

Appendix

Measures for the Administration of Foreign Exchange Business of Payment Institutions

Chapter I General Provisions

Article 1 For the purpose of facilitating the settlement of cross-border e-commerce, promoting the healthy development of foreign exchange business of payment institutions, and preventing the risks of cross-border capital flow, these Measures are formulated in accordance with the *E-commerce Law of the People's Republic of China*, the *Regulations of the People's Republic of China on Foreign Exchange Administration*, the *Measures on the Administration of the Payment Services of the Non-financial Institutions* and other applicable laws and regulations.

Article 2 These Measures shall be applicable to the payment institutions engaging in foreign exchange business.

The foreign exchange business of payment institutions referred to herein means the small, fast and convenient electronic payment service under the current account provided by the payment institutions to the market transaction entities for cross-border transactions through their cooperative banks, including settlement and sales of foreign exchange for clients and relevant fund receipt and payment services.

The market transaction entities referred to herein mean the e-commerce operators and consumers who purchase goods or services (hereinafter referred to as "Consumers").

Article 3 Any payment institution shall not conduct foreign exchange business unless it is registered in the directory of enterprises with

foreign exchange receipt and payment from trade (hereinafter referred to as "Directory Registration") in accordance with these Measures. The payment institutions shall abide by the principles of "know your customer," "understand your business," and "due diligence" in carrying out business activities within the scope of the registered business.

Article 4 The payment institutions shall verify the authenticity and legality of the identity of the market transaction entities with due diligence. The foreign exchange business handled for the market transaction entity shall have a real and legal transaction basis, shall abide by the relevant national laws and regulations, and no services will be provided for illegal transactions in any form. The payment institutions shall review the authenticity, legality of transactions and their consistency with the foreign exchange business.

Article 5 The banks shall carefully select their cooperative payment institutions, objectively evaluate the foreign exchange business capabilities and other competences of the intended cooperative payment institutions, and reasonably review the authenticity and compliance of the foreign exchange business conducted by the cooperative payment institutions. Where the cooperative banks fail to conduct a reasonable review, thereby resulting in a violation of the applicable regulations, the said cooperative banks shall be jointly and severally liable for such violation according to law. The cooperative banks may determine the actual limit for single transaction within the registered limit for single transaction based on the risk control ability of the payment institutions. Where the cooperative banks require the payment institutions to provide the necessary relevant information, the payment institutions shall actively cooperate.

Article 6 The market transaction entities, payment institutions and cooperative banks shall abide by the applicable laws and regulations of China and may not evade regulation through fictitious transactions or spin-offs and other manners.

Article 7 The State Administration of Foreign Exchange and its

branches (hereinafter referred to as “SAFE”) shall supervise and administer the foreign exchange business of the payment institutions according to law. The payment institutions, cooperative banks and market transaction entities shall cooperate with the SAFE.

Article 8 The payment institutions and the cooperative banks shall perform their obligations against money laundering and terrorist financing, safeguard the legitimate rights and interests of the market transaction entities, and strictly keep confidential the identity, transaction information and other relevant information of the market transaction entities according to law.

Chapter II Administration of Registration

Article 9 The SAFE branch and the foreign exchange administrative department (hereinafter referred to as the “SAFE Branch”) shall be responsible for the directory registration administration of payment institutions.

Article 10 When applying for directory registration, the payment institutions shall meet the following conditions:

- (1) Having legal qualifications for related payment services;
- (2) Having the internal management system and corresponding technical conditions for conducting foreign exchange business;
- (3) It is necessary and feasible for the payment institutions to apply for conducting foreign exchange business;
- (4) Having the ability of reviewing authenticity and legality of the transactions and the risk control capability;
- (5) Having at least five employees familiar with foreign exchange business (one is the person in charge of foreign exchange business);
- (6) Cooperating with banks that meet the requirements of Article 11.

Article 11 The payment institutions shall contract with the banks

meeting the following conditions and conduct the relevant foreign exchange business through the cooperative banks:

- (1) Qualified to operate the business of foreign exchange settlement and sales;
- (2) Have the ability to review the authenticity and compliance of foreign exchange business of the payment institutions;
- (3) Have at least five employees familiar with foreign exchange business of the payment institutions;
- (4) Accessed to the personal foreign exchange business system, and activated the relevant online interface.

