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- 1 Measures for the Administration of Pilot Consumer Finance Companies**
- 2 Circular on Relevant Individual Income Tax Issues on Equity Incentives**
- 3 Provisions on Foreign Exchange Control in Connection with Securities Investments in China by Qualified Foreign Institutional Investors**
- 4 Explanation on Applying for Reserved Chinese Domain Names**

Measures for the Administration of Pilot Consumer Finance Companies

消费金融公司试点管理办法

Issued By **The China Banking Regulatory Finance Commission**
Subject **Finance, Corporate Law**
Promulgated on **22nd July, 2009**
Effective from **22nd July, 2009**
Source **<http://www.cbrc.gov.cn>**

On 22nd July 2009 the China Banking Regulatory Commission released the “Measures for the Administration of Pilot Consumer Finance Companies” (hereafter referred as “Measures”, which entered into force on the same day. The Measures were formulated to promote the development of finance and regulate the business conducts of the non-banking finance institutions.

Pursuant to the Measures, the term “consumer finance company” means non-banking institution established with approval of the China Banking Regulatory Commission that does not accept deposit from the public and that provides loans to resident individuals in China with small amount for consumption. Without approval, no institutions or companies shall use the words “consumer finance” in their company name.

Qualified investors of a consumer finance company shall be a domestic or foreign financial institution or other investors approved by the China Banking Regulatory Commission. The following requirements shall be met by the qualified investors:

- i. Having at least five years experiences in the field of consumer finance;
- ii. The total assets is not less than 60 billion RMB or the equivalent in freely convertible currencies at the end of the most recent year;
- iii. Having been profitable consecutively for the recent two years;
- iv. Having no record of violation of laws or regulations for the recent two years;
- v. The funds for the equity stake is genuine and lawful and the funds don't originate from a loan, nor are the funds entrusted by third parties;
- vi. The equity interest in the consumer finance company will not be transferred in recent three years. Such term shall be specified in the company's article of association;
- vii. Other requirements settled by the relevant regulatory departments.

The registered capital of a consumer finance company shall be no less than 300 million RMB or the equivalent in freely convertible currencies, which shall be contributed at once.

The consumer finance company shall operate in the field of personal consumer long-term loans, personal consumer loans for general purposes, credit asset transfer, domestic internal bank lending, borrowing from domestic financial institutions, issuing financial bonds with approval, consumer finance-related consulting and agency business, etc. Accordance to the relevant China Banking Regulatory Commission provisions, a consumer finance company shall establish and enhance the corporate governance structure and internal control systems and formulate an effective risk management system.

Circular on Relevant Individual Income Tax Issues on Equity Incentives

关于股权激励有关个人所得税问题的通知

Issued By	The State Administration of Taxation
Subject	Tax
Promulgated on	24th August, 2009
Effective from	24th August, 2009
Source	http://www.chinatax.gov.cn

On 24nd August 2009 the State Administration of Taxation promulgated the “Circular on Relevant Individual Income Tax Issues on Equity Incentives” (hereafter referred as “Guo Shui Han [2009] No.461). The taxation of individual income has won more and more attention of the relevant authorities in recent years. In order to implementing and keeping uniform with the PRC Individual Income Tax Law, a few circulars have already entered into force. Among them, the most important is the Circular on Issues Concerning the Levy of Individual Income from Personal Stock Options (Cai Shui [2005] No.35), the Circular on Issues Relevant to the Levy of Individual Income Tax on Income Derived from Restricted Stock (Cai Shui [2009] No.5). Cuo shui Han [2009] No. 461 was formulated to implement the foresaid circulars with a view to accommodate the remuneration system reform and the equity incentive plans by the domestic or overseas listed companies.

Individual income, which is derived from stock appreciation rights or restricted stock of a listed company, shall be treated as “wage or salary income” and shall be withhold in accordance with the law on individual income tax.

The taxable income on stock appreciation rights shall be determined as the difference in the price of the stock between the grant date and the exercise date multiplied by the number of shares granted and paid directly by the listed company to the grantee in cash, namely it shall be:

Taxable income derived from an exercise of stock appreciation rights = (stock price on exercise date – stock price on grant date) × number of shares exercised.

From the date, on which the stock appreciation rights are exercised, the grantee's bears the income tax obligation.

