

Notice of the General Affairs Department of the State Administration of Foreign Exchange on Distributing the Operating Guidelines for the Trade Credit Registration Management System (Deferred Payment Section)

(No. 157 [2008] of the General Affairs Department of the State Administration of Foreign Exchange)

The branches and foreign exchange administrative departments of the State Administration of Foreign Exchange in all provinces, autonomous regions and municipalities directly under the Central Government, branches of the State Administration of Foreign Exchange in Shenzhen, Dalian, Qingdao, Xiamen and Ningbo, all Chinese-funded foreign exchange designated banks,

In accordance with the Notice of the State Administration of Foreign Exchange on Issues concerning the Implementation of Registration of Enterprises' Foreign Debts under the Trade in Goods (No. 30 [2008] of the State Administration of Foreign Exchange), the State Administration of Foreign Exchange formulated the Operating Guidelines for the Trade Credit Registration Management System (Deferred Payment Section) (see Annexes). It is hereby distributed to you, please comply with it.

Annex 1: Operating Guidelines for the Trade Credit Registration Management System (Deferred Payment Section)

Annex 2: Letter of Application for the Examination and Approval of Deferred Payments for Imports

September 26, 2008

Annex 1:

Operating Guidelines for the Trade Credit Registration Management System (Deferred Payment Section)

Part I Principles on the Management of Registration of Deferred Payments

Article 1 For the purposes of improving the statistical monitoring of foreign debts and regulating the registration of foreign debts under the trade in goods of domestic enterprises,

these Guidelines are formulated in accordance with the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Statistical Monitoring of Foreign Debts and the Notice of the State Administration of Foreign Exchange on Issues Concerning the Implementation of System of Registration of Enterprises' Foreign Debts under the Trade in Goods of (No. 30 [2008] of the State Administration of Foreign Exchange). The deferred payments under the trade in goods imported by enterprises shall be registered and managed under these Guidelines.

Article 2 As of October 1, 2008, any deferred payment with a term of more than 90 days under the COD (collect on delivery) (merely referring to TT and collection, and excluding letters of credit and payments made by overseas agencies) shall be registered through the trade credit registration management system (hereinafter referred to as the system) on the on-line services platform of the State Administration of Foreign Exchange (hereinafter referred to as the SAFE) (website: www.safesvc.gov.cn).

For a payment in a foreign exchange made under the import customs declaration form issued by the customs office prior to October 1, 2008, the enterprise may directly make the payment through a bank without having to go through the formalities for the registration of deferred payment.

Article 3 An enterprise's annual amount of foreign exchange payments for deferred payments shall not exceed a certain proportion of the total foreign exchange payments for its imports during the immediately previous year (hereinafter referred to as the "base proportion for deferred payments"). The accumulative amount of foreign exchange payments actually made under its already registered annual deferred payments shall not exceed the annual amount of payments in foreign exchange for deferred payments.

The SAFE shall, in light of the features of trade credit and the situation of international payments, determine the principles and criterions for verifying and setting an enterprise's annual amount of foreign exchange payments for deferred payments. All branches and foreign exchange administrative departments of the SAFE shall be responsible for the verification and setting of the amounts of foreign exchange payments for deferred payments of the enterprises within their respective jurisdictions and, where necessary, delegate corresponding authority to the central sub-branches and sub-branches within their jurisdictions.

Article 4 Each branch or foreign exchange administrative department of the SAFE (hereinafter referred to as the foreign exchange administration) shall confirm the already registered deferred payments to the extent of the enterprises' annual foreign exchange payments for deferred payments. An enterprise can only make payments for the confirmed deferred payments.

Article 5 If an enterprise's expected amount of foreign exchange payments for deferred payments exceeds its annual amount of payments for deferred payments due to reasons attributable to its production and business operations and its own settlement, the foreign exchange administration may, upon application of the enterprise and in light of the actual circumstance, adjust its base proportion for deferred payments or confirm the already registered deferred payments beyond its annual amount of payments for deferred payments.