The payment institutions shall choose no more than two banks for cooperation in principle based on factors such as the scale of the foreign exchange business.

Article 12 Where the payment institution applies for directory registration, they shall submit the following application materials to the SAFE Branch at the place of registration in accordance with these Measures:

- (1) Written application, including but not limited to the company's basic information (e.g., governance structure and organization setup), the situation of the cooperative banks, the scope of foreign exchange business applied for and feasibility study report, agreement on the intention of cooperation with major customers, business process, information collection and authenticity review plan, random inspection mechanism, risk control model and system situation;
- (2) Photocopies of the payment business qualification certificate issued by the competent department of the industry, copies of the business license (duplicate), and copies of the valid ID card of the legal representative, etc.;
- (3) Cooperation agreements with banks (including but not limited to

the Parties' responsibilities and obligations, exchange rate quotation rules, method for collecting the service fee, method for calculation and ownership of interest, dispute handling procedures, the cooperative banks' evaluation and recognition of payment institutions in terms of their ability of reviewing the compliance of foreign exchange businesses, risk management capability as well as the relevant technical conditions);

(4) The resume of foreign exchange business personnel and the verification of their foreign exchange business capabilities;

(5) Letter of Commitment, including but not limited to commitment to the authenticity and creditability of the application materials, fulfilling reporting obligations on time, and actively cooperating with the supervision and management by the SAFE.

Other materials helpful to explain compliance and risk control capabilities can also be provided.

Article 13 The SAFE Branch at the place of registration shall, within 20 working days from the date on which the payment institutions submit the qualified and complete application materials, issue formal written documents to the payment institutions approved to be registered, complete directory registration for the payment institutions, disclose the results of the approval as required, and also file such results with the SAFE.

Article 14 The directory registration of the payment institutions shall be valid for 5 years. Where, upon expiration of the aforesaid period, the payment institutions intend to continue to conduct foreign exchange business, they shall submit an application for renewal of registration to the SAFE Branch at the place of registration at least three months prior to the date of expiration. The payment institutions continuing their foreign exchange business shall meet the conditions as set out in Article 10 hereof and submit the relevant materials in accordance with Article 12 hereof.

Where the payment institutions violate the relevant provisions of the *Administrative Licensing Law of the People's Republic of China* or the competent department of the industry terminates the payment business of the payment institutions, the directory registration of the payment institutions shall lapse accordingly.

Article 15 Where the payment institutions change one of the following items, they shall submit an application for changes in registration to the SAFE Branch at the place of registration in advance and provide the relevant explanatory materials:

- (1) Business scope or business sub-items;
- (2) Cooperative banks;
- (3) Business process;
- (4) Risk control programs;
- (5) Limit for single transaction (the reason for the change in the limit for specific transaction and the corresponding risk control measures);
- (6) Transaction information collection and verification program;
- (7) The person in charge of the corporate foreign exchange business.

Where the SAFE Branch at the place of registration agrees to the changes, it shall register the changes for the payment institutions, and the valid term of the said registration is the same as that of the original registration.

Where the payment institutions change the basic information of their companies such as the company name, actual controller or legal representative, they shall file with the SAFE Branch at the place of registration within 30 days after the changes. The SAFE Branch at the place of registration needs to assess the impact of the changes in the registered matters of the payment institutions on their ability of ongoing operations of the foreign exchange business.

Article 16 Where a payment institution takes the initiative to terminate the foreign exchange business, it shall file an application for de-registration with the SAFE Branch at the place of registration and terminate the foreign exchange business program within 5 working days from the date on which the payment institution determines to terminate. After its business is disposed of, the SAFE shall cancel its registration.

Article 17 Where a payment institution applies for directory registration, if it conceals the relevant situation or provides false materials, thereby resulting in the disapproval of its application, the payment institution shall not make another application within one year from the date of receipt of the decision on disapproval.

