



**Financial Action Task Force**  
Groupe d'action financière

**Mutual Evaluation/Detailed Assessment Report  
Anti-Money Laundering and Combating the  
Financing of Terrorism**

**Annexes to the  
First Mutual Evaluation report on  
Anti-Money Laundering and  
Combating the Financing of terrorism**

**People's Republic of China**

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## ANNEX 1

### Acronyms and Abbreviations

ACLA	All China Lawyers Association
AML	Anti Money Laundering
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AMLB	The Anti-Money Laundering Bureau of the People's Bank of China
AML Law	Anti Money Laundering Law 2007
AML Rules (old)	Anti Money Laundering Rules 2003
AML Rules (new)	Anti Money Laundering Rules 2007
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
CAMLMAC	China Anti-Money Laundering Monitoring and Analysis Centre
CBRC	China Banking Regulatory Commission
CDD	Customer Due Diligence
CEN	Customs Enforcement Network
CEPA	Closer Economic Partnership Agreement
CFT	Combating the Financing of Terrorism
China	The People's Republic of China
CICPA	Chinese Institute of Certified Public Accountants
CIRC	China Insurance Regulatory Commission
CIREA	China Institute of Real Estate Appraisers and Agents
CNA	China Notaries' Association
Cooperation Regulations	Cooperation Regulations on the Investigation of Suspicious Transaction [Referrals]
CPA	Certified Public Accountant
CP	the Communist Party of China
CPC	Code of Criminal Procedure
CSRC	China Securities Regulatory Commission
DECI	Department of Economic Crimes Investigation
DNFBP	Designated Non-Financial Business and Profession
Document 169	STR Reporting Template
EAG	Eurasian Group
ETF	exchange-traded fund
EUR	Euro
FATF	Financial Action Task Force
FI	Financial Institution
FIAML	The Financial Institutions Anti Money Laundering Provisions
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
F/X-LVT/STR Rules	The Administrative Rules for the Reporting of Large Value and Suspicious Foreign Exchange Transactions 2003
F/X STR	Suspicious Transaction Report in Foreign Currency
GCA	General Administration of Customs
ID	Identification
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
LAPD	Legal Person Authorised to do Business
LOF	listed open-ended fund
LVT	Large Value Transaction
LVT/STR Rules	Administrative Rules for the Reporting of Large Value and Suspicious Transactions by Financial Institutions (2007)
MCA	Ministry of Civil Affairs
Merida Convention	United Nations Convention against Corruption

MFA	Ministry of Foreign Affairs
ML	Money Laundering
MLA	Mutual Legal Assistance
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPS	Ministry of Public Security
MS	Ministry of Supervision
MSS	Ministry of State Security
NCIS	National Crime Intelligence Service of Britain
New AML Rules	Anti Money Laundering Rules 2007
NPC	National People's Congress
NPO	Non Profit Organisation
Old AML Rules	Anti Money Laundering Rules 2003
one rule and two measures	AML Rules (old), F/X-LVT/STR Rules and RMB-LVT/STR Rules
Palermo Convention	United Nations Convention against Transnational Organised Crime
PBC	People's Bank of China
PC	Penal Code
PEP	Politically Exposed Person
PKI	Personal Key Identification
PSI	Proliferation Security Initiative
RILO	Regional Information Liaison Office
RMB	Renminbi, the currency of China
RMB-LVT/STR Rules	The Administrative Rules for the Reporting of Large Value and Suspicious RMB Payment Transaction 2003
RMB SA Rules	Administrative Rules for RMB Bank Settlement Accounts
RMB STR	Suspicious Transaction Report in Renminbi denomination
SAFE	State Administration of Foreign Exchange
SAIC	State Administration of Industry and Commerce
SAR	Special Administration Region
SETC	State Economic and Trade Commission
SGE	Shanghai Gold Exchange
SPC	Supreme People's Court
SPP	Supreme People's Procuratorate
SRC Measures Standing Committee	Measures for the Administration of Securities Registration and Clearing The Standing Committee of the National Peoples Congress
SSL	Secure Socket Layer
SSTR	Specialised Suspicious Transaction Report
STR	Suspicious Transaction Report
TF Convention	International Convention for the Suppression of the Financing of Terrorism
USD	United States Dollars
UN	United Nations
UNSCR	United Nations Security Council Resolution
Vienna Convention	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
VLAN	Virtual Local Area Network
WCO	World Customs Organisation
Yuan	Renminbi, the currency of China