Article 6 When a bank handles a payment for an enterprise's deferred payment with a term of more than 90 days, it shall verify through the system whether the said deferred payment has been confirmed by the foreign exchange administration. When the bank makes a payment for a confirmed deferred payment, it shall write-off the said deferred payment in the system.

Article 7 A foreign exchange administration shall strengthen off-site and on-site supervision over the registration, payment and write-off of deferred payments with a term of more than 90 days and improve the administration of statistical and monitoring activities.

Part II Operating Guidelines for the Registration of Enterprises' Deferred Payments and Payments in Foreign Exchange

Article 8 As of October 1, 2008, an enterprise which has handled the registration of collection of advance payments for goods shall enter the system by using its organizational code and original password. Where an enterprise enters into the system for the first time, it shall use its organizational code and initial password (uniform initial password for the system: 12345678). For the sake of safety, it is suggested that an enterprise that enters into the system for the first time modify the initial password through the "Password Functions" of the system (see the Enterprise Manual for the Trade Credit Registration Management System).

Any enterprise that has not established archives in the enterprise foreign exchange information archives database system of the SAFE shall, under the Notice of the State Administration of Foreign Exchange on Popularizing the Use of Enterprise Foreign Exchange Information Archives Database System (No. 46 [2007] of the State Administration of Foreign Exchange) first register and input its basic information in the local foreign exchange administration, and then sign into the system after its basic information has been saved in the system.

Article 9 As of October 1, 2008, if it is stipulated in a newly signed import contract that the date of payment in foreign exchange is later than the import date for more than 90 days, the enterprise shall, within 15 working days after signing the contract, log into the system to

register the deferred payment contract.

Article 10 As of October 1, 2008, if an enterprise fails to make an payment in foreign exchange for its newly imported goods after more than 90 days following the customs issuance date as indicated in customs declaration form, it shall log into the system to handle the money withdrawal registration for the deferred payment within 15 working days after the lapse of 90 days following the customs issuance date.

If there is no import contract or if it is stipulated in the import contract that the date of payment in foreign exchange is later than the import date for not more than 90 days, but the enterprise fails to make a foreign exchange payment for its newly imported goods after more than 90 days following the customs issuance date as indicated in customs declaration form, it shall simultaneously handle the registration of the deferred payment contract and the registration of money withdrawal for the deferred payment.

Article 11 In principle the base proportion for deferred payments of an enterprise shall not exceed 10 %, excluding the enterprises that import complete sets of large scale equipment. The uniform initial base proportion for deferred payments of an enterprise in the system is 10%, that is to say, the annual amount of foreign exchange payments for deferred payments shall not exceed 10% of the total foreign exchange payments for its imports during the previous year.

Article 12 The foreign exchange administration shall confirm each of the enterprises' money withdrawal registrations for deferred payments at 23:00 pm each day. If the summation of the amount of a single deferred payment and the accumulative amount of previous money withdrawals registered in the system does not exceed the enterprise' s annual amount of foreign exchange payments for deferred payments, the said deferred payment will be shown in the list of "Already Confirmed Deferred payments" of the system. If the aforesaid summation exceeds the enterprise' s annual amount of foreign exchange payments for deferred payments, the said deferred payment will be shown in the list of "Unconfirmed Deferred payments" of the system.

If the summation of a portion of a single deferred payment and the accumulative amount of previous money withdrawals registered in the system is equal to the enterprise' s annual amount of foreign exchange payments for deferred payments, this portion will be shown in the list of "Already Confirmed Deferred payments" of the system and the rest will be shown in the list of "Unconfirmed Deferred payments" of the system.

After the end of each year, the total amount of deferred payments of an enterprise during the previous year as shown in the list of "Unconfirmed Deferred payments" shall be carried forward to the following year and be deducted from the enterprise' s annual amount of payments for deferred payments for the following year. The foreign exchange administration shall, under the aforesaid principle of one-by-one confirmation, confirm the aforesaid deferred payments.

