to handle centralized receipts and payments between their domestic member enterprises or foreign entities through the main domestic fund account on behalf of overseas member enterprises.

### **SASAC Issues Nine Opinions to Improve Market Value Management for Central SOEs' Listed Companies**

On December 17, 2024, the State-owned Assets Supervision and Administration Commission (SASAC) published the *Several Opinions on Improving and Strengthening the Market Value Management of Central State-Owned Enterprises' (SOEs) Listed Companies* (the “Opinions”) on its website.

The Opinions consist of nine points, proposing that central SOEs should enhance and strengthen the market value management of their listed companies through mergers and acquisitions, market-oriented reforms, information disclosure, investor relations management, investor returns, and stock repurchase and increase. Specifically, the Opinions guide listed companies to intensify market-oriented reforms by improving corporate governance and standardizing the implementation of equity incentives. They also urge listed companies to comprehensively improve the quality of information disclosure, enhance ESG management systems, strengthen the collection and analysis of public opinion information, and guide listed companies to increase the frequency of cash dividends, optimize the timing of cash dividends, and raise the proportion of cash dividends. Additionally, the Opinions promote the establishment of a regular mechanism for stock repurchase and increase by central SOEs and their listed companies, regulate reduction behaviors, and actively address the long-term issue of listed companies trading below net asset value.

### **State Council Executive Meeting: Improve Local Government Special Bond Management and Promote High-Quality Development of Government Investment Funds**

On December 16, 2024, Premier Li Qiang presided over a State Council executive meeting to implement the decisions of the Central Economic Work Conference. The meeting focused on optimizing and improving the management mechanism of local government special bonds and studying policy measures to promote the high-quality development of government investment funds. The meeting also reviewed and approved the draft Regulations on the Management of Public Security Video Image Information Systems.

The meeting highlighted the need to implement a “negative list” management approach for the areas where local government special bonds can be used, allowing their use for land reserves, supporting the acquisition of existing commercial housing for use as affordable housing, and expanding their use as project capital. The meeting emphasized the importance of strengthening the full-process management of special bonds, improving the fund supervision mechanism and the repayment mechanism. The meeting also discussed policy measures to promote the high-quality development of government investment funds, emphasizing the need to build a scientific and efficient management system, highlight government guidance and policy orientation, and operate government investment funds in accordance with market-oriented, law-based, and professional principles to better serve the national development strategy.

The meeting called for the development and expansion of long-term and patient capital, the improvement of differentiated management mechanisms for different types of funds, and the prevention of crowding out social capital. It also stressed the need to establish a responsibility mechanism that aligns authority with responsibility and is compatible with incentives and constraints, creating an environment that encourages innovation and tolerates failure.

### **China Introduces Standards for Corporate Sustainability Disclosure - Basic Standard**

On November 20, 2024, nine departments, including the Ministry of Finance, jointly issued the *Standards for Corporate Sustainability Disclosure - Basic Standard (for Trial Implementation)* (the “Basic Standards”), with effect from November 20, 2024. Enterprises may implement the Basic Standards voluntarily until the scope of implementation and specific requirements are finalized.

The Basic Standard consists of 31 articles in six chapters, including General Provisions, Disclosure Objectives and Principles, Information Quality Requirements, Disclosure Elements, Other Disclosure Requirements, and Supplementary Provisions. Chapter 3 - Information Quality Requirements specifies six criteria for sustainability information disclosed by enterprises: reliability, relevance, comparability, verifiability, understandability and timeliness.

The national unified system of sustainability disclosure standards consists of basic standards, specific standards and application guidelines. The Basic Standard mainly regulates the basic concepts, principles, methods, objectives and general requirements of corporate sustainability disclosure; the specific standards provide specific requirements for disclosure of information on environmental, social and governance sustainability issues; and the application guidelines include two categories: industry application guidelines and standard application guidelines.

### **State Council Amends Seven Administrative Regulations to Promote Pilot Free Trade Zones**

On December 13, 2024, the State Council published the *Decision of the State Council on Amending and Repealing Certain Administrative Regulations* (the “Decision”), which will take effect on January 20, 2025.

The Decision amends certain provisions of 21 administrative regulations and repeals 4 administrative regulations. Among these, seven administrative regulations, including the Regulations on the Administration of Business Sites for Internet Access Services, have been amended to extend successful pilot adjustments nationwide, particularly in pilot free trade zones. This includes canceling certain approval items and changing some approval items to record management to further stimulate the development vitality of business entities. Additionally, the State Council has amended three administrative regulations to simplify the certification of official documents, promoting institutional openness in the circulation of foreign-related documents.

### **Nine Departments Issue 16 Guiding Opinions to Promote Financial Support for China's**

## **Elderly Care**

On December 13, 2024, the People's Bank of China published the *Guiding Opinions on Financial Support for China's Elderly Care and High-Quality Development of the Silver Economy* (the "Opinions") on its website, which came into effect on December 8, 2024.

The Opinions propose 16 key measures in five areas: supporting the financial needs of different groups for elderly care, expanding financing channels for the silver economy, improving the financial security system, strengthening the foundation of financial services, and building a long-term mechanism. The Opinions emphasize the vigorous development of the first, second, and third pillars of the pension system, further promoting innovation in commercial insurance annuity products, enhancing the design and investment management of elderly financial products, improving financial services for the elderly, increasing financial literacy education and consumer rights protection for the elderly, and intensifying efforts to prevent and combat illegal financial activities targeting the elderly.