## ANNEX 2

### List of government and private sector bodies interviewed (in order of the agenda)

1. People's Bank of China (CAMLMAC and AMLB)
2. Supreme People's Court
3. Supreme People's Procuratorate
4. Ministry of Public Security
5. China Banking Regulatory Commission
6. China Securities Regulatory Commission
7. China Insurance Regulatory Commission
8. Ministry of Foreign Affairs
9. Ministry of Civil Affairs
10. Ministry of Public Security
11. SAFE (People's Bank of China)
12. Customs
13. All China Lawyer's Association
14. Judicial Department for Notaries
15. Ministry of Construction
16. Ministry of Finance
17. China Accountants Association
18. Gems & Jewellery Trade Association of China
19. Ministry of Justice
20. State Administration of Industry and Commerce
21. Ministry of Commerce
22. Shanghai Police
23. Shanghai Gold Exchange
24. Ministry of State Security
25. Bank of China
26. Standard Chartered Shanghai
27. Everbright Securities Firm
28. Shanghai Securities Exchange
29. CITIC Securities
30. Minsheng Bank
31. Agency or private sector representative to be met with
32. Sunlife Everbright Life Insurance
33. China Life Insurance Company
34. China Banking Association
35. Foreign Banker's Coordination Committee under Beijing Banking Association

## ANNEX 3

### KEY LAWS, REGULATIONS AND OTHER MEASURES

#### PENAL CODE PROVISIONS

##### *Criminalisation of terrorist financing (article 120bis PC)*

Any individual who financially supports a terrorist organization or an individual that commits terrorist activities shall be sentenced to fixed-term imprisonment of no more than five years, criminal detention, public surveillance, or be deprived of political rights and shall also be fined; if the circumstances are serious, he shall be sentenced to fixed-term imprisonment of no less than five years, and shall also be fined or be sentenced to confiscation of property. “Where an entity commits the crime as mentioned in the preceding paragraph, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the crime shall be punished in accordance with the provisions in the preceding paragraph.”

##### *Criminalisation of money laundering (article 191 PC)*

Where anyone who obviously knows that any proceeds are obtained from any drug-related crime, crimes committed by organisations in nature of syndicate, terrorist crime, crime of smuggling, crime of corruption or bribery, crime of disrupting the financial management order, crime of financial fraud, etc. as well as the proceeds generated therefrom, yet commits any of the following acts for the purpose of disguising or concealing the origin or nature thereof, the incomes obtained from the commission of the aforementioned crimes as well as the proceeds generated there from shall be confiscated, and the offender shall be sentenced to fixed-term imprisonment of not more than five years or detention, and/or shall be imposed a fine of 5% up to 20% of the amount of laundered money. If the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than five years but not more than ten years, and shall be imposed a fine of 5% up to 20% of the amount of laundered money:

- (a) Providing any capital account;
- (b) Assisting the transfer of property into cash, financial instruments, or negotiable securities;
- (c) Assisting the transfer of capital by means of transfer accounts or any other means of settlement;
- (d) Assisting the remit of funds to overseas;
- (e) Disguising or concealing the source or nature of any crime-related income or the proceeds generated therefrom by any other means.

Where an entity commits the crime as mentioned in the preceding paragraph, it shall be fined, and any of the persons who are directly in charge and the other persons who are directly responsible for the crime shall be sentenced to fixed-term imprisonment of no more than five years or criminal detention; if the circumstances are serious, any of them shall be sentenced to fixed-term imprisonment of no less than five years but no more than ten years.

##### *Criminalisation of money laundering (article 312 PC)*

Where anyone, who obviously knows that the income or the proceeds that are generated therefrom are obtained from the commission of any crime, harbours, transfer, purchases or sells them as an agent or disguises or conceals them by any other means, he shall be sentenced to fixed-term imprisonment of not more than three years, detention, or surveillance, and/or shall be fined. If the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years, and shall be fined.

##### *Criminalisation of money laundering (article 349 PC)*

Whoever shields offenders engaged in smuggling, trafficking in, transporting or manufacturing of narcotic drugs or whoever harbours, transfers or covers up, for such offenders, narcotic drugs or their pecuniary and other gains from such criminal activities shall be sentenced to fixed-term imprisonment

of not more than three years, criminal detention or public surveillance. If the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than 10 years.

Anti-drug officers or functionaries of a State organ who shield or cover up offenders engaged in smuggling, trafficking in, transporting or manufacturing of narcotic drugs shall be given a heavier punishment in accordance with the provisions of the preceding paragraph.

