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I. The Comments Sought on the Anti-Money Laundering Law (Draft Revision)

On April 26, 2024, *the Comments Sought on the Anti-Money Laundering Law (Draft Revision)* (“**the Draft**”) was promulgated to the public. The Draft consists of 62 articles in 7 chapters, aiming to strengthen financial supervision and regulation by legal means and enhance the effectiveness of anti-money laundering and anti- terrorism financing. In this publication, we will briefly introduce some main contents of the Draft.

- **Obligation Subject of Anti-Money Laundering**

In addition to financial institutions, Article 59 and Article 60 of the Draft specify that some non-financial institutions shall also fulfill the obligation of anti-money laundering, including: (1) Real estate development enterprises or agencies that provide brokerage services for selling or purchasing houses; (2) Accounting firms, law firms and notary publics entrusted with the purchase or sale of real estate, the escrow of funds, securities or other assets, the escrow of bank accounts, securities accounts, the financing of the establishment or operation of enterprises, and the sale or purchase of business entities for their clients. (3) Dealers engaged in spot transactions of precious metals and stones; and (4) Other institutions determined by the State Council according to the status of the money laundering risks.

- **Jurisdiction and Investigations of Offshore Anti-Money-Laundering**

Article 10 of the Draft extends the jurisdiction to cover money laundering and terrorist financing activities outside the territory of the PRC. Additionally, Article 46 provides that the PRC governmental authorities may, based on reciprocity or mutual agreement, request offshore financial institutions and their onshore agencies to cooperate in the investigations.

- **Requirements for Enterprises and Individuals**

Article 5 and Article 36 of the Draft emphasize the obligations of all the enterprises and individuals in the anti-money laundering work, including cooperation in the due diligence investigation, reporting suspicious transactions, etc. Article 36 even stipulates that if entities and individuals refuse such cooperation, the financial institutions shall have the right to limit or refuse to handle their business, terminate business relationship, etc., and submit suspicious transaction reports according to the situation.

- **Penalties**

Articles 49 to 54 of the Draft stipulates penalties on violations, including punishments on financial institutions and relevant personnels. For financial institutions, a fine of up to RMB 10 million, or 50% to 200% of the amount involved, or less than five times the direct economic loss may be imposed. For individuals, the range of fines is RMB 200,000 to RMB 1 million. Besides, financial institutions and their directors, supervisors, and senior managers as well as directly responsible persons may be prohibited from business operation. To claim exemption from liability, these individuals must prove that they have diligently taken anti-money laundering measures.

- **Conclusion**

With the implementation of the Draft, the Anti-Money-Laundering legal system of the PRC is expected to become stricter. Financial institutions and relevant entities need to pay close attention to the amendment process of Draft and adjust their compliance strategies in a timely manner to adapt to the new legal environment.

II. Interim Provisions on the Prevention of Unfair Competition in Cyberspace

The "Interim Provisions on the Prevention of Unfair Competition in Cyberspace" (Interim Provisions) were issued by the State Administration for Market Regulation (SAMR) on May 6, 2024, and are scheduled to become effective on September 1, 2024.

- **Introduction**

The Interim Provisions aim to address the prevalent unfair competition practices in the Chinese Cyberspace, safeguard fair competition, and promote the healthy development of the digital economy, which plays a crucial role in China's overall development in recent years. These provisions also aim to protect the legitimate rights and interests of businesses and consumers.

Therefore, the Interim Provisions supplement the existing "Anti-Unfair Competition Law of the People's Republic of China" and provide detailed interpretations and supplements to other related laws, including the "E-commerce Law of the People's Republic of China," the "Consumer Rights Protection Law of the People's Republic of China," and the "Anti-Monopoly Law of the People's Republic of China." With a concise structure comprising 43 provisions, the Interim Provisions offer clear and detailed explanations of various scenarios of unfair competition in cyberspace, facilitating understanding and implementation for businesses and enforcement authorities.

- **Main Contents of the Interim Provisions**

Chapter 2 defines and enumerates various forms of unfair competition behaviors, including the following

- i. Confusion: Prohibits unauthorized use of others' influential marks, names, icons, etc., to create confusion in cyberspace.
- ii. False Advertising: Bans false or misleading commercial promotions,

including fake transactions and rankings in cyberspace.

