



A&Z LAW FIRM

A&Z Monthly Newsletter

May 2018

Passion - Professionalism - Collaboration

Dear friends,

This is a monthly newsletter focusing on legal matters in China, and related issues that shape the general business environment for foreign companies operating in China.

Should you have any comments or questions, please do not hesitate to contact Ms. Mireia Paulo at mpaulo@a-zlf.com.cn, or visit [A&Z website](#).

Sincerely,

The Editors

Legal Updates

- [MOFCOM Further Optimizes Administration by Record-filing for the Establishment of and Changes to Foreign-invested Enterprises](#)

The Ministry of Commerce has recently issued the announcement [2018] No. 41 to introduce modifications to the Record-filing Form for the Establishment of a Foreign-invested Enterprise (the "Record-filing Form for Establishment") and the Record-filing Form for Changes to a Foreign-invested Enterprise (the "Record-filing Form for Changes") used in the Integrated Management Information System for Foreign Investment, both effective immediately from the issue date.

The Record-filing Form for Establishment is comprised of five sections, covering basic information on a foreign-invested enterprise, basic information on investors of a foreign-invested enterprise, overview of a foreign-invested enterprise established through a merger or acquisition, and overview of strategic investment made by foreign investors in non-foreign-invested listed companies. As to the Record-filing Form for Changes, information in nine aspects is presented, including changes to the basic information on a foreign-invested enterprise, changes to the basic information on investors of a foreign-invested enterprise, changes to the basic information on a foreign-invested enterprise established through a merger or acquisition, changes to the record-filing information on strategic investors, changes to equities or cooperation interests, consolidation/division/termination, pledge or

A&Z Past events

24-26 May, Hong Kong



Ms. Sophie An, Director and Principal Partner at A&Z, together with Shanghai Jing'an District Bureau of Justice, attended the "Legal Professionals Communication Seminar between Shanghai and Hong Kong" in Hong Kong. The seminar discussed the legal risks face by Chinese companies when engaging in overseas investments, financing, acquisition and reorganization, and intellectual property matters, in addition to deal with international trade arbitrations and litigations.

25 May, Santiago de Compostela, Spain



Ms. Mireia Paulo, Director of the European-American Market and Overseas Investment Projects at A&Z, was invited to give a lecture on "Doing business in China" in Santiago de Compostela. The hosted of this event was Blas Rivas, the president of IURISGAL, an international network of law firms. A&Z is

transfer of a foreign-invested enterprise's property or equities to outsiders, explanations of efforts in execution of announcement procedures.

- **PBC Optimizes Administration of Cross-border Cash Flow to Endorse the Opening-up of the Financial Market**

The General Office of the People's Bank of China has recently issued the Circular on Matters Concerning Further Improving Administration of Cross-border Cash Flow to Support the Opening-up of the Financial Market (the "Circular"), immediately effective from the issue date.

The Circular provides that, overseas Renminbi (RMB) clearing banks and overseas RMB business participant banks may carry out such business as the inter-bank lending, financing through cross-border accounts, and bond repo transactions in the inter-bank bond market, under the existing policy framework, to facilitate the liquidity for the sake of the development of RMB business in offshore markets. Overseas RMB clearing banks shall earnestly fulfill their duties as the clearing banks and prepare the comprehensive plans to manage RMB liquidity and the thorough plans to respond to risks. In addition, the Circular expressly states that the reserve requirement ratio, applicable to RMB deposits made by Hong Kong and Macao RMB business clearing banks into the clearing accounts at the Shenzhen Central Sub-branch and Zhuhai Central Sub-branch of the PBC, will be adjusted to zero. Furthermore, the Circular calls for further optimizing the fund remittance mechanism for the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, in a bid to make it more convenient for overseas investors to use RMB or foreign currencies to make investment.

- **CBIRC Accelerates Implementing Opening-up Initiatives for Banking and Insurance Sectors**

The China Banking and Insurance Regulatory Commission has recently issued the Circular on Lifting Limits on the Business Scope of Foreign-invested Insurance Agencies (the "Circular for the Insurance Sector") and the Circular on Matters Concerning Further Easing Market Entry Restrictions on Foreign-invested Banks (the "Circular for the Banking Sector").

