

Notice of the People’s Bank of China and the State Administration of Foreign Exchange on Matters Concerning the Proceeds Management for Yuan-Denominated Bonds Issued by Overseas Issuers in China

Yinfa No. 272 [2022]

The People’s Bank of China (“PBC”) Shanghai Head Office, branches, operation offices, and central sub-branches in capital cities of provinces (autonomous regions) and sub-provincial cities; the branches and administrative offices of the State Administration of Foreign Exchange (“SAFE”) in all provinces, autonomous regions, and municipalities directly under the Central Government and the SAFE branches in the cities under separate state planning; China Foreign Exchange Trade System, China Central Depository & Clearing Co., Ltd., and Shanghai Clearing House; China Development Bank, all policy banks, state-owned commercial banks, Postal Savings Bank of China, and all joint-stock commercial banks:

To regulate the proceeds management for yuan-denominated bonds (“RMB Bonds”) issued by overseas issuers in China, this Notice is hereby formulated in accordance with the *Law of the People’s Republic of China on the People’s Bank of China*, the *Regulations of the People’s Republic of China on Foreign Exchange Administration*, and other applicable laws and regulations. The specifics of this Notice are as follows:

I. In this Notice, “issuance of RMB Bonds by overseas issuers in China” refers to the public or non-public issuance of RMB Bonds by overseas issuers in the China interbank bond market or exchange-traded bond market in accordance with the *Interim Measures for the Administration of Bonds Issued by Overseas Issuers on the National Interbank Bond Market* (Announcement No. 16 [2018] of the People’s Bank of China and the Ministry of Finance), the *Measures for the Administration of the Issuance and Trading of Corporate Bonds* (CSRC Decree No. 180), and other applicable rules, upon the approval, registration, or filing by the competent regulators.

II. The PBC, the SAFE, and their branches will supervise and manage the accounts, fund collection and payment, and transfer of proceeds relating to RMB Bond issuance according to law.

III. The SAFE will exercise registration-based management of the proceeds relating to RMB Bond issuance. An overseas issuer shall entrust a Chinese lead underwriter to perform the registration procedures on its behalf.

An overseas issuer should, after the approval, registration, or filing for bond issuance but before the offering of the first tranche, entrust its domestic lead underwriter to take

the following materials and complete registration with the domestic banking institution (the “Deposit Bank”) with which a proceeds account is opened for such overseas issuer:

(I) *Registration Form for Basic Information of Foreign Institutions Issuing Bonds Within Border* (Appendix 1).

(II) Documents relating to bond issuance approval, registration, or filing.

(III) Prospectus or private placement agreements and other relevant documents.

The Deposit Bank should fulfill its mandates and strictly examine the authenticity of and retain the documents submitted by the overseas issuer. The Deposit Bank should, after completing the registration for the overseas issuer as required, return a registration certificate affixed with its seal for banking operation to the overseas issuer’s lead underwriter.

The overseas issuer should, within 20 working days after the offering of each tranche, entrust its domestic lead underwriter designated for the tranche to update the registration information regarding the actual funds raised at the Deposit Bank designated for the tranche with the registration certificate and the *Registration Form for Funding Information of Foreign Institutions Issuing Bonds Within Border* (Appendix 2).

IV. An overseas issuer shall open a special cash account (RMB or/and foreign currencies) for the proceeds from RMB Bond issuance (the “Special Account”) with the registration certificate. The overseas issuer who is to open an RMB Special Account may open an RMB bank settlement account or entrust its lead underwriter to open a custodian account, which is a special deposit account in nature.

The scope of income for a Special Account includes: the proceeds received from RMB bond issuance; funds received for the repayment of principal and interest and the payment of relevant taxes and fees (taxes and service charges, among others); interest income; repayment of principal and interest for the loans extended to domestic entities with the proceeds received from bond issuance pursuant to applicable rules; capital reduction, capital withdrawal, equity transfer, and profits or dividends arising from domestic investment with the proceeds received from bond issuance pursuant to applicable rules; transfer of funds with other proceeds accounts held by the same overseas issuer; and other incomes as stipulated by the PBC and SAFE.

