



Anti-Money Laundering: New PRC Regulations

by Chris CAO & Jiong SHENG

Money laundering is the process of taking “dirty” money that has been obtained from illegal sources, e.g. drug trafficking, and making it appear legally earned. The process usually includes three steps: placement, layering and integration. The “dirty” money is first placed into the financial system, where the money is then “washed”, meaning the origin and ownership of the money are disguised via a process called “layering”. Lastly, the funds are integrated into the legitimate economy.

The legal situation in China is based on a wide range of laws and regulations. The most important laws in the Chinese regulatory anti-money laundering environment, from a perspective of businesses other than financial institutions, have so far been the

- Anti-Money Laundering Law
- Criminal Law
- Regulations on Foreign Exchange Control, and
- Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange.

The regulatory landscape has now been supplemented with a newly revised regulation from the People’s Bank of China (PBoC) that shall take effect on July 1, 2017, the *Administrative Measures for Financial Institutions’ Reports of Large-value and Suspicious Transactions*. This regulation is supposed to improve the monitoring of money laundering, terrorist financing, bribery and tax fraud.

The new requirements for financial institutions include the reporting of large-value and suspicious transactions. The thresholds for large-value and suspicious transactions that financial institutions shall report to the China Anti-Money Laundering Monitoring and Analysis Center have been adjusted as follows:

- 1) Single cash transactions over RMB 50,000;
- 2) Any series of RMB cash transactions exceeding RMB 50,000 in a single day;

- 3) A single cash transaction in a foreign currency denomination valued at over USD 10,000;
- 4) Any series of foreign currency cash transactions with a value above USD 10,000 in a single day;
- 5) Single fund RMB transfers above RMB 2 million between bank accounts of non-natural person legal entities and third-party bank accounts;
- 6) Any series of fund transfers denominated in RMB exceeding RMB 2 million between bank accounts of non-natural person legal entities and third-party bank accounts in a single day;
- 7) Single fund, foreign-currency transfers with a value over USD 200,000 between bank accounts of non-natural person legal entities and third-party bank accounts;
- 8) Any series of foreign-currency fund transfers exceeding USD 200,000 between bank accounts of non-natural person legal entities in a single day;
- 9) Single domestic RMB fund transfers over RMB 500,000 between bank accounts of natural persons and third-party bank accounts;
- 10) Single domestic foreign-currency fund transfers over USD 100,000 between bank accounts of natural persons and third-party bank accounts;
- 11) Any series of domestic RMB fund transfers exceeding RMB 500,000 between bank accounts of natural persons and third-party bank accounts in a single day;
- 12) Any series of domestic foreign-currency fund transfers with a value above USD 100,000 between bank accounts of natural persons and third-party bank accounts in a single day;
- 13) Single, cross-border RMB-denominated fund transfers above RMB 200,000 between bank accounts of natural persons and third-party bank accounts;
- 14) Single, cross-border foreign-currency transfers with a value above USD 10,000 between bank accounts of natural persons and third-party bank accounts;
- 15) Any series of RMB cross-border fund transfers above RMB 200,000 between bank accounts of natural persons and third-party bank accounts in a single day;
- 16) Any series of foreign-currency cross-border fund transfers with a value above USD 10,000 between bank accounts of natural persons and third-party bank accounts in a single day.

Financial institutions must also report suspicious transactions to the PBoC on the basis of “reasonable suspicion”, regardless of the value of the transaction.

What is important in order to stay compliant?

Although the above changes only apply to financial institutions, it is nonetheless important to be aware of this new regulation and to keep your compliance practice up to date. Identify, assess and take effective action to reduce your company's money laundering risks. When it comes to HR the main focus should be placed on hiring experienced compliance staff and

providing regular training on any AML-Law developments. Be aware of possible deficiencies in your risk management and compliance with applicable AML laws and regulations. Raise awareness of internal risk reporting and internal control mechanisms so that every employee is able to contribute to excellence in compliance efforts.

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