Article 13 Where an enterprise registers a money withdrawal for a deferred payment after the lapse of 120 days following the customs issuance date, this deferred payment will show in red in the list of “Unconfirmed Deferred Payments” or in the list of “Already Confirmed Deferred Payments” of the system (other deferred payments are in black).

Article 14 An enterprise shall provide the following materials when applying to the foreign exchange administration for examination and approval of the time limit for the registration of a deferred payment:

1. a written application (see Annex for the format);
2. the import declaration form under this deferred payment;
3. the balance of foreign exchange available in the verification system relevant to the import customs declaration form under this deferred payment; and
4. the retrieval and print page in the trade credit system for the money withdrawal registration for this deferred payment.

The enterprise shall not make payment for this deferred payment unless this deferred payment shows in black in the system because it has been examined and approved by the foreign exchange administration.

Article 15 As for deferred payments with a term of 90 days or less, the enterprise may directly make the payment through a bank. As for the deferred payments with a term of more than 90 days, the enterprise can only make payments for those that show in black.

Article 16 Before an enterprise makes a payment for a deferred payment with a term of more than 90 days, it shall, in the system, designate a payment bank for this deferred payment. The enterprise may designate more than one payment bank for a same deferred payment at different times but shall not designate two or more banks for a same deferred payment simultaneously.

Article 17 As for a deferred payment for which contract registration has already been made, the enterprise may, by itself, modify the registered information about the contract relating to this deferred payment.

As for a deferred payment for which the money withdrawal registration has already been completed, if the enterprise fails to make payment for the deferred payment within 90 days for the customs declaration form, the enterprise may, by itself, modify or cancel the original money withdrawal registration information in the system. If the enterprise has made payment for the deferred payment with a term of more than 90 days for the customs declaration form and if it has modified the money withdrawal registration information for the deferred payment, it may file an application with the foreign exchange administration and provide the following materials:

1. a written application (see Annex);
2. the import contract under this deferred payment;
3. the import customs declaration form under this deferred payment;
4. the details of purchase of and payment in foreign exchange for this deferred payment; and
5. the retrieval and print page of the money withdrawal registration for the deferred payment in the trade credit system.

Article 18 If the historical records of foreign exchange payments for imports are continuous but the annual amount of foreign exchange payments for deferred payments is not big enough for the enterprise, it may file a written application with the foreign exchange administration for approving the adjustment to the base proportion for deferred payments or for confirming the deferred payments in the list of “Unconfirmed Deferred Payments” of the system.

A same enterprise shall not reapply for increasing the base proportion for deferred payments within 3 months after the previous increase unless there is any special reason for doing so.

Article 19 A newly established enterprise that has no historical records of foreign exchange payments for imports or an enterprise of which the historical records of foreign exchange payments for imports are not continuous may file a written application for confirming a deferred payment in the list of “Unconfirmed Deferred Payments”. Once it is approved by the foreign exchange administration, the said deferred payment will appear immediately in the list of “Already Confirmed Deferred payments” and the enterprise may make payments for it immediately.

Article 20 An enterprise shall submit the following materials to the foreign exchange administration when applying for adjusting the base proportion for deferred payments:

1. a written application (see Annex);
2. the information about the enterprise’s imports, purchase of foreign exchange and payments in foreign exchange (including purchase of and payments in foreign exchange for deferred payments)

during the previous 3 years;

3. the information about the enterprise' s registration of deferred payments;
4. the major clauses (photocopies of the cover, table of contents, pages of major clauses and the signature page) of the import contract which the enterprise has signed but has not performed; and
5. other materials as required by the foreign exchange administration.