## **Four Departments Issue Special Three-Year Action Plan for Digital Empowerment of SMEs**

On December 13, 2024, the Ministry of Industry and Information Technology, the Ministry of Finance, and two other departments issued the *Special Action Plan for Digital Empowerment of SMEs (2025-2027)* (the "Action Plan"), which came into effect on December 12, 2024.

The Action Plan proposes seven key tasks, including the in-depth implementation of the "Hundred Cities" pilot project, conducting classified and gradual digital transformation, promoting the integration and transformation of industrial clusters, driving innovation and empowerment through artificial intelligence, deeply activating the value of data elements for SMEs, enhancing the quality and efficiency of digital transformation supply, and improving public service capabilities for digital transformation. The Action Plan proposes to encourage SMEs to intensify their entrepreneurial and innovative efforts in digital fields such as 5G, artificial intelligence, industrial software, and industrial internet platforms, with a focus on cultivating a group of specialized, refined, and innovative SMEs and "Little Giant" enterprises.

## **Shanghai Supports M&A and Restructuring of Listed Companies**

The *Shanghai Action Plan for Supporting Mergers, Acquisitions and Restructuring of Listed Companies (2025-2027)* (the "Action Plan") was officially released on December 9, 2024, proposing twelve target tasks. The Action Plan came into effect on December 6, 2024.

The Action Plan proposes to support listed companies to acquire high-quality unprofitable assets that can help strengthen and supplement the chain and enhance the level of key technologies, and to sort out the list of key industry-listed chain owners in key areas such as integrated circuits, biomedicine, artificial intelligence, etc.; encourage listed companies in the modern service industry, professional services and other traditional industries, including finance and logistics, to carry out same-industry, upstream/downstream M&A and mergers and acquisitions, and reasonably improve industry

concentration; make good use of the 10 billion yuan integrated circuit design industry M&A fund and set up a 10 billion yuan biomedical industry M&A fund; improve the service capacity of intermediary institutions, and organize regular training for intermediary institutions such as accounting firms, law firms, etc.; and strengthen the support of comprehensive supporting policies, and give certain incentives to the newly introduced professional track M&A fund managers.

## Article(s)

### **Legal Regulation and Practical Exploration of Deepfake Technology in China**

*by Rachel Chen*

As highlighted in previous sections, the rapid emergence of new technologies has introduced new challenges as well. To effectively address the issues arising from the deepfake technology, China needs to make more efforts in legal, technical, and international cooperation aspects. In section III below, we will outline some key policies and actionable measures to address these challenges.

#### **III. Policy Recommendations**

##### **1. Refining the Legal System**

Further detail relevant laws and regulations to clearly define the legal liabilities of various types of infringements, enhancing the operability of the law. Specifically, strengthen the definition of criminal liability, lower the threshold for criminalization, and increase the cost of illegal activities. For example, consider formulating a specialized “Regulations on the Management of Deepfake Technology” to specify the application scope, technical standards, and legal responsibilities of deepfake technology, providing clear legal guidance for law enforcement agencies.

##### **2. Strengthening Technological Research and Development**

Support research institutions and enterprises in developing efficient and accurate deepfake detection technologies to improve identification capabilities and reduce false positives and negatives. Enhance regulatory effectiveness and precision through technological innovation. For instance, establish special funds to support the research and application of deepfake detection technologies, encouraging collaboration between universities, research institutions, and enterprises to advance technological progress. Additionally, create a national deepfake content database to collect and analyze various deepfake content, providing data support for technical detection.

##### **3. Clarifying Platform Responsibilities**

Clearly define the specific responsibilities of internet platforms in regulating deepfake content, establishing standardized content review processes and technical monitoring mechanisms. Promote the establishment of robust self-regulatory systems to ensure timely discovery and handling of illegal content. For example, require platforms to regularly publish deepfake content monitoring reports and accept public supervision. Additionally, establish a reward mechanism for user reporting to encourage public participation in deepfake content reporting, fostering a positive social atmosphere.

#### 4. Enhancing International Cooperation

Actively participate in discussions within international organizations, share technologies and experiences with other countries, and jointly develop international standards to form a global governance framework. Improve global regulatory capabilities through international cooperation. For example, join international anti-deepfake alliances to collaborate with other countries and international organizations in researching deepfake detection and prevention methods, sharing successful practices and best practices. Conduct multinational joint law enforcement actions to combat cross-border deepfake illegal activities and maintain global network space security and order.

#### 5. Raising Public Awareness

Popularize knowledge about deepfake technology through various channels to enhance the public's ability to distinguish between real and fake information, fostering a healthy online cultural environment. For example, conduct deepfake technology science popularization activities in schools, communities, and other venues to raise public awareness. Use media, the internet, and other channels to promote the harms and prevention methods of deepfake technology, guiding the public to use online information correctly and avoid deception and misleading.

#### 6. Promoting Industry Self-Regulation

Encourage industry associations and enterprises to strengthen self-regulation, formulate industry norms and standards, and promote the healthy development of deepfake technology. For example, establish a deepfake technology industry association to develop industry self-regulation conventions and standardize corporate behavior. Additionally, build an industry credit evaluation system to expose and penalize non-compliant enterprises, promoting the healthy development of the industry.

### **IV. Conclusion**

In conclusion, the rapid development of deepfake technology presents new challenges to the existing legal system. Although China has made initial progress in regulating deepfake technology, more efforts are needed in refining the legal framework, technological support, platform responsibility, international cooperation, public awareness, and industry self-regulation. By continuously optimizing legal frameworks and technological means, it is possible to better address the risks posed by deepfake technology, promote its healthy and orderly development, and maintain social harmony and stability.

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