

## China simplifies personnel forex banking process

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#### In brief

- » China's forex regulator (known as SAFE) has simplified the banking procedures, by relaxing the review and documentation requirements governing the forex affairs of Chinese and foreign nationals in China, with effect from 2 April 2021.

Feedback

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**In detail**

China's forex regulator, State Administration of Forex (SAFE), has announced the measures to simplify the banking procedures for current-account forex purchase, settlement or remittance by foreigners or Chinese nationals.

According to the notice (*ref. Hui-fa [2021] No. 13*) made public on its website on 2 April 2021, SAFE instructs all banks in China to streamline their review procedures governing forex-related requests raised by Chinese and expatriate personnel in China. The relaxation addresses specifically the following areas:

- » **Standard form:** Banks are notified to adopt a SAFE-mandated one-page application form in all their manual or online process. The new form must be put into practice ASAP, and not later than the end of June 2021. It requires the applicants to indicate, simply by checking the box, which of the following is their purpose for making forex settlement, conversion or remittance:

<input type="checkbox"/> Private trips	<input type="checkbox"/> Overseas study	<input type="checkbox"/> Business trip	<input type="checkbox"/> Family visits
<input type="checkbox"/> Medical care	<input type="checkbox"/> Shopping	<input type="checkbox"/> Insurance fees	<input type="checkbox"/> Consulting services
<input type="checkbox"/> Salary & wages	<input type="checkbox"/> Licensing fees	<input type="checkbox"/> Investment rewards	<input type="checkbox"/> Transportation
<input type="checkbox"/> Forex saving in China	<input type="checkbox"/> Purchase of forex in China	<input type="checkbox"/> Others	

The form serves in effect as a commitment letter, which requires the applicant to guarantee that the application for forex usage is based on a genuine, valid and legitimate reason. It holds the applicants legally liable for any untrue disclosure, malpractices or non-compliant acts.

- » **Consistency check:** The banks are reminded to check if the purposes mentioned by the applicants are consistent throughout, especially by those who intend to remit the fund right after purchasing the forex.
- » **Review exemption:** The banks are advised to phase out the review on the following cases, which have a recurrent nature, if a review has been done to their first-time application raised by the same person to the same bank:
- Payment of overseas education fees by Chinese nationals, for converting Chinese yuan into forex and remittance of the fund to an overseas education institution;
  - Receiving overseas salary by Chinese nationals, for converting forex into Chinese yuan;
  - Receiving salary from a China employment by expatriates in China, for converting Chinese yuan into forex, supported by a valid China employment contract.
- » **Green channel policy:** The banks are required to establish up a green channel policy to accommodate any current-account forex handling requests from individuals for any special reasons not explicitly covered by the prescribed scope, as long as their requests can be justified by a genuine and legitimate transaction. Such a policy has to be subject to SAFE's prior approval before its implementation.

The notice has taken effect from 2 April 2021.

**WTS China observation**

The new practice is a boost to individuals having a recurrent need to make or receive payments in forex in China. It also signifies a further step in forex opening-up, to cope with the growing trend of global mobility of human resources and cross-border transactions of personnel.

The establishment of a green channel policy by each bank, pre-approved by SAFE, to deal with the special forex need of individuals is an innovative approach. It can be viewed as SAFE's attempt to delegate further autonomy to the banks without sacrificing efficiency, and to test each bank's risk controlling capability. One may aspire, if the implementation runs well, that the same could be extended to corporate forex rules too in future, to resolve some long standing issues under the current forex control systems.

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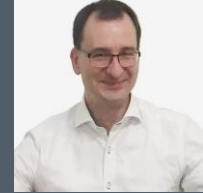
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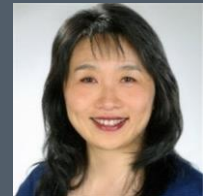
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