Article 21 An enterprise shall submit the following materials to the foreign exchange administration when applying for confirming a deferred payment in the list of "Unconfirmed Deferred Payments" of the system:

1. a written application (see Annex);
2. the information about the enterprise' s imports, purchase of foreign exchange and payments in foreign exchange (including purchase of and payments in foreign exchange for deferred payments) during the immediately previous year;
3. the major clauses (photocopies of the cover, table of contents, pages of major clauses and the signature page) of the import contract which the enterprise has signed;
4. other materials as required by the foreign exchange administration, such as the import customs declaration form under this deferred payment, the balance of foreign exchange available in the verification system relevant to the import customs declaration form under this deferred payment, the retrieval and print page in the trade credit system for the money withdrawal registration for this deferred payment, etc.

Part III Operating Guidelines for Banks to Make Payments in Foreign Exchange for and Write-off of Deferred Payments

Article 22 As of October 1, 2008, a designated foreign exchange bank or its branch shall, upon the strengthen of the authorization materials of the bank at the next higher level, apply to the local foreign exchange administration for logging into the system to make foreign exchange payments for and write-offs of deferred payments (see the Enterprise Manual for the Trade Credit Registration Management System).

Article 23 As of October 1, 2008, when a designated foreign exchange bank (hereinafter referred to as the bank) receives an application from an enterprise for payment in foreign exchange for imported goods under the COD, if the customs issuance date as indicated in the import customs

declaration form is after October 1, 2008 and if the date of application for payment under this import customs declaration form is later than the customs issuance date for more than 90 days, the bank shall first log into the system to find this import declaration form. If this customs declaration form is not found in the system, the bank shall not make foreign exchange payment under this declaration form.

Article 24 After the bank has successfully found the import customs declaration form of an enterprise for a deferred payment with a term of more than 90 days, it shall search for its import customs declaration form by entering into the On-line Verification System for the Purchase of and Payments in Foreign Exchange for Imports (hereinafter referred to as the Verification System). If this customs declaration form is not found in the system or if the balance of foreign exchange available for payment under this customs declaration form is zero, the bank shall not make payment for this customs declaration form.

Article 25 After the bank has successfully found the aforesaid customs declaration form in the system and the verification system, it may handle the purchase and payment of foreign exchange under the said customs declaration form for this enterprise. The amount of purchase of and payment in foreign exchange shall be the amount of foreign exchange payment under this customs declaration form that the enterprise applies for, the amount of deferred payment under this customs declaration form as shown in the system or the amount of foreign exchange available under this customs declaration form in the verification system, whichever is smaller.

Article 26 When the bank handles the purchase of and payment in foreign exchange for the deferred payment under the aforesaid customs declaration form, it shall, through the system, simultaneously write off the enterprise's deferred payment on the basis of the amount of purchase of and payment in foreign exchange.

Article 27 The bank shall comply with the current provisions when handling an enterprise's purchase of and payment in foreign exchange for the import service trade, non-COD payment and COD payment with a term of less than 90 days.

Article 28 The bank shall comply with the current provisions when writing off an import customs declaration form of an enterprise.

Part IV Operating Guidelines for Foreign Exchange Administrations to Administer the Registration of Deferred Payments and Payments in Foreign Exchange

Article 29 The foreign exchange administration shall set an automatic confirmation function in the system, namely, at 23: 00 pm each day, the system automatically confirms the deferred payments for which the enterprises have made money withdrawal registration. The confirmed deferred payments shall enter into the list of “Unconfirmed Deferred Payments” or “Already Confirmed Deferred Payments” on the basis of the enterprises’ annual amount of payments for differed payments.

Article 30 The SAFE shall authorize all of its branches and foreign exchange administrative departments to examine and approve enterprises’ deferred payment base proportion adjustments, registration of deferred payments, modification of the information about the money withdrawal registration for the deferred payments for which payments have already been made, and confirmation of the deferred payments in the list of “Unconfirmed Deferred Payments”. Each branch may, in light of the specific circumstances, delegate corresponding authority to the central sub-branches and sub-branches within its jurisdiction.

A foreign exchange administration shall, in strict compliance with the preceding articles of these Guidelines, examine the relevant materials furnished by enterprises.