The calculation formula for the taxable income on restricted stocks shall be:

Taxable income = (market price of the stock on registration date + market price of the stock on the date the restriction is released on the shares)/2×number of shares on which the restriction is released-the total amount actually paid×(number of shares on which the restriction is released/total number of restricted shares obtained)

The individual income tax obligation on restricted stock arises on the date that the restriction on each batch of restricted shares is lifted.

Provisions on Foreign Exchange Control in Connection with Securities Investments in China by Qualified Foreign Institutional Investors

合格境外机构投资者境内证券投资外汇管理规定

Issued By	The State Administration of Foreign Exchange
Subject	Finance
Promulgated on	29th September, 2009
Effective from	29th September, 2009
Source	http://www.safe.gov.cn

The State Administration of Foreign Exchange released the “Provisions on Foreign Exchange Control in Connection with Securities Investments in China by Qualified Foreign Institutional Investors” (hereafter referred as Announcement of Safe [2009] No.1). This announcement entered into force on 29th September, 2009 in order to regulate the conduct of qualified foreign institutional investors (QFIIs) in the securities market in China.

The relevant procedures required by this Announcement shall be carried out by a domestic agent entrusted by a QFII. Both of them shall obey the Chinese provisions related to foreign exchange control. The investment limits has been set by the state. Each individual QFII shall get approval from the State Administration of Foreign Exchange.

A QFII shall submit the following documents for an investment limit, opening of a foreign exchange account and a special RMB account:

- i. An application letter which shall contain the QFII's basic information, an account of the source of the fund, the investment plan, etc., accompanied by a Registration Form for QFII;
- ii. A copy of the Securities Investment Business Permit of a QFII issued by the China Securities Regulatory Commission (CSRC);
- iii. A notarized power of attorney from the QFII authorizing the agent.

The documentation submitted to the SAFE Bureau shall be in Chinese. If both a foreign language version and a Chinese translation are submitted, the Chinese version shall prevail.

The investment funds shall be injected within six months from the date each investment limit is approved. If the QFII fails to meet such deadline without approval, it may not remit such funds inward. When the fund is not in a currency other than US dollars, the US dollars equivalent of the investment limit shall be calculated with reference to the foreign currency to US dollar conversion rate table posted by SAFE in the month in question.

With the approval of the State Administration of Foreign Exchange, A QFII may open one foreign exchange account and one corresponding special RMB account for its own funds or the funds of the customers to which it provides asset management services. The funds in a QFII's foreign exchange account and special RMB account may not be used for purposes other than securities investment in China.

Explanation on Applying for Reserved Chinese Domain Names

中文域名注册服务体系说明

Issued By **China Network Information Center**
Subject **Internet**
Promulgated on **5th November, 2009**
Effective from **16th November, 2009**
Source **<http://www.cnnic.net>**

Internet Cooperation for Assigned Names and Numbers (ICANN) recently announced that from November 16th 2009 ICANN would accept non-Latin-character applications for internationalized country-code top level domain names (IDN ccTLDs) into the internet. Based on this change, China Internet Network Information Center has submitted requests for top-level names with the suffix “.zhongguo (.中国)” only with Chinese characters.

Chinese Domain Name is one of the internationalized domain names containing Chinese characters. It can supply application services such as WWW, Email, and FTP operation systems in Chinese. The length shall be limited to 20 characters (letters). There is also “.cn” available for registration. “.cn” is already a top-level domain name which has been recognized for several years. CNNIC accredited Chinese Domain Name registrars for being in charge of providing Chinese Domain Name registration services. Currently the registration is not yet open to individuals.

The following information is only valid for the registration of top-level names with the suffix “.中国” : The applicant sends original application material to certain registrars through postal deliveries. The application material includes “Application Form for Reserved Domain Name” with official seal and a photo copy of business license. If the domain name is identical to the applicant organizations trade mark, a photo copy of the trade mark registration certificate is required. CNNIC will review the application material which has been submitted by the registrar. If the application is approved, CNNIC will inform the registrar on the result and will transfer the approved domain name to the database of the registrar. If the application is not approved, the reason of rejection will be notified to the registrar. It takes about three working days for reviewing after receiving the application. The time limit of the registration period for Chinese Domain Name is 10 years.

For more information of the Chinese Domain Name Registration can be founded under website of CNNIC ([www. cnnic.net](http://www.cnnic.net)).

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