Chapter III Administration of Market Transaction Entities

Article 18 The payment institutions shall review the authenticity and legality of the market transaction entities with due diligence, regularly verify and update them, and keep the relevant materials (including electronic images) for five years for future reference. The information about the market entities to be reviewed includes but is not limited to the name, country, valid certificate number, contact method and other information which can be used to verify their identity in principle.

Article 19 The payment institutions shall distinguish between e-commerce operators and consumers, manage the market transaction entities, and establish and refine the system for the management of the market transaction entities. Where the market transaction entities are overseas entities, the payment institutions shall classify and label their identities, and the relevant foreign exchange business shall be conducted in accordance with the applicable relevant provisions.

Article 20 The payment institutions shall establish the negative list management system for market transaction entities, include the market transaction entities that refuse to provide services in the

negative list, and report the negative list and the reasons for their refusal to the cooperative bank on a monthly basis. The payment institutions shall keep the relevant materials for five years for future reference.

The cooperative banks shall establish a random inspection mechanism for the market transaction entities served by the payment institutions, and retain the inspection results for future reference.

Chapter IV Transaction Review

Article 21 The payment institutions shall develop the transaction information collection system to collect transaction information according to the principle of authenticity, trackable audit and non-tampering and ensure that the source of the transaction information is objective, credible and legitimate. In principle, the transaction information shall include such necessary information as the name and type of the goods or services, the quantity, the currency of the transaction, the amount, the parties to the transaction and their respective countries, and the order time.

The payment institutions shall establish a transaction information verification and random inspection mechanism, and conduct continuous random verification of the collected transaction information through appropriate means, and may perform auxiliary verification through logistics information etc., and the relevant information shall be kept for five years for future reference.

Article 22 When providing foreign exchange services for the market trading entities, the payment institutions shall ensure that the collection and payment of funds and transactions are consistent in terms of entities, items, amount, etc., unless otherwise specified.

Article 23 For transactions with high risk of violations, the payment institutions shall require the market transaction entities to provide relevant documents. Where the transaction cannot be confirmed to

be authentic and compliant with relevant regulations, the payment institutions shall refuse such transaction. The relevant materials shall be kept for five years for future reference.

Article 24 The amount of a single transaction involving the foreign exchange business of a payment institution shall in principle not exceed the equivalent amount of USD 50,000. For those entities who have real and legitimate demands exceeding the relevant limits, the payment institution shall submit an application for changing the registration to the SAFE Branch at the place of registration in accordance with Article 15 hereof.

Article 25 The payment institutions shall handle the settlement and sales of foreign exchange and the relevant fund receipt and payment for the market transaction entities through cooperative banks, and realize the one-by-one restoration of the transaction information in accordance with the requirements of these Measures, and shall not handle netting settlement other than the refund. The payment institutions shall complete the handling of the settlement and sales of foreign exchange within the first working day (T+1) after the date of receipt of the funds (T).

Article 26 Consumers may make payment with RMB or their own foreign exchange. When consumers transfer foreign exchange to the payment institutions, the consumers shall provide the banks which transfer foreign exchange with the transaction authenticity materials containing the transaction amount, the name of the payment institution, and other information. The banks which transfer foreign exchange shall provide the service after checking the account name of the payment institutions and the amounts, and indicate in the transaction note “transferred for foreign exchange payments made by payment institutions”.

Article 27 The payment institutions shall reach an agreement with the market transaction entities in advance in respect of the exchange rate quotation, service charges, time of clearing, exchange gains and losses, etc. The payment institutions shall clearly indicate to the

market transaction entities the exchange rate quotation provided by the cooperative banks, and shall not arbitrarily adjust the exchange rate quotation, nor use the exchange rate spread for illegal profit-making purposes.

Article 28 The payment institutions shall establish and refine the risk control mechanism and technical system for foreign exchange business, establish a compliance management position for foreign exchange business, and conduct continuous evaluation and improvement of the said mechanism and technical system.

Article 29 The cooperative banks shall conduct a reasonable review of the authenticity and compliance of the foreign exchange business of the payment institutions, establish a random business inspection mechanism to randomly check some of the business, and retain the relevant materials for five years for future reference.