The Circular for the Insurance Sector removes previous restrictions on the business scope of foreign-invested insurance agencies and makes it equally wide to that of insurance agencies invested by Chinese investors, including five types of insurance agency business, such as "designing a scheme for an insurance applicant to take out the insurance, selecting an insurer and handling necessary formalities to take out the insurance"; this new policy takes effect immediately from the issue date. As to the Circular for the Banking Sector, it clearly specifies that foreign-invested banks are allowed to carry out such business as the commissioned issuance without the administrative license from the banking regulator under the State Council; however, they are required to report to the regulator within five working days after the commencement of their business. Furthermore, management banks established by foreign banks within the territory of China are allowed to authorize their respective China-based branches to engage in RMB business and transactions of derivatives, provided that these management banks satisfy particular conditions; also, the operating funds of multiple branches established by a foreign bank in China will be calculated in aggregate.

- **NISSTC Issues the Guidance Note on Cybersecurity - Noteworthy Features of the EU's GDPR**

The Secretariat of the National Information Security Standardization Technical Committee ("NISSTC") has recently released the Guidance Note on Cybersecurity – Noteworthy Features of the European Union's General Data Protection Regulation (GDPR) (the "Note").

The Note gives a brief introduction of scenarios in which the GDPR applies, its core contents and noteworthy points, aiming to remind relevant personnel of paying attention to the impact caused by the application of the GDPR on them. According to the Note, it is advised that attention be paid to affairs in 14 aspects, including

the current member of Mainland China of this network.

22-24 May, Guangzhou and Shenzhen

Ms. Sophie An, Director and Principal Partner at A&Z Law Firm, visited Guangzhou and Shenzhen with the Shanghai Chinese People's Political Consultative Conference to investigate activities carried out in relation to prevention and control of social risks in the area.

23 May, Rome, Italy



Ms. Mireia Paulo, Director of the European-American Market, was invited to speak about Investment projects in China. Two main projects were presented: The Oriental Beauty Valley (上海-奉贤东方美容), and The Qingpu Civil Aviation Park (上海民用航空青浦园区). The audience was composed of Italian business associations, aviation industry, and cosmetic sector representatives providing a valuable scenario for exchanges of opinions.

22 May, Antwerp, Belgium

Ms. Mireia Paulo, Director of the European-American Market, was invited to speak about China's inbound investment regulations at the De Kramers Business Club in Anvers. The audience already doing business in China was very active to interact with Ms. Paulo, who provided very valuable insights for their business expansion.

21 May, Shanghai

Ms. Sophie An, Director and Principal Partner, visited the new Minister of China Overseas Investment Union, and reported the recent work conducted at the China-Japanese Branch.

18 May, Prague, Czech Republic

Ms. Mireia Paulo, Director of the European-American Market, was invited to give a lecture on China's inbound investment regulations with a focus on case studies by the Czech CEE Attorney office. Michal Pravda, Manager at the Export Guarantee and Insurance Corporation, also

"general principles of data processing" and "lawful and justified causes for data processing". The Note clearly specifies that, the GDPR puts forward several mechanisms for cross-border data transfers. For example, data may be directly transferred to a third country which successfully acquires an adequacy decision from the European Union ("EU"); if data recipients are proved to have appropriate safeguards by adopting the recognized code of conduct, entering into a standard contract that meets relevant requirements, making use of binding corporate rules or passing relevant certifications, to ensure the safety of cross-border data transfers, such transfer is also allowable; moreover, requirements on cross-border data transfer may be satisfied on the basis of the data subject's unambiguous consent, for important reasons of public interest, for the purposes of performing a contract in the interests of the data subject, or on the basis of legitimate interests of an organization.

- [Two Authorities Issue a Policy to Support Development of the Operating Service System for Intellectual Property Rights](#)

Lately, the General Office of the Ministry of Finance and the Office of the State Intellectual Property Office have distributed the Circular on Continuing Using the Special Funds for the Development of Service Sectors to Establish the Operating Service System for Intellectual Property Rights in 2018 (the "Circular").

The Circular notes that, efforts will be made in 2018 to continue to select several major cities, where innovation resources are highly concentrated, strong driving force may rise or there is urgent need to make innovation-driven development supported by intellectual property rights, and support such cities to establish the operating service system for intellectual property rights. It is expected to enable an aggregate of over 1000 small and micro enterprises to have access to professional custodian services for intellectual property rights, increase the amount of funds financed with pledged intellectual properties and the volume of intellectual property transactions by more than 20 percent on average per annum, and realize the average annual growth rate of over 20 percent for the quantity of cases involving administrative law enforcement of patents and trademarks, as much as possible in three years. Moreover, the Circular outlines major tasks, makes clear what key areas will be subsidized under the central finance, and calls for greater efforts to investigate and battle against sources of counterfeited goods, repetitive infringements, malicious infringements and massive infringements and better protect the law enforcement in major fields, such as e-commerce and people's livelihood, and in key processes, including exhibitions, import and export.

