Appendix

Measures for Managing the Receipts and Payments of Foreign Currency Banknotes by Domestic Institutions

Article 1 To enhance the management of the receipts and payments of foreign currency banknotes by domestic institutions, the Measures are hereby developed in accordance with the *Regulations of the People's Republic of China on Foreign Exchange Administration*.

Article 2 The receipts and payments of foreign currency banknotes by domestic institutions refer to the receipts and withdrawals of foreign currency banknotes as well as relevant foreign exchange settlement and purchases by domestic institutions.

“Domestic institution”mentioned in these Measures refers to a State organ, enterprise, institution, public organization, or an armed force, etc. within the territory of the People’s Republic of China, excluding foreign diplomatic and consular agencies in China and the representative offices of international organizations in China.

The handling bank refers to a bank that is responsible for reviewing and handling the receipts and payments of foreign currency banknotes for domestic institutions.

Article 3 The SAFE and its branches and sub-branches (foreign exchange authorities) are responsible for regulating and managing the foreign currency banknotes business for domestic institutions in accordance with the Measures. Specifically, they shall conduct offsite monitoring of the receipts and payments of foreign currency banknotes by domestic institutions, as well as offsite verification, and onsite verification or inspections of domestic institutions and handling banks involved in the unusual receipts and payments of foreign currency banknotes.

Article 4 Unless otherwise specified, foreign currency banknotes shall not be acceptable for receipts and payments under the current and capital accounts.

Article 5 The domestic institutions' receipts and payments of foreign currency banknotes under the current account must be based on true and legitimate transactions.

Domestic institutions must not defraud receipts and payments of foreign currency banknotes through structuring of trade to evade foreign exchange regulation.

Article 6 Unless otherwise specified, in current account transactions that meet the following conditions, domestic institutions can receive foreign currency banknotes but are required to settle foreign exchange with the handling bank and not to deposit the banknotes in the handling bank as spot exchange:

(1) Current account transactions through unsmooth bank remittance route;

(2) Trade in services, primary income and secondary income transactions (trade in services) with countries/regions that are stricken by war or have poor financial facilities;

(3) Service fees paid for temporary use of transport facilities such as domestic ports by foreign institutions or individuals and relevant fees for goods replenishment;

(4) Foreign exchange income from sales of duty-free commodities by domestic operating units of duty-free commodities and duty-free stores;

(5) Other circumstances as provided by laws and regulations.

Article 7 For current account transactions that meet the following conditions, domestic institutions can, in line with relevant regulations, withdraw foreign currency banknotes through buying foreign exchange from the handling bank or use of self-owned foreign exchange:

(1) Current account transactions through unsmooth bank remittance route;

(2) Expenses on trade in services paid to countries/regions that are stricken by war or have poor financial facilities;

(3) Under cash advanced to master for international marine transportation;

(4) Foreign currency banknotes withdrawn under business trips organized by domestic institutions are below the equivalent of USD 10,000 (inclusive) per person;

(5) Other circumstances as provided by laws and regulations.

The foreign currency banknotes that are withdrawn under trade in services but not used up can be settled or deposited into the foreign exchange account originally used to withdraw the foreign currency banknotes.

Article 8 In addition to Article 7, withdrawal of foreign currency banknotes for a special transaction of a domestic institution shall be verified by a local foreign exchange authority, which shall carefully review the authenticity and necessity of such a withdrawal.

Article 9 In handling the receipts and payments of foreign currency banknotes for domestic institutions, the handling bank shall follow the principles of "knowing your customer", "understanding your business", and "due diligence" and review the authenticity of the transaction instruments and their consistency with the foreign currency banknote transaction as well as the necessity of the foreign currency banknote transaction.

Article 10 In handling the receipts and payments of foreign currency banknotes under the current account for domestic institutions, the handling bank shall review the relevant instruments that can testify the necessity of the foreign currency banknote transaction and the authenticity and legitimacy of the transaction. Where there are provisions as otherwise stated in respect of instrument review in the foreign exchange administration regulations for trade in services and trade in goods, those provisions shall prevail.

Where the instruments cannot testify the authenticity and legitimacy of the transaction or are inconsistent with the foreign currency banknotes transaction, the handling bank shall require the domestic institution to submit other supporting instruments.

Article 11 The transaction instruments can be in paper form or in electronic form that is in conformity with regulations and recognized by the handling bank. The handling bank shall print the acceptable transaction instruments in an electronic form into paper documents, and affix its seal to them.

For foreign currency banknotes transactions in installments, the handling bank is required to indicate the amount and date on and affix a business seal to the reviewed transaction instruments each time.

The transaction instruments presented unilaterally or downloaded from the internet (faxed) by a domestic institution shall be affixed with a valid seal or a signature of the institution.

Article 12 The handling bank shall follow China's regulations in respect of anti-money laundering and counter-terrorist financing in handling the receipts and payments of foreign currency banknotes for domestic institutions.

Article 13 Where the fines imposed, money confiscated, payments withheld and collected by judicial and administrative authorities are in foreign currency banknote, the handling bank may handle settlement, deposit into the foreign currency banknotes account, withdrawals and domestic transfers based on relevant documents of the above authorities.

Article 14 The Measures do not apply to the receipts and payments of foreign currency banknotes between banks, between non-financial institutions approved to conduct exchanges of domestic and foreign currencies for individuals and between the above institutions due to foreign currency deposits and exchanges. Such receipts and payments can be directly handled based on actual needs.

Article 15 Domestic institutions and their handling banks shall report relevant foreign currency banknotes data in time in accordance with foreign exchange administration regulations.

Article 16 The SAFE will impose punishments in accordance with the *Regulations of the People's Bank of China on Foreign Exchange Administration* in any of the following cases:

(1) Settling foreign currency banknotes into RMB without meeting the conditions for receiving foreign currency banknotes;

(2) Failure to report data in accordance with regulations;

(3) Acting in violation of the provisions on the administration of foreign exchange accounts;

(4) Domestic institutions fail to submit valid instruments in accordance with the provisions or submit false instruments;

(5) The handling bank fails to conduct a comprehensive, accurate, timely and reasonable review of the authenticity of the transaction and its consistency with the instruments used in foreign currency banknote transaction;

(6) Refusing to cooperate with, or obstructing the foreign exchange administration authorities in their supervision, inspection, or investigation in accordance with the law;

(7) Other circumstances as provided laws and regulations.

Article 17 The power to construe the Measures shall remain with the SAFE. The *Circular of the SAFE on* *Printing and Distributing the Interim Measures for**the Administration of Collection and Payment of Foreign Cash by Domestic Institutions* (Huiguanhanzi No. 211 [1996]) will be nullified on the day the Measures come into force.

Article 18 The Measures shall enter into effect as of February 1, 2016. In case of any discrepancies with prior regulations, the Measures shall prevail.