The cooperative banks may require the payment institutions and transaction-related parties to provide true and legal documents in respect of suspicious transactions. Where the cooperative banks cannot confirm that the transaction is true and legal, they shall refuse to offer the serve. Where the payment institutions do not cooperate with the cooperative bank on review or random inspection, the cooperative banks shall refuse to handle foreign exchange business for the payment institutions.

Chapter V Administration of Accounts

Article 30 The payment institutions shall open a foreign exchange provision account with each cooperative bank in accordance with the relevant provisions on the administration of foreign exchange accounts (the foreign exchange provision accounts of multiple currencies opened with a cooperative bank shall be regarded as one foreign exchange provision account), and the end of the account name is marked with "PIA" (Payment Institute Account). The foreign exchange provision account is used to receive and pay the foreign exchange funds received and to be paid by the market transaction

entities.

Article 31 The foreign exchange business conducted by the payment institutions for market transaction entities shall be carried out through the foreign exchange provision account. Foreign exchange funds can be transferred between the foreign exchange provision accounts under the same name.

Article 32 The payment institutions shall strictly distinguish the funds in the foreign exchange provisions account from their self-owned foreign exchange funds, and shall not mix them. No cash is withdrawn from or deposited into the foreign exchange provision accounts.

The opening and use of the foreign exchange fund account of the payment institutions shall comply with the applicable regulations on foreign exchange administration.

Article 33 The payment institutions and the cooperative banks shall establish a foreign exchange provision information verification mechanism, check the deposit, use and transfer of foreign exchange provisions on a daily basis, and keep the verification records.

Article 34 The foreign exchange provision accounts of the payment institutions shall be included in the management of the foreign exchange account management information system, and the cooperative banks shall submit the data to the SAFE in line with the relevant regulations in time.

Article 35 The payment institutions shall not open foreign exchange provision account overseas or deposit funds of market transaction entities overseas, unless otherwise specified.

Chapter VI Collection and Submission of Information

Article 36 The payment institutions shall submit relevant business data and information as required by these Measures, and ensure the timeliness, accuracy, completeness and consistency of the data.

Article 37 The payment institutions shall, in accordance with the relevant provisions on declaration of balance of payments such as the *Detailed Rules for the Implementation of the Declaration of Balance of Payments Statistics through Banks* (Huifa No. 27 [2015]) and *Guidelines for the Declaration of Balance of Payments Statistics through Banks (2016 Version)* (Huifa No. 4 [2016]), indirectly declare the following two types of data in the cross-border transaction link (that is, when foreign-related receipt and payment actually occurs): one type is the data about the actual foreign-related receipt and payment of the payment institutions at the time of centralized receipt and payment or the netting settlement; the other type is restoring the original receipt and payment data of the domestic payment institutions or individuals deal by deal prior to the centralized receipt and payment or the netting settlement.

Article 38 The payment institutions shall provide the information on the purchase or settlement of foreign exchange on a deal-by-deal basis through the cooperative banks within the prescribed timeframe in accordance with the applicable regulations on the administration of foreign exchange settlement and sales, and the cooperative banks shall submit the statistical reports on the settlement and sales of foreign exchange in accordance with the applicable regulations. As for the personal settlement and sales of foreign exchange, the cooperative banks shall, according to the data of the payment institutions, enter in the name of the payment institutions in the personal foreign exchange business system each single transaction with the amount of no more than USD 500 after aggregating transactions by currency and transaction nature on the first working day (T+1) after the date of the settlement and sales of foreign exchange (T), and enter in the personal foreign exchange business system each single transaction with the amount of more than USD 500 on a deal-by-deal basis. The personal settlement and sales of foreign exchange under the foreign exchange business of the payment institutions shall not be included in the annual facilitation quota of the personal settlement and sales of foreign exchange.

Article 39 The payment institutions shall properly keep all kinds of information generated in conducting the foreign exchange business, and continue to keep such information during the valid term of the customer's registration, and after the customer de-registers its account, the relevant materials and data shall be kept for at least five years.