The scope of expenses for a Special Account includes: outward remittance of the proceeds from bond issuance or the foreign currency purchased with such proceeds; payment, either after sale of foreign exchange or not, of the principal and interest for the bonds issued and relevant taxes; extension of loans to domestic entities as per applicable rules with the proceeds; outward remittance of the income from the

repayment of the principal and interest for the loans extended to domestic entities or outward remittance of the foreign currency purchased with such income; domestic investment with the proceeds pursuant to applicable rules; outward remittance of the income from capital reduction, capital withdrawal, equity transfer, and profits or dividends arising from the domestic investment or outward remittance of the foreign currency purchased with such income; transfer of funds with other proceeds accounts held by the same overseas issuer; and other expenses as stipulated by the PBC and SAFE.

V. Overseas issuers may remit the proceeds from RMB bond issuance outward or retain them in China for use, provided that such proceeds are used in compliance with relevant provisions of the prospectus or other documents. If the overseas issuer retains the proceeds in China for use, such use should be subject to the rules and regulations governing foreign direct investment and foreign debts.

Overseas issuers are encouraged to use RMB for cross-border receipt, payment, and use of the proceeds raised from RMB bond issuance.

VI. An overseas issuer may apply for trading in foreign exchange derivatives based on the actual demand principle through a domestic financial institution that is qualified for trading RMB/FX derivatives on behalf of its clients, to manage the exchange rate risk arising from the RMB bond issuances in China.

VII. An overseas issuer may remit funds from abroad or within China to its Special Account for repayment of the principal and interest related to RMB bond issuance in China and for payment of related taxes and fees. The repayment of the principal and interest that involves sale of foreign exchange should be made in accordance with the bond repayment plan.

VIII. Relevant banks should submit the supervisory and statistical data related to RMB bond issuance by overseas issuers in China in accordance with the *Administrative Rules for RMB Bank Settlement Accounts* (Order No. 5 [2003] of the PBC), the *Measures for the Administration of the RMB Cross-Border Payment and Receipt Management Information System* (Yinfa No. 126 [2017]), the *Notice of the General Administration Department of the People's Bank of China on Improving the Interbank Business Data Submission Procedures of the RMB Cross-Border Receipt and Payment Information Management System* (Yinbanfa No. 118 [2017]), and other applicable rules.

IX. Domestic entities and depository and clearing institutions that engage in foreign-related payments and receipts for RMB bond issuance by overseas issuers should make a timely and accurate declaration of the balance of payment statistics in accordance with this Notice, the *Detailed Rules for the Implementation of Balance-of-Payments Statistical Declarations through Banks* (Huifa No. 22 [2022]), the *Guidelines on the Balance-of-Payments Statistical Declarations through Banks (2019)* (Huifa No. 25

[2019]), the *Statistics System of External Financial Assets and Liabilities and Foreign Transactions* (Huifa No. 36 [2021]), and the *Circular of the State Administration of Foreign Exchange on Issuing the Specifications for the Collection of Data on the Foreign Exchange Business of Financial Institutions (Version 1.3)* (Huifa No.13 [2022]), and other applicable rules.

X. The materials submitted by overseas issuers in accordance with this Notice should be prepared in Chinese. If the materials are prepared in both Chinese and a foreign language, the Chinese version should prevail.

XI. If an overseas issuer has issued RMB bonds in China before the release of this Notice and such bonds are still outstanding but have not been registered, the overseas issuer should entrust its domestic lead underwriters to complete the registration promptly with reference to Article 3 of this Notice.

XII. The PBC and SAFE reserve the right to interpret this Notice.

XIII. This Notice will come into effect from January 1, 2023. The *Notice of the General Administration Department of the People's Bank of China on Matters Concerning the Cross-Border RMB Settlement for RMB Debt Financing Instruments Issued within China by Overseas Institutions* (Yinbanfa No. 221 [2014]) and the *Notice of the General Administration Department of the People's Bank of China on Matters Concerning the Cross-Border RMB Settlement of RMB Bonds Issued within China by Overseas Institutions* (Yinbanfa No. 258 [2016]) will be repealed on the same day.

Appendices:

1. *Registration Form for Basic Information of Foreign Institutions Issuing Bonds Within Border.pdf*

2. *Registration Form for Funding Information of Foreign Institutions Issuing Bonds Within Border.pdf*

The People's Bank of China

The State Administration of Foreign Exchange

November 23, 2022