Conspirators to the crimes mentioned in the preceding two paragraphs shall be regarded as joint offenders in the crime of smuggling, trafficking in, transporting or manufacturing of narcotic drugs and punished as such.

## **AML LAW 2007**

### *Article 1*

The present Law is formulated for the purpose of preventing money-laundering, safeguarding the financial order and cracking down on the crime of money-laundering as well as other relevant crimes.

### *Article 2*

The term “anti-money laundering” as mentioned in the present Law refers to an act of adopting the relevant measures according to the provisions of the present Law to prevent any money laundering activity for the purpose of concealing or disguising, by all means, the sources and nature of criminal proceeds generated from any drug-related crime, organizational crime of any gangland, terrorist crime, crime of smuggling, crime of corruption or bribery, crime of disrupting the financial management order, crime of financial fraud, etc..

### *Article 3*

A financial institution as established within the territory of the People’s Republic of China or a special non-financial institution that shall perform the obligation of anti-money laundering shall adopt relevant measures for prevention and supervision according to law, establish and improve a clients’ identity identification system, a preservation system of clients’ identity materials and transactional records, a reporting system of large sum transactions and doubtful transactions, and perform its anti-money laundering obligations.

### *Article 4*

The administrative department of anti-money laundering of the State Council shall take charge of the anti-money laundering supervision and administration throughout the country. The relevant departments and organs under the State Council shall, within their respective scope of functions and duties, perform their obligations of anti-money laundering supervision and administration.

The administrative department of anti-money laundering of the State Council, the relevant departments and organs under the State Council and the judicial organs shall coordinate with each other in their anti-money laundering work.

### *Article 5*

Any client’s identity material or transactional information as acquired in the performance of the duties and functions of anti-money laundering according to law shall be kept confidential. None of the aforesaid information may be provided to any entity or individual in the absence of relevant provisions of law.

The clients’ identity materials and transactional information as acquired by the administrative department of anti-money laundering or any other department or organ bearing the obligation of anti-money laundering supervision and administration according to law in the process of performing their anti-money laundering functions and duties shall only be used in the administrative anti-money laundering investigation.



The clients' identity materials and transactional information as acquired by the judicial organ according to the present Law shall only be used in the criminal litigation on anti-money laundering.

*Article 6*

Where any organ or functionary bearing the anti-money laundering obligation submits a report on large sum transaction or doubtful transaction according to law, it shall be protected by law.

*Article 7*

Where any entity or individual finds any money laundering activity, it/he has the right to tip it off to the administrative department of anti-money laundering or to the public security organ. The organ that accepts a tip-off shall keep confidential the tip-off maker as well as the tipped-off contents.

*Article 8*

The administrative department of anti-money laundering of the State Council shall organize and coordinate the anti-money laundering work throughout the country, take charge of the supervision over the anti-money laundering funds, formulate, by itself or in collaboration with the relevant financial regulatory bodies under the State Council, the relevant anti-money laundering regulations of financial institutions, conduct supervision and examination on the performance of anti-money laundering obligations by financial institutions, investigate into doubtful transactions within the power limit of its functions and duties, and perform other duties and functions of anti-money laundering as prescribed by law or by the State Council.

A dispatched organ of the administrative department of anti-money laundering of the State Council shall, within the power limit as authorized by the administrative department of anti-money laundering of the State Council, conduct supervision and examination of the performance of anti-money laundering obligations by financial institutions.

*Article 9*

The relevant financial regulatory bodies under the State Council shall participate in the formulation of anti-money laundering regulations for the financial institutions under its supervision and administration, require them to establish and improve an internal control system of anti-money laundering and perform the other duties and functions of anti-money laundering as prescribed by law or by the State Council.

*Article 10*

The administrative department of anti-money laundering of the State Council shall establish an Anti-money Laundering Information Centre to take charge of accepting and analyzing the reports on large sum transactions and doubtful transactions, report the result of analysis to the administrative department of anti-money laundering of the State Council according to the relevant provisions and perform any other functions and duties as prescribed by the administrative department of anti-money laundering of the State Council.

*Article 11*

The administrative department of anti-money laundering of the State Council may, in order to perform its duties and functions of supervising the anti-money laundering funds, collect the necessary information from the relevant departments and organs of the State Council, and the latter shall provide assistance.

The administrative department of anti-money laundering of the State Council shall circulate, on a periodic basis, the anti-money laundering work to the relevant departments and organs of the State Council.

*Article 12*

Where the customs finds that any cash or bearer securities that any person carries exceeds the prescribed sum, it shall report the case to the administrative department of anti-money laundering in a timely manner.

The standards of amount that shall be circulated in the preceding paragraph shall be prescribed by the administrative department of anti-money laundering of the State Council in collaboration with the General Administration of Customs.

#### *Article 13*

Where the administrative department of anti-money laundering or any other department or organ bearing the obligation of anti-money laundering supervision and administration according to law finds any transaction involved with the crime of money laundering, it shall report it to the investigation organ in a timely manner.

#### *Article 14*

Where the relevant financial regulatory body under the State Council conducts examination and approval of the establishment of a new financial institution or establishment of any sub-branch or branch of a financial institution, it shall examine the internal control system of anti-money laundering of the new institution and shall not approve any application for establishment that fails to satisfy the provisions of the present Law.

#### *Article 15*

A financial institution shall, according to the provisions of the present Law, establish and improve its internal control system of anti-money laundering, and the principal thereof shall be responsible for the effective implementation of its internal control system of anti-money laundering.

A financial institution shall establish a special institution of anti-money laundering or designate an internal department to take charge of anti-money laundering.

#### *Article 16*

A financial institution shall establish a clients' identity identification system according to the relevant provisions.

Where a financial institution establishes any business relationship with a client or provides such one-off financial services as cash remittance, cash conversion and bill payment beyond the prescribed amount, it shall require the client to show its/his authentic and effective identity certificate or any other identity certification document and make relevant verification and registration. Where a client entrusts an agent to handle the transaction on its/his behalf, the relevant financial institution shall make verification and registration of the identity certificates or any other identity certification documents of the agent and the principal thereof.

Where a financial institution establishes a business relationship of personal insurance or trust with his client yet if the contractual beneficiary is not the client himself, the financial institution shall make verification and registration of the identity certificate or any other identity certification document of the beneficiary as well.

A financial institution shall not provide any service to or have trade with any client who cannot clarify his identity or establish any anonymous or pseudonymous account therefore.

Where a financial institution has any doubt about the authenticity or effectiveness or completeness of any client's identity materials, it shall check out the client's identity again.

Where any entity or individual establishes any business relationship with any financial institution or requires a financial institution to provide a one-off financial service, it/he shall provide its/his authentic and effective identity certificate or any other identity certification document.

#### *Article 17*

Where a financial institution identifies the identity of its clients through a third party, it shall be guaranteed that the third party has adopted the measures for clients' identity clarification as required by the present Law. Where any third party fails to adopt the measures for the clients' identity clarification as prescribed by the present Law, the financial institution shall bear the liabilities for its failure to perform the obligation of clarifying the client's identity.

#### *Article 18*

Where a financial institution conducts the clarification of its clients' identity, it may, where it so requires, verify the relevant identity information with such departments as the public security organ and the administrative department for industry and commerce.

#### *Article 19*

A financial institution shall establish a preservation system for its clients' identity materials and transactional records. During the existence of business relationship, any client's identity material that changes shall be updated in a timely manner. Upon conclusion of any business relationship or transaction, the relevant client's identity materials or client's transaction information shall be kept for at least 5 years.

Where a financial institution goes bankrupt or is dissolved, it shall transfer the relevant clients' identity materials and clients' transactional records to the institution designated by the relevant department of the State Council.

#### *Article 20*

A financial institution shall, according to the relevant provisions, implement the reporting system of large sum transactions and doubtful transactions.

Where any single transaction handled by a financial institution or the accumulated transaction within a prescribed time limit goes beyond the prescribed sum or where any doubtful transaction is found, it shall be reported to the Anti-money Laundering Information Centre in a timely manner.

#### *Article 21*

The specific measures for a financial institution to establish a clients' identity clarification system and a preservation system for its clients' identity materials and transactional records shall be formulated by the administrative department of anti-money laundering of the State Council in collaboration with the relevant financial regulatory bodies under the State Council. The specific measures for reporting the large sum transactions and doubtful transactions by financial institutions shall be formulated by the administrative department of anti-money laundering of the State Council.

#### *Article 22*

A financial institution shall, according to the requirements for anti-money laundering prevention and supervision, conduct anti-money laundering trainings and publicity.

#### *Article 23*

Where the administrative department of anti-money laundering of the State Council or its dispatched organ at the provincial level finds any doubtful transaction and if an investigation and verification is therefore required, it may conduct an investigation into the related financial institutions, and the latter shall provide assistance and faithfully provide the relevant documents and materials.

In the investigation into any doubtful transaction, there shall be no fewer than 2 investigators, who shall show their legal certificates as well as the investigation notice produced by the administrative department of anti-money laundering of the State Council or by its dispatched organ at the provincial level. In the case of fewer than 2 investigators or in case the relevant legal certificate or investigation notice fails to be shown, the financial institution under investigation has the right to refuse the investigation.

#### *Article 24*

In the investigation into any doubtful transaction, the relevant investigators may inquire of relevant personnel of the related financial institutions about relevant information.

A Transcript shall be made for an inquiry and shall be checked against the person being interrogated. In the case of any omission or mistake in a transcript, the person being interrogated may request for supplementation or correction. After a person being interrogated confirms a transcript, he shall render

his signature or seal thereto and the relevant investigators shall render their signatures onto the transcript as well.

#### *Article 25*

Where a further examination is required in an investigation, the investigator may, upon the approval of the principal of the administrative department of anti-money laundering of the State Council or its dispatched organ at the provincial level, consult and photocopy the relevant account information, transactional records and any other relevant materials of the investigated institution or persons, and may seal up any document or material that may be transferred, concealed, tampered or destroyed.

Where an investigator seals up any documents or materials, he shall, in collaboration with the relevant personnel of the investigated financial institution on the spot, sort them out and produce a checklist in duplicate, to which the signatures or seal of investigators and personnel of the financial institutions on the spot shall be rendered. One copy shall be delivered to the financial institution and the other shall be attached to the relevant file for reference.

#### *Article 26*

Where any suspicion of money laundering cannot be cleared off upon investigation, a case shall be reported to the competent investigation organ immediately. Where a client requests to transfer the account capital as involved in the investigation to a foreign country, temporary freezing measures may be adopted, subject to approval of the principal of the administrative department of anti-money laundering of the State Council.

After the investigation organ receives a case, it shall decide, in a timely manner, whether or not to further freeze the capital as temporarily frozen up according to the provisions of the preceding paragraph. Where it deems it necessary to continue freezing the capital, freezing measures shall be adopted according to the provisions of the Criminal Litigation Law. Where it deems it unnecessary to freeze the capital any more, it shall immediately notify the administrative department of anti-money laundering of the State Council, and the latter shall immediately notify the relevant financial institution to lift the freeze.

A temporary freeze shall not exceed 48 hours. Where a financial institution does not receive any notice on continuing freezing from the investigation organ within 48 hours after it adopts temporary freezing measures according to the requirements of the administrative department of anti-money laundering of the State Council, it shall immediately lift the freeze.

#### *Article 27*

The People's Republic of China shall, according to the international treaties that China has concluded or acceded to or according to the principles of equality and reciprocity, carry out international anti-money laundering cooperation.

#### *Article 28*

The administrative department of anti-money laundering of the State Council shall, according to the authorization of the State Council, represent the Chinese government to make anti-money laundering cooperation with foreign governments and relevant international organizations, exchange the relevant information and materials related to anti-money laundering with overseas anti-money laundering institutions according to law.

#### *Article 29*

Legal assistance for investigation into any crime of money laundering shall be handled by the judicial organ according to the provisions of relevant laws.

#### *Article 30*

Where any functionary of the administrative department of anti-money laundering or any other department or organ bearing the functions and duties of anti-money laundering supervision and administration has any of the following acts, an administrative sanction shall be given according to law:

- (1) Where anyone makes examination, investigation or adopts any temporary freezing measures in violation of the relevant provisions;
- (2) Where anyone divulges any state secret, commercial secret or individual privacy which he has access to in his anti-money laundering work;
- (3) Where anyone gives any administrative punishment to the relevant institution and personnel in violation of the relevant provisions; or
- (4) Where anyone has any act of failing to perform his duties and functions according to law.

*Article 31*

Where a financial institution has any of the following acts, the administrative department of anti-money laundering of the State Council or its authorized dispatched organ at or above the districted city level shall order it to correct within a time limit. In the case of serious circumstances, it shall advise the relevant financial regulatory body to order the relevant financial institution to give a disciplinary sanction to its directly liable chairperson, senior manager or any other person according to law:

- (1) Where it fails to establish an internal control system of anti-money laundering according to the relevant provisions;
- (2) Where it fails to establish a special institution of anti-money laundering or designates an internal department to take charge of anti-money laundering; or
- (3) Where it fails to conduct anti-money laundering trainings to its employees according to the relevant provisions.

*Article 32*

Where a financial institution is under any of the following circumstances, the administrative department of anti-money laundering of the State Council or its authorized dispatched organ at or above