Article 31 As for an enterprise whose historical records of foreign exchange payments for imports are continuous and whose use of deferred payments is stable for a long term and whose annual amount of foreign exchange payments for deferred payments cannot satisfy its demands, the foreign exchange administration may, in light of the actual demands of the enterprise and upon its application, approve the adjustment to the enterprise’ s deferred payment base proportion and approve the confirmation of the deferred payments in the list of “Unconfirmed Deferred Payments” of the system.

The deferred payment base proportion for a production enterprise of large scale complete sets of equipment shall not exceed 30% and the deferred payment base proportion for other enterprises shall not exceed 20%.

A foreign exchange administration shall not approve the increase of a same enterprise’ s base proportion for deferred payments within 3 months after the examination and approval of the immediately previous increase unless there is any special reason for doing so.

Article 32 As for an enterprise which has no historical record of payment for imports or whose historical records of payment for imports are not continuous, the foreign exchange administration may, in light of the actual demands and upon the application of the enterprise, examine and approve the confirmation of the deferred payments in the list of “Unconfirmed Deferred Payments” of the system.

Article 33 When examining and approving an application for adjusting the deferred payment base proportion or confirming the deferred payments in the list of “Unconfirmed Deferred Payments” of the system, the foreign exchange administration shall verify the enterprise’ s basic information in the enterprise foreign exchange information archives database system. For an enterprise applying for increasing its deferred payment base proportion, it shall verify in the system the information about the enterprise’ s present deferred payment base proportion, registered scale of deferred payment and its annual amount of foreign exchange payments for deferred payments. For an enterprise applying for confirming a deferred payment, it shall verify in the system whether the enterprise has registered the contract and money withdrawals relating to the deferred payment.

Article 34 A foreign exchange administration shall evaluate the genuineness and consistency of an enterprise’ s imports and future actual payments in foreign exchange from the following aspects:

1. the information about enterprise’ s actual payments in foreign exchange and actual imports during the previous years;
2. the value of import contract which the enterprise has signed but has not performed, and its payment schedule; and
3. whether the proportion and amount of deferred payments stipulated by the enterprise in the contract conform to the conventional industrial settlement practices or to the market features of the products.

Article 35 When a foreign exchange administration examines an application for the late registration of a deferred payment, it shall examine the enterprise’ s basic archives information and deferred payment registration information, calculate the delayed registration time and require the enterprise to give justifiable reasons for late registration. The foreign exchange administration shall decide whether to approve the application or not by considering the following aspects:

1. For the enterprise’ s initial deferred registration with justifiable reasons, it shall grant approval; or
2. For the enterprise’ s repeated application for examination and approval of deferred registration of deferred payment, it shall grant approval after delivering it to the inspection department.

Article 36 When examining an application for modifying the information about the money withdrawal registration for a deferred payment for which payment has been made, the foreign

exchange administration shall verify the enterprise' s basic archival information and deferred payment registration information, check the enterprise' s modification contents and require the enterprise to offer justifiable reasons for the modification. The foreign exchange administration shall decide whether to approve the application or not by considering the following aspects:

1. If the enterprise applies for increasing or reducing the registered amount of money withdrawals for the deferred payment, it shall not approve it unless the enterprise provides a voucher that can certify the truthfulness; or
2. If the enterprise applies for modifying other registered information about money withdrawals for the deferred payment and if it can make a reasonable explanation, it shall approve the application.

Article 37 The foreign exchange administration shall, under the principle of truthful and consistent trade background, carefully examine the application filed by an enterprise on the precondition that the enterprise' s financing demands in normal trade will not be affected and that it can prevent the abnormal outflow of funds without real transactions, and inform the applicant enterprise of the examination result.

After having approved the application of an enterprise, the foreign exchange administration shall make the relevant operations in the interface for adjusting the base proportions, the interface for approving the late registration of money withdrawals, the interface for approving modification to the registered information about the money withdrawals for the deferred payment, or the interface for confirming the deferred payment (see Operating Manual for Foreign Exchange Administration to Administer the Registration of Deferred Payments and Payments in Foreign Exchange for details).

