



**PRC Law Newsflash**  
**17 April 2015**

**China Simplifies Foreign Exchange Policies for Cross-Border Investments**

The State Administration of Foreign Exchange (**SAFE**) recently issued the *Notice on Further Simplifying and Improving Direct Investment-Related Foreign Exchange Administration Policies (Notice)*, which takes effect on 1 June 2015.

The three key reforms introduced by the Notice are:

**1. Inbound Direct Investments Exempted from SAFE Approval**

Direct investment into China will no longer require separate SAFE approval. Instead, investors may transfer funds by filing a foreign exchange registration with qualifying Chinese banks.

**2. Filing Requirement Removed for Overseas Re-Investments**

The SAFE will no longer require overseas enterprises established or controlled by domestic investors to complete foreign exchange registration procedures when re-investing abroad.

**3. Use of Foreign Exchange in Domestic Equity Purchases Simplified**

Where a foreign-invested enterprise (**FIE**) is created by a foreign investor purchasing equity in a Chinese company with hard currency, the FIE must employ an accounting firm to perform capital verification and registration procedures. Failure to do so prohibits (a) the seller from converting the foreign currency into Renminbi, or otherwise using the funds in China; and (b) the buyer from using income generated by the company in China, or converting it into foreign currency for repatriation.

The Notice removes the above capital verification requirement, and allows FIEs to register foreign currency investments with the SAFE directly. This will simplify the creation of FIEs, the conversion of foreign exchange, and overseas investors' repatriation of profits.

By simplifying certain uses of foreign exchange, the Notice facilitates access to, and the application of, capital in cross-border transactions. This is consistent with China's overall policy of supporting Chinese companies to "go abroad", as well as the gradual relaxation of inbound investment rules. The Notice also makes it easier for Chinese and foreign parties to collaborate on multi-directional ventures such as the establishment of a joint venture in China to sell goods into the overseas market.

\* \* \*

*This newsflash was written by Associate Dylan Wu ([dwu@TransAsiaLawyers.com](mailto:dwu@TransAsiaLawyers.com)) & Paul Kossof ([pkossof@TransAsiaLawyers.com](mailto:pkossof@TransAsiaLawyers.com)) under the supervision of Managing Partner Jesse Chang ([jthchang@TransAsiaLawyers.com](mailto:jthchang@TransAsiaLawyers.com)).*

---

**Beijing**

Suite 2218 China World Office 1  
1 Jianguomenwai Avenue  
Beijing 100004, China  
Tel: +86 10 6505 8188  
Fax: +86 10 6505 8189

**Shanghai**

Unit 1101 Platinum  
233 Tai Cang Road  
Shanghai 200020, China  
Tel: +86 21 6141 0998  
Fax: +86 21 6141 0995

<http://TransAsiaLawyers.com>

*This newsflash is for informational purposes only and does not constitute legal advice. Use of this newsflash does not create an attorney-client relationship between TransAsia Lawyers and the reader. Readers should contact appropriate legal counsel for advice on any particular issue. Entire content copyright is owned by TransAsia Lawyers. Reproduction and distribution of this newsflash in whole or in part without the written permission of TransAsia Lawyers is expressly prohibited.*

*This newsflash may have been sent via e-mail. We cannot guaranty the completeness of messages transmitted by e-mail, and will not be responsible for any modification made to this message after sending by us.*

Uploaded on 17.04.2015

© 2015 TransAsia Lawyers