



**PRC Law Newsflash
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**Regulations Released Regarding Outbound Investment Policies
for the China (Shanghai) Pilot Free Trade Zone**

On 29 September 2013, the Shanghai Municipal Government issued two regulations governing outbound investment activities for companies registered in the China (Shanghai) Pilot Free Trade Zone (**FTZ**):

- *Measures for the Administration of Overseas Investment Projects Filing*, and
- *Measures for the Administration of Overseas Establishment of Enterprises Filing*,

Both of which became effective on 1 October 2013 (together, **Regulations**).

In order to encourage and facilitate outbound investment from the FTZ, the Regulations introduce a system which is simpler and more transparent than that previously in place.

1. Filing System replaces Approval System

Chinese Outbound investment has long required prior approvals from different government authorities, which often delayed prospective projects. Instead, the Regulations set forth a "filing system", under which a company desiring to make an eligible outbound investment only needs to file the project with the FTZ Administrative Commission (**Commission**) instead of seeking approval from various government authorities.

2. Simplified Filing Procedures

Under the new system, the Commission serves as a registrar. For filing purposes, only a few simple documents are required. In addition, the Commission must indicate whether to accept the filing within five working days after the application has been submitted. Upon obtaining the Commission's acceptance of the filing, the company will be able to handle foreign exchange, customs and tax matters with the competent authorities.

3. Eligible Investment

Pursuant to the Regulations, not all outbound investments are eligible for the filing system: certain investments must still meet with the prior approval of various government authorities. These restricted areas include investment in sensitive countries and regions (*e.g.*, countries without diplomatic relations with China, and countries in a state of war or civil disorder), or in sensitive sectors (*e.g.*, basic telecommunication operation, media, massive land development, energy and minerals).

Conclusion

The simplified filing system reflects the government's determination to facilitate outbound investment from the FTZ. Supplementing the Regulations, the People's Bank of China issued an opinion on 2 December 2013 which indicates that, upon obtaining an affirmative opinion from the Commission, a company will no longer be required to seek approval from the local SAFE branch for remitting capital funds abroad. However, the opinion does not have legal force or effect and only serves as a guideline. Only time will tell how the simplified procedures will assist with outbound investment initiatives of entities set up in the FTZ.

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