Article 38 The foreign exchange administration shall, under the Notice of the General Affairs Department of the State Administration of Foreign Exchange on Issues Concerning the Use of Enterprises' Basic Information in the Trade Credit Registration Management System (No. 140 [2008] of General Affairs Department of State Administration of Foreign Exchange) and upon application of an enterprise, put the enterprise' s basic information obtained from the enterprise foreign exchange information archives database system into the enterprise basic information system so as to enable the enterprise to timely log into the system (see Operating Manual for Foreign Exchange Administration to Administer the Registration of Deferred Payments and Payments in Foreign Exchange for details).

The foreign exchange administration shall, under relevant operating requirements, access to and calculate the data of foreign exchange payments for imports during the immediately previous year and put it into the system.

Article 39 The foreign exchange administration shall, under the foreign debt administrative provisions and internal control requirements, formulate administrative provisions on deferred payments, intensify the internal control construction and prevent internal control risks.

Article 40 A foreign exchange administration shall irregularly verify the scale of foreign exchange payments after the deferred payment base proportion of an enterprise has been increased. If it finds that the post-increase base proportion is obviously incommensurate with the actual needs, it shall timely reduce the base proportion and inform the enterprise simultaneously.

The foreign exchange administration shall check the information about the foreign exchange payments for each of the confirmed deferred payments of an enterprise.

Article 41 The foreign exchange administration shall regularly conduct follow-up supervision and off-site inspections over the registration, use and write-off of deferred payments of an enterprise under any of the following circumstances:

1. where an enterprise' s deferred payment base proportion exceeds 20%;
2. where an enterprise frequently applies (more than 3 times in a month) for deferred payments or the deferred payment is rather big (more than USD 1 million each time); or
3. where an enterprise' s deferred payment term exceeds 1 year and its balance of deferred payments exceeds USD 5 million.

Article 42 For an enterprise which has failed to write off its deferred payments after the lapse of 90 days as indicated in the registration of deferred payment, the foreign exchange administration shall pay special attention to it and may, where necessary, organize an on-site inspection, timely analyze the information and inform the relevant competent department in charge of the enterprise.

The enterprises, banks and all branches shall timely report to the SAFE problems arising during the course of implementation.

Annex 2:

Letter of Application for Examination and Approval of Deferred payments for Imports (Format for Reference)

_____Branch (Central Sub-branch or Sub-branch) of the State Administration of Foreign Exchange,

This company mainly engages in () and other businesses, its total amount of payments for goods imported during the immediately previous year is () (type of currency:). It hereby applies to you for the following matters:

The annual amount of foreign exchange payments for deferred payments determined on the basis of the current deferred payment base proportion at () % is USD (), the expected accumulated foreign exchange payments for deferred payments this year is USD (), so this company hereby applies for adjusting the deferred payment base proportion for deferred payments for imports to () %.

This company has registered money withdrawals for () deferred payments, totaling () (type of currency:). The said deferred payments have not been confirmed because they have exceeded the annual amount of payments for deferred payments in the sum of USD (), hereby this company applies for their confirmation.

This company handled the money withdrawal registration for deferred payment in a sum of () (type of currency:) on () and handled the registration of deferred payment after the lapse of () days after the customs issuance date. It is unable to make a foreign exchange payment due to late registration and thus applies for approval.

There is erroneous information in the money withdrawal registration made by this Company on () for deferred payment, we hereby applies for examination and approval of modifying the registered information about money withdrawals .

We seriously promise that we have registered the deferred payments under Document No. 30 [2008] of the State Administration of Foreign Exchange and that the matters we apply for and the explanatory materials as listed in the Annexes are true to the facts. If there is any fraudulent act, this Company and its legal representative and relevant liable persons would bear relevant legal liabilities.

(Enclosed are the import contract, terms and conditions of trade settlement and explanatory materials for other information as required by the foreign exchange administration)

Company (Official Seal)

Date: