Appendix:

**Guidelines for Foreign Exchange Administration for Insurance Business**

**Chapter One General Provisions**

**Article 1** To improve foreign exchange administration of insurance business, the Guidelines is developed in accordance with laws and regulations including the Regulations of the People’s Republic of China on Foreign Exchange Administration (hereinafter referred to as the “Regulations”).

**Article 2** In accordance with the Guidelines, the State Administration of Foreign Exchange (SAFE) and its branches and sub-branches (hereinafter referred to as the “foreign exchange authorities”) shall supervise and administer foreign exchange market entry and exit, foreign exchange account, cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales by insurance group (holding) companies, insurance companies and insurance asset management companies (hereinafter collectively referred to as the “insurance institution”) and their branches.

**Article 3** An insurance institution and its branches shall run foreign exchange business, including cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales, in accordance with the relevant national laws and regulations, and establish a sound internal control system.

**Chapter Two Foreign Exchange Insurance Market Entry and Exit Management**

**Article 4** An insurance company and its branches shall meet the following conditions to run foreign exchange insurance business:

(1) duly registered in China after approval;

(2) with qualification for running insurance business; and

(3) with a sound internal control system for foreign exchange insurance business.

**Article 5** An insurance company shall win approval from the local SAFE branch or foreign exchange administration department (“local SAFE branch”) before running foreign exchange insurance business.

For an insurance company qualified for running foreign exchange insurance business, its branches may run, change or terminate foreign exchange insurance business on the date of obtaining the internal written authorization from the company or its provincial-level branch.

The provincial-level branch of an insurance company shall, within 10 working days after the close of every quarter and in accordance with regulations, report to its local SAFE branch the list of branches at its own level and lower levels, which have newly applied for operation, change or termination of foreign exchange insurance business in the last quarter.

**Article 6** The foreign exchange insurance business refers to the insurance business denominated in foreign currencies or insurance business denominated in RMB but settled in foreign currencies, which is run within the territory of China by an insurance company and its branches in accordance with Article 7-9 under the Guidelines.

An insurance company and its branches shall run a part or all of the following foreign exchange insurance business in accordance with relevant regulations:

(1) foreign exchange property insurance;

(2) foreign exchange life insurance;

(3) foreign exchange reinsurance;

(4) other foreign exchange insurance business allowed by laws and regulations.

In case of nonconformity to the Guidelines, the insurance company and its branches shall denominate and settle insurance contracts in RMB within the territory of China.

**Article 7** Foreign exchange property insurance business shall meet one of the following:

(1) the insurance object is the property and relevant interests outside the territory of China;

(2) the insurance object is the property and relevant interests moving between inside and outside China;

(3) the insurance object or underwriting risk is the liability insurance or credit guarantee insurance existing or occurring in part or in full outside China;

(4) the insurance object is the property and relevant interests of an overseas policy holder or overseas insurant;

(5) other circumstances allowed by laws and regulations.

**Article 8** The foreign exchange life insurance business shall meet one of the following:

(1) cross-border short-term health insurance and accident insurance for domestic individuals;

(2) short-term health insurance and accident insurance for overseas individuals;

(3) other insurance allowed by laws and regulations.

**Article 9** The foreign exchange reinsurance business shall meet one of the following:

(1) domestic reinsurance for foreign exchange property insurance and foreign exchange life insurance under Article 7 and 8 herein;

(2) other insurance allowed by laws and regulations.

**Article 10** An insurance company intending to run foreign exchange insurance business shall apply to the local SAFE branch by presenting the following:

(1) a written application;

(2) a photocopy of the insurance business license issued by the competent authority in the insurance industry;

(3) photocopies of the business license and organizational code certificate;

(4) internal management system related to application for running foreign exchange insurance business, including but not limited to business operation process, funds management and data reporting.

**Article 11** An insurance company shall apply to the local SAFE branch for changing the scope of foreign exchange insurance business or its name by presenting the following:

(1) a written application;

(2) a photocopy of approval for running foreign exchange insurance business;

(3) an internal management system that matches the new scope of foreign exchange insurance business, in the case of change in the scope of foreign exchange insurance business;

(4) approval for the name change from the competent authority of the insurance industry, the certificate of qualification for running insurance business from the competent authority of the insurance industry after the change, and photocopies of the business license and the organization code certificate after the change, within 20 working days after the change of the business license, in the case of change in institution name.

**Article 12** An insurance company shall apply, at least 20 working days in advance, to the local SAFE branch for filing of the termination of its foreign exchange insurance business by presenting the following:

(1) an Application Form for Filing (See Appendix 1);

(2) a photocopy of approval for the insurance company to run foreign exchange insurance business.

The local SAFE branch shall put, within 20 working days after receipt of the full set of documents as provided by the insurance company, them on file in writing.

**Article 13** Where an insurance company applies for foreign exchange insurance market entry in accordance with Article 10 and 11 herein, the local SAFE branch shall make the decision of approval or disapproval within 20 working days after receipt of the full set of documents from the insurance company. An approval shall be granted to the insurance company that meets the conditions. In the case of disapproval, the local SAFE branch shall make decision of administrative permission in writing and state the reasons for disapproval.

**Article 14** When any of the following events occur, an insurance company and its branch shall be automatically disqualified for running foreign exchange insurance business and the approval for their foreign exchange insurance business shall become invalid on the day when such events occur:

(1) dissolution due to split, merger or the causes of dissolution prescribed in the company's articles of association;

(2) insurance business terminated by the competent authority in the insurance industry;

(3) declared bankrupt by the People's Court in accordance with laws;

(4) termination of the foreign exchange business by the insurance company under the authorization of the original supervisor;

(5) other events prescribed in the national laws and regulations.

The insurance company and its provincial-level branches shall report in writing to their local SAFE branches within 20 working days after the occurrence of such an event.

**Article 15** Where an insurance company requests reissuance of approval on foreign exchange insurance business due to loss or damage of such approval, the said company shall present relevant written application to its local SAFE branch for reissuance (including but not limited to explanatory information and internal rectification measures of the insurance company). The local SAFE branch shall reissue the approval within 20 working days after receipt of the full set of documents.

In case of change in registered address, business location or registered capital, an insurance company shall, within 10 working days after the change, report the change to its local SAFE branch; in case of change in business location of its branch, its provincial-level branch shall report it to the local SAFE branch within 10 working days after the change.

**Chapter Three Management of Foreign Exchange Accounts**

**Article 16** An insurance institution and its branches shall, in accordance with regulations, open, change, use and close foreign exchange business operation accounts and foreign exchange utilization accounts directly with the related financial institutions without approval by the foreign exchange authorities, except that the said institution and branches shall register basic information with the related financial institutions or local SAFE branches by presenting the business license and the organization code certificate in accordance with relevant provisions when the accounts are initially opened.

The activities of the insurance institution including direct investment, overseas listing, overseas funds utilization, which are related to the opening, change, use and closing of a foreign exchange account, shall be performed in accordance with regulations on foreign exchange accounts under capital account.

**Article 17** The scope of receipt and payment through the foreign exchange capital account of an insurance institution shall cover: lawful inward remittance by its shareholder (overseas head office) and outward remittance due to capital reduction (divestment) of foreign exchange capital (operating capital in foreign exchange), transfer under domestic and overseas foreign exchange funds utilization, foreign exchange receipt and payment due to transaction cancellation, funds utilization after foreign exchange is settled in accordance with regulations, foreign exchange expenditure under current account, and foreign exchange receipt and payment under capital account in accordance with regulations by the foreign exchange authorities.

**Article 18** An insurance institution and its branches shall open a foreign exchange operation account for daily insurance business, and entrusted management of foreign exchange funds.

The scope of receipt and payment through the foreign exchange operation account of an insurance institution shall cover: foreign exchange receipt and payment under foreign exchange insurance, transfer under domestic and overseas foreign exchange funds utilization, income from investment, revenue of entrusted management fees, funds utilization after foreign exchange is settled in accordance with regulations, foreign exchange receipt and payment under current account, and foreign exchange receipt and payment under capital account in accordance with regulations by the foreign exchange authorities.

**Article 19** An insurance institution shall open a foreign exchange funds utilization account for utilization of domestic foreign exchange funds. The foreign exchange funds for domestic operation by an insurance institution shall be first transferred into the foreign exchange funds utilization account opened by a custodian financial institution for custody. The foreign exchange account opened for bank deposits transferred from the foreign exchange funds under custody is still a foreign exchange utilization account in nature.