- iii. Bribery: Prohibits bribing digital platform staff or other entities to influencing transactions.
- iv. Harming Competitors: Forbids fabricating or spreading false information to damage competitors' reputations in cyberspace.
- v. Utilize technical Means for unfair competitions: Prohibits using technical means to hijack traffic, interfere, or cause malicious incompatibility, disrupting other businesses' normal operations.

Chapters 3 and 4 elucidate SAMR's authority over cases, the complaint and dispute resolution mechanisms, and the legal responsibilities for violations, ensuring a distinct delineation of rights and obligations for the prompt and efficient resolution of unfair competition practices in cyberspace.

- **Considerations for Foreign Companies Operating in China:**

Foreign Invested Enterprises (FIEs) in China should thoroughly familiarize themselves with all the unfair competition scenarios listed in the Interim Provisions. Additionally, FIEs must acquaint themselves with SAMR's mechanisms for complaints and dispute resolution to ensure timely and effective issue resolution.

FIEs should conduct regular monitoring of their own and their competitors' online market activities to prevent involvement in practices deemed as unfair competition and to detect any unfair competition against themselves. While ensure its own compliance, it is also crucial for FIEs to remain vigilant against unfair competition practices in the cyberspace and to utilize legal tools effectively to protect their market positions.

III. Opinions on Strengthening Regulation, Preventing Risks, and Promoting High-Quality Development of the Capital Market

On April 12, the State Council issued the "Opinions on Strengthening Regulation, Preventing Risks, and Promoting High-Quality Development of the Capital Market," consisting of nine parts, referred to as the new "Nine Articles of the State Council" (referred to as "Nine Articles"). This is a guiding document for the capital market issued by the State Council after a ten-year interval, following the two previous "Nine Articles" issued in 2004 and 2014. The main key points are as follows:

- **Strict Regulation of Issuance and Listing Admission Thresholds**

During the issuance stage, the new "Nine Articles" emphasize the implementation of various responsibilities, including those of listed companies, intermediary agencies, exchanges, and the China Securities Regulatory Commission (CSRC). It also emphasizes the accountability mechanism, clearly stipulating requirements for IPOs, spin-off listings, and refinancing, aiming to improve the quality of listed companies from the source. It raises the listing standards for the main board and the ChiNext Market and improves the evaluation standards for the Sci-Tech Innovation Board's sci-tech attributes. It enhances the quality and efficiency of issuance and listing counseling and expands the scope of on-site inspections for enterprises under review and related intermediary agencies. The dividend policy must be disclosed at the time of listing. The refinancing review process is strictly controlled.

- **Strengthening the Supervision of Issuance and Underwriting**

Regulations are reinforced for all aspects of new share issuance, inquiry pricing, and placement to address market chaos such as high-priced over-raising and collusive pricing suppression. There is a strict strengthening of information disclosure regulation for fundraising projects. Capital development is regulated and guided in a healthy manner, with enhanced penetrating supervision and regulatory

coordination, and severe punishment for illegal activities such as proxy holdings, emergency stock acquisitions at abnormal prices, and benefit transfers.

- **Strengthening Information Disclosure and Corporate Governance Regulation**

A comprehensive system for preventing and punishing falsehoods and frauds in the capital market is constructed, focusing on rectifying key illegal activities such as financial fraud and fund occupation. Listed companies are urged to improve their internal control systems. The supervisory role of independent directors is effectively played, with enhanced support and constraints for their duties.

- **Strengthening Delisting Supervision**

Delisting is strictly enforced, with severe punishment for illegal acts such as financial fraud and market manipulation aimed at maliciously evading delisting. A compensation relief mechanism for investors during the delisting process is improved. Controlling shareholders, actual controllers, directors, and senior executives responsible for significant illegal delisting are required to compensate investors for their losses according to the law.

- **Summary**

The new "Nine Articles" consist of nine parts. Prioritizing the strengthening of regulation to prevent risks is intended to promote the resolution of the deep-rooted contradictions that have accumulated in the capital market over a long period of time. This is an important policy guidance document in the field of the capital market.

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