Article 40 The payment institutions shall submit the data such as the amounts of their customers' foreign exchange receipts and payments, the number of transactions, the balance of foreign exchange provisions to the SAFE Branch at the place of registration through the payment institutions' cross-border payment reporting system prior to the 10th day of each month, and submit report on transactions with large-amount receipts and payments for transactions of customers with monthly cumulative total foreign exchange receipts and payments exceeding USD 200,000 or the equivalent and single transaction with the amount exceeding USD 50,000 or the equivalent. If the payment institutions discover any abnormal or high-risk transactions, they shall promptly report to the cooperative banks and the SAFE Branch at the place of registration after taking corresponding measures.

Chapter VII Supervision and Administration

Article 41 When conducting foreign exchange business, the payment institutions shall accept the supervision of the SAFE branches at the place of registration and the place of business operation according to the law. Supervision and coordination should be strengthened between the SAFE branches at the place of registration and the place of business operation.

Article 42 Where the SAFE requires the payment institutions and the cooperative banks to submit relevant business information and explain the relevant matters according to law, the payment institutions and the cooperative banks shall actively cooperate and promptly provide the relevant materials.

Article 43 Where one of the following circumstances occurs to the payment institutions, the SAFE shall take measures such as giving risk reminders, ordering the payment institutions to make rectification, adjusting the requirements for the report on transactions with large-amount receipts and payments, etc.:

(1) Problems exist in the implementation of administrative systems and policies for foreign exchange business;

(2) The payment institutions are deficient in verifying the authenticity and legality of transactions;

(3) There are potential risks in the administration of foreign exchange provisions;

(4) The payment institutions fail to cooperate with the cooperative banks on review and verification;

(5) The payment institutions frequently change their senior executives in charge of foreign exchange business;

(6) Other circumstances that may jeopardize the stable operation of the payment institutions, prejudice the legitimate rights and interests of the customers or harm the foreign exchange market.

Article 44 Where one of the following circumstances occurs to the banks, the SAFE shall order the banks to make rectification:

(1) The banks are deficient in verifying the authenticity and compliance of the foreign exchange business of payment institutions;

(2) There are potential risks in the administration of foreign exchange provision;

(3) When finding the abnormal situation, the banks fail to urge the payment institutions to make rectification;

(4) The foreign exchange business of the payment institutions seriously violates the relevant regulations or the banks indulge the

illegal transactions of the payment institutions;

(5) Other circumstances that may prejudice the legitimate rights and interests of customers or harm the foreign exchange market.

Article 45 The payment institutions are registered in the directory by fraud or through other improper means, and the SAFE shall revoke its registration according to law. The payment institutions shall not apply for registration once again within three years from the date on which its registration is revoked.

Chapter VIII Penalties

Article 46 Where one of the following circumstances occurs to the payment institutions and the banks, the SAFE shall order them to make rectification and suspend the relevant business for rectification according to law, and shall punish them in accordance with the *Regulations of the People's Republic of China on Foreign Exchange Administration*:

(1) The payment institutions fail to review the authenticity and compliance of the foreign exchange business as specified;

(2) The banks fail to review the authenticity and compliance of the foreign exchange business of the payment institutions as specified;

(3) The banks fail to handle the settlement and sales of foreign exchange business as specified;

(4) They fail to submit relevant data as specified;

(5) They violate the regulations on the administration of foreign exchange accounts;

(6) They do not cooperate with SAFE's supervision, management, inspection and verification;

(7) Other violations.

Where the payment institutions conduct foreign exchange business without completing directory registration or their business exceeds the registered scope or have other violations, the SAFE shall take measures such as making adjustment, de-registering in the directory etc. according to law.

Article 47 The SAFE shall announce violations to the public according to law. Anyone suspected of committing a crime shall be transferred to the relevant public security organ according to law and be held criminally liable.

Chapter IX Supplementary Provisions

Article 48 The term "foreign exchange provision" referred to herein means foreign exchange funds to be held temporarily for upcoming payment that are actually received by the payment institutions for handling the foreign exchange payment business entrusted by the market transaction entities.

Article 49 The payment institutions' own foreign exchange business shall be handled in accordance with the relevant provisions on foreign exchange administration of general enterprises.

Article 50 The SAFE may adjust the relevant standard amount in these Measures based on the changes in the situation, business development and other situations.

Article 51 The power to construe these Measures shall remain with the SAFE.