**Article 20** The scope of receipt and payment through a foreign exchange funds utilization account with a custodian financial institution shall cover: transfer of foreign exchange funds to/from foreign exchange capital account, foreign exchange operation account, special foreign exchange account for overseas listing and other foreign exchange utilization account, receipt and payment for trading of foreign exchange financial assets, and other foreign exchange receipt and payment in accordance with regulations of the foreign exchange authorities.

The scope of receipt and payment through other foreign exchange funds utilization account shall cover: transfer of foreign exchange funds to/from foreign exchange utilization account under custody, receipt and payment for trading of foreign exchange financial assets, and other foreign exchange receipt and payment in accordance with regulations of the foreign exchange authorities.

**Article 21** An insurance institution shall use a foreign exchange utilization account only for utilization of foreign exchange funds, not for foreign exchange settlement, sales, receipt and payment relevant to day-to-day business operations, unless otherwise specified in regulations on foreign exchange administration.

**Article 22** Upon transfer of funds between a foreign exchange utilization account under custody and a foreign exchange capital account/special foreign exchange account for overseas listing, a custodian financial institution shall record the foreign exchange capital of an insurance institution and foreign exchange funds raised through overseas listing as received and paid through the account under custody.

The insurance institution shall comply with the following to transfer funds from a foreign exchange utilization account under custody to other domestic foreign exchange accounts in the same name but in the different nature:

(1) the insurance institution shall explain to the custodian financial institution about the nature of relevant foreign exchange transfer to the account of the counterparty, while the custodian financial institution shall remit back the foreign exchange funds based on the nature of those originally remitted.

(2) except for foreign exchange settlement of profits, the custodian financial institution shall, based on the records, transfer the foreign exchange funds first into the foreign exchange capital account or the special foreign exchange account for overseas listing; only after the full amount of foreign exchange capital originally remitted or foreign exchange funds raised through overseas listing have been transferred back to the account of the original nature, can the custodian financial institution transfer the foreign exchange funds into the foreign exchange operation account of the insurance institution.

**Article 23** An insurance institution shall manage its domestic account under custody for overseas investment with insurance funds as a foreign exchange utilization account under custody, while the domestic custodian financial institution for overseas investment with insurance funds shall record and transfer foreign exchange funds in accordance with Article 22 herein.

The custodian financial institution and the insurance institution shall report to their local SAFE branches on a quarterly basis the domestic and overseas utilization of foreign exchange capital and foreign exchange funds raised through overseas listing by the insurance institution.

**Article 24** A financial institution can, against payment order, conduct domestic transfer of funds between foreign exchange accounts in the same nature of the same insurance institution.

Unless otherwise specified in the Guidelines and the regulations on foreign exchange administration, no domestic transfer of funds is allowed between foreign exchange accounts in different nature of the same insurance institution.

**Chapter Four Administration of Foreign Exchange Receipts and Payments**

**Article 25** A financial institution shall, based on the principles of “know your customer”, “understand your business” and “due diligence”, review cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales, and standardize specific operations in accordance with the Guidelines.

**Article 26** A financial institution shall, when conducting domestic foreign exchange transfer of insurance premium, reinsurance premium, and insurance indemnity, compensation, reimbursement and recovery under foreign exchange insurance, review at least one of the documents including contract, invoice, payment notice, payment list, reinsurance bill or other certificates in accordance with regulations. The domestic foreign exchange transfer shall be reviewed by the financial institution of the transferor, unless otherwise specified in regulations on foreign exchange administration.

The insurance institution shall, when conducting surrender under foreign exchange insurance, transfer funds in the currency of the original insurance premium.

**Article 27** A financial institution shall, in accordance with the Guidelines, make agency receipt and payment of foreign exchange funds between an insurance company and its branch or between its branches under the same institution as a legal person.

A financial institution can, against payment order, conduct domestic transfer of foreign exchange funds under insurance directly between an insurance company and its branches.

**Article 28** An insurance institution and its branches shall conduct foreign exchange receipt and payment under current account including cross-border insurance and cross-border reinsurance, in accordance with relevant regulations for domestic institutions on foreign exchange administration under current account.

The insurance institution shall conduct foreign exchange receipt and payment under capital account, including direct investment, overseas borrowing and lending, overseas listing, overseas guarantee and overseas funds utilization, in accordance with the regulations on foreign exchange administration under capital account.

The insurance institution can, according to the endorsement or written order of the insured, transfer the compensation, recovered amount and reimbursing fee under an insurance to a domestic or overseas third party, provided that the transaction meets the conditions specified in regulations on foreign exchange administration.

A financial institution shall, when conducting cross-border receipt and payment of prepaid expenses between the insurance institution and overseas rescue or medical service provider due to the rescue or medical service to the insured, review at least one of the documents including contract, invoice, payment notice, payment list or other certificates in accordance with regulations.

**Article 29** An insurance company and its branches can conduct foreign exchange receipt and payment under insurance through a duly incorporated insurance agent or broker.

**Article 30** The funds under insurance as received for payment by an insurance agent or broker shall be transferred in the original currency through its foreign exchange account under current account, and no foreign exchange settlement or purchase is allowed, unless otherwise specified in regulations on foreign exchange administration. An insurance broker can collect commissions in foreign exchange for foreign exchange insurance business within the territory of China, and may select to retain or settle the foreign exchange commission.

**Article 31** The domestic services under insurance including inspection, valuation, survey and assessment shall be settled in RMB, unless otherwise specified in regulations on foreign exchange administration.

**Article 32** No receipt and payment of foreign currency cash under foreign exchange insurance business is allowed, unless otherwise specified in regulations on foreign exchange administration.

**Article 33** When foreign exchange funds are transferred within the territory of China under foreign exchange insurance:

(1) the expenses including insurance and reinsurance premiums, indemnity and reimbursement thereunder can be paid through a foreign exchange account or foreign exchange purchase; and

(2) the benefits including foreign exchange indemnity or compensation, as received by the insured or beneficiary, can be deposited in a foreign exchange account or through foreign exchange settlement; those received by a financial institution under foreign exchange insurance are subject to foreign exchange settlement in accordance with relevant regulations.

**Article 34** An insurance institution shall, prior to settlement of foreign exchange capital and funds raised through overseas listing, apply for approval to its local SAFE branch by presenting the following:

(1) An application letter;

(2) plan for utilizing funds with foreign exchange settled and the supporting materials;

(3) the balance sheets and income statements in RMB and foreign currency for the previous year; or the balance sheet and income statement for the recent period from an insurance institution established for less than one year; or the balance sheet and income statement disclosed for the most recent period from a listed insurance institution not having disclosed its balance sheet and income statement for the previous year;

(4) Other materials required by the regulations on foreign exchange administration.

**Article 35** An insurance institution and its branches shall deposit foreign exchange receipts from day-to-day business operations, which are not applicable to direct foreign exchange settlement, into their foreign exchange operation accounts, and include them in the foreign exchange profits for centralized management.

The insurance institution can request a processing financial institution for foreign exchange settlement of the profits by presenting an application letter and foreign currency financial statements. Adjustment shall be made in accordance with the annual foreign currency financial statements after the end of each year, and in case of foreign exchange loss, foreign exchange settlement can be applied for only after the loss is offset against foreign exchange profit in the subsequent year.

The insurance institution applying for foreign exchange settlement of profits shall, before the end of May in each year, report to its local SAFE branch the foreign exchange settlement of profits for the previous year.

**Article 36** Within the business scope approved by the financial regulatory authority, an insurance asset management company can provide foreign exchange management services and utilize its own foreign exchange funds without approval from the foreign exchange authorities.

**Article 37** Within the business scope approved by the financial regulatory authority, an insurance institution can conduct domestic foreign exchange interbank lending and domestic foreign currency bond trading without approval from the foreign exchange authorities.

The insurance institution can conduct domestic foreign exchange interbank lending in principle with its own foreign exchange funds, but not through foreign exchange purchase, and foreign exchange settlement is not applicable to funds borrowed from the interbank market; the insurance institution can undertake domestic foreign currency bond trading with its own foreign exchange funds or through foreign exchange purchase, and settlement of the earnings on the foreign currency bonds shall be included into settlement of foreign exchange profits for centralized management.

Where the insurance institution conducts other foreign exchange business not specified in the Guidelines, the SAFE shall develop separate regulations.

**Article 38** A financial institution shall, when conducting cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales, review related instruments in accordance with regulations and keep them for 5 years for future reference. The transaction instruments to be reviewed by a financial institution may be in a written form, or in an electronic form in compliance with laws and regulations and acceptable to the financial institution. The financial institution shall print the acceptable transaction instruments in an electronic form into paper documents, affix its seal to them and keep them for 5 years for future reference.

A domestic institution and individual shall, when conducting cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales under the Guidelines, keep the related instruments for 5 years for future reference in accordance with regulations.

