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1. **Shanghai issued a new unified work permit for foreigners.**
2. **China introduced measures to help prevent risks in internet finance.**
3. **China amended its Foreign Investment approval regime.**

1. Shanghai Issued A New Unified Work Permit For Foreigners

A new unified work permit for foreigners replacing the Alien Employment Permit and the Foreign Experts Certificate was issued for Shanghai. The implementation details are still being reviewed, but the central authorities have issued some guidelines. Based on the new regulation, foreigners are grouped into three categories: Highly Skilled Expats (class A), Professional Talents (class B), and Ordinary Workers (class C). Highly skilled expats, that are selected by the China talent import plan, hold an internationally recognized reward or are innovative and entrepreneurial talents, will only need to complete an online application after being recruited to work in Shanghai before they are allowed to enter the country. Also, there no longer is an age limit for highly skilled expats.

The new regulation simplifies the application: company's application letters, licensing stubs, and bilingual resumes will no longer have to be submitted. Applicants for the Foreigner Work Permit will only need to submit an online application form, list their work qualifications, their highest degree certification (authenticated by embassy or consulate), a no-criminal record certificate, a health certificate, and an employment contract or an appointment certificate. Additional material requirements may apply on a case-to-case basis.

Shanghai is the first city to launch the new system affirming its efforts to attract more foreign talents to speed up its development as a scientific and technological innovation hub. It is planned to use the unified work permit across China starting from 1 April 2017.

2. China Introduced Measures To Help Prevent Risks In Internet Finance

On 13 October 2016, the State Council issued Implementing Measures in an attempt to address risks arisen by irregular and illegal activities in the internet finance sector. In the respective circular, the State Council distinguishes between legal and illegal activities in the internet finance sector and sets out measures targeting specific risk areas. The most important regulations include the following:

2.1 P2P Online Lending Platforms

Peer-to-Peer (P2P) lending platforms are banned from setting up capital pools, extending loans, and engaging in illegal fundraising. Offline marketing is not allowed except for credit information collection and verification, posts of loan tracking, and pledge and mortgage management. Lending platforms are also banned from managing assets, transferring equity as well as engaging in other financial business without approval.

Real estate development enterprises, real estate intermediary agencies and internet financial institutions which have no finance related qualification are not allowed to carry out real estate related financial business by using P2P platforms.

Any enterprise shall not do any online financial business without financial related qualifications. Moreover, they shall not sell their private placement to the public by separating or packaging. Financial institutions shall not circumvent existing controls requirement and do business of asset management by using the internet. In case one group has more than one business qualifications, they shall not violate related party transactions or other regulations.

2.2 The Third Party Payment Business

Non-bank payment institutions shall not misappropriate client's funds. The client's funds shall have an account at People's Bank of China or other qualified business banks. Other payment institutions are not allowed to do payment business, personal POS payment, online payment, and issue multiple prepaid cards without qualifications.

2.3 Internet Finance Sector Advertisement.

The internet financing sector advertisement shall be in accordance with laws and regulations, and financial products or business shall not be advertised in an improper way. Institutions without the proper qualifications shall not advertise to their business or company. Institutions which hold financial related qualifications only can advertise themselves or their business area. All advertisements shall be in accordance with the laws and other regulations, and if they need approval by the authorized departments, their advertisements shall meet the approval without any misleading or false information.

3. China Amends Its Foreign Investment Approval Regime

On 1 October 2016, amendments to the so-called "Three FIE Laws" came into force, and on 8 October 2016, MOFCOM and the National Development and Reform Commission ("NDRC"), promulgated rules regulating further detailed aspects of the record filing system. The new system provides foreign investors with "pre-establishment national treatment".

3.1 The background of the amendment.

The old regulatory regime was established with the promulgation of the Sino-foreign Equity Joint Venture Enterprise Law in 1979 called "Three FIE Laws". According to these three laws, all foreign investments into China and their subsequent changes required prior approval from MOFCOM or its local branches. As the economy of the People's Republic of China ("PRC") has developed and grown, the restrictions of the old approval-based regulatory regime became more and more obvious over the past years, and the government of the PRC concluded a reformation of the regulatory regime. In August 2013, the Standing Committee of National People's Congress ("NPC") authorized the State Council to temporarily adjust implementation of certain clauses of the Three FIE Laws within the Shanghai Free Trading Zone ("FTZ") for a period of three years. A "negative list" system was introduced in the Shanghai FTZ which provided the equal treatment of foreign and domestic enterprises in principle, except for enterprises falling within the areas of business stipulated in the negative list. In 2015, the system of the Shanghai FTZ was replicated in the Guangdong, Tianjin and Fujian FTZ, and the General Office of State Council promulgated a negative list applicable to all these four FTZ. On 3 September 2016, the Standing Committee of NPC concluded amendments to the Three FIE Laws. The laws were amended with an article that came into power as of 1 October 2016. The amendments provide that a record-filing requirement, instead of the approval requirement, will apply with respect to matters involving Wholly Foreign-Owned Enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative joint ventures that are not captured by the Special Administrative Measures specified by the authorities, .

3.2 The Negative List

As the record-filing system only applies to businesses that are not part of the negative list, the content of the negative list is a critical element of the reform. In order to clarify uncertainties and market expectations regarding the negative list, a brief joint announcement of NDRC and MOFCOM (Announcement No.22 of 2016) was issued on

8 October 2016. According to Announcement No.22 of 2016, Special Administrative Measures determined the restricted and prohibited categories of business, as well as encouraged categories of business with special requirements on equity holdings and executives as set forth in the “Catalogue” (2015 version).

The Announcement No.22 of 2016 is somehow surprising, since the authorities did not promulgate a new negative list, but merely referred to the existing restrictions and coincide with the negative list currently implemented in the four FTZ. Such an approach to a new regulation will not provide significant changes. Though the compilation of a negative list applicable nationwide may become time consuming, the implementation of a new negative list would be welcomed when the negotiations of bilateral investment treaties with the USA and EU are finalized.

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