Industry News

[A private manufacturing index shows steady growth in China](#)
CNBC, 31 May

[China says its space station project will be open to all UN Member States](#)
Euronews, 30 May

[China Sees Large-Scale Blockchain Applications by 2019: Xunlei CEO at China International Big Data Expo 2018](#)
Daily American, 29 May

[China, EU agree to boost economic and trade relations](#)
ECNS, 24 May

[China's E-Commerce Exports Soar in 2017: report](#)
ECNS, 22 May

[US and China put trade war 'on hold'](#)
The Guardian, 20 May

[China's second aircraft carrier concludes first sea trials](#)
Xinhua, 18 May

shared service financing schemes to support investments in China.

[17 May, Budapest, Hungary](#)



Ms. Mireia Paulo, Director of the European-American Market, was invited to give a lecture on China's inbound and outbound investment regulations by the Hungarian CEE Attorney office. A great opportunity to exchange with Hungarian business leaders about the investment opportunities that the Belt and Road Initiative brings for them.

[15 May, Barcelona, Spain](#)

Ms. Mireia Paulo, Director of the European-American Market, was invited to participate in a M&A seminar with a focus on Chinese market. BBL organized the seminar at the UPF Barcelona School of Management bringing together companies from different sectors. Ms. Paulo gave a speech about Chinese Overseas Investment Regulations.

[14 May, Shanghai](#)



Ms. Sophie An, Director and Principal Partner at A&Z Law Firm, organized and participated at the Seminar with the theme "Company's overseas development under the opportunity of 'the Belt and Road'", which highlighted the points to look at when Chinese companies expand their businesses abroad.

About A&Z Law Firm

A&Z is a leading Chinese law firm, which employs over 50 experts composed of a team of professionals comprising attorneys, legal assistants, Japanese translators, client managers, and business specialists across 5 offices in 11 jurisdictions. Having been active in Shanghai since 2004, A&Z's presence was expanded through the establishment of offices in

[China's Geely Hires Banks to Float Volvo](#)
FT, 11 May

[Fitch Sounds Warning on Hong Kong Banks, Citing China Risks](#)
Bloomberg, 10 May

[Expansion of Import will Meet Policy Intensive Period. Food Tariff is Expected to Decrease](#)
China Economy, 7 May

[China greenlights more business for RMB clearing banks](#)
China Daily, May 03

[China makes greater efforts to better business environment](#)
Sina, 3 May 2

[China's E-commerce Logistics Demand Rebounded in April](#)
[4月份中国电商物流需求回升趋势明显](#)
Chinanews, 2 May

[VAT Rates Reduced Across China as of May 2018](#)

VAT rates across China are to fall as of 1 May 2018. The headline changes, as jointly announced by the Ministry of Finance and the State Administration of Taxation, will see the 17% VAT currently payable on the sale of goods fall to 16%, while the 11% VAT currently payable on the import of goods will fall to 10%.

For further details (in Chinese), please visit the following link:

[Circular of the Ministry of Finance and State Administration of Taxation on Adjustment of VAT Rates](#)

Beijing, Dalian, Wuhan, and Tokyo. A&Z focuses on advising multi-national groups, major corporations, banks, and SMEs on various legal issues relevant to their business endeavors.

A&Z's practices include Foreign Investment, Overseas Investment, Competition and Antitrust, Intellectual Property, M&A and Corporate Restructuring, Labour and Social Security, Dispute Resolution, Compliance and CSR, Finance and Capital Markets, Customs Logistics and Maritime Commerce, and Environment, Health and Safety (EHS).

The information contained in this Newsletter is for reference on matters of interest only, and is not intended to be comprehensive. Although we try to ensure accuracy, please note that the application and impact of laws can vary based on contextual and circumstantial variables. Before taking any action, please ensure that you obtain professional advice specific to your circumstances.

A&Z welcomes any and all questions pursuant hereto. For this reason, we recommend that you directly contact one of our attorneys in assisting you to address your needs.

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