**Chapter Five Supervision and Administration**

**Article 39** A financial institution shall, in accordance with regulations on foreign exchange administration, submit the information of an insurance institution including its foreign exchange account, cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales.

**Article 40** An insurance institution and its branches shall submit financial statements and reports promptly and accurately in accordance with regulations on foreign exchange administration.

**Article 41** The foreign exchange authorities shall supervise, administer, verify and inspect the foreign exchange business and foreign exchange receipt and payment of an insurance institution and its branches in accordance with laws. Relevant units and individuals shall cooperate with the efforts, give accurate explanations, and provide relevant documents and materials as required by the foreign exchange authorities, without refusal, hindrance or concealing.

**Article 42** A financial institution, or an insurance institution and its branches shall conduct due diligence in compliance with regulations on foreign exchange administration, and report promptly to its local SAFE branch in case of any abnormal or suspicious activity of a client.

**Chapter Six Legal Liabilities**

**Article 43** A financial institution, or an insurance institution and its branches shall conduct foreign exchange business, cross-border foreign exchange receipt and payment, domestic foreign exchange transfer and foreign exchange settlement and sales in compliance with regulations on foreign exchange administration; in case of non-compliance, the foreign exchange authorities shall impose penalty in accordance with the Regulations.

**Article 44** Where an insurance institution and its branches run foreign exchange business without approval, the foreign exchange authorities shall impose penalty on them pursuant to Article 46 of the Regulations.

**Article 45** In case of non-compliance, such as domestic receipt of foreign currency cash and other illegitimate use of foreign exchange, the foreign exchange authorities shall impose penalty pursuant to Article 44 of the Regulations.

**Article 46** Where a financial institution conducting cross-border foreign exchange receipt and payment and domestic foreign exchange transfer fails to verify the authenticity of transaction instruments and consistency between foreign exchange receipt and payment in accordance with regulations, or settles and sells foreign exchange in violation of regulations, the foreign exchange authorities shall, pursuant to Article 47 under the Regulations, order the financial institution to make corrections within a given time, confiscate all of its illegal gains, and impose a fine of RMB 200,000-RMB 1,000,000. If the case is serious or no corrections are made within the given time, the foreign exchange authority shall order the financial institution to stop running the foreign exchange business.

**Article 47** Where any of the following circumstances are found, the foreign exchange authorities shall, pursuant to Article 48 under the Regulations, warn and order the institution/individual to make corrections, and may impose a fine of not more than RMB 300,000 on the institution, or a fine of not more than RMB 50,000 on the individual:

(1) failure to report the balance of payments statistics in accordance with regulations;

(2) failure to submit documents such as financial and accounting statements and statistical statements in accordance with regulations; or misstate or cover up data;

(3) failure to present valid instruments in accordance with regulations or presenting false instruments;

(4) failure to open and use a foreign exchange account in accordance with regulations;

(5) refusing to cooperate with or obstructing the foreign exchange authorities in their verification and inspection.

**Chapter Seven Supplementary Provisions**

**Article 48** For the purpose of the Guidelines, domestic individuals refer to Chinese citizens who have an ID card, military ID card, or armed police ID card in the People's Republic of China; overseas individuals refer to foreign citizens who hold passports (including stateless persons), and compatriots from Hong Kong, Macao, and Taiwan who hold Mainland Travel Permits for Hong Kong and Macao Residents as well as Mainland Travel Permits for Taiwan Residents.

**Article 49** For the purpose of the Guidelines, an insurance company refers to the commercial insurance company or policy insurance company which is established and duly registered with the approval from the competent authority in the insurance industry.

**Article 50** An insurance group (holding) company running foreign exchange insurance business shall be administered as an insurance company.

The other provincial-level branches of an insurance company such as a shipping insurance operating center or a secondary branch shall be administered as a provincial-level branch.

**Article 51** An insurance institution shall, in accordance with the Guidelines, affix its legally binding official seal to the documents submitted to its local SAFE branch.

**Article 52** The Guidelines shall be applicable to the insurance business between pilot free trade zones or special Customs supervision zones and domestic counterparties outside the zones.

**Article 53** The Guidelines shall be construed by the SAFE.

**Article 54** The Guidelines shall come into effect on March 1, 2015. In case of conflicts with previous regulations, the Guidelines shall prevail. The documents listed in Appendix 2 shall be nullified on the day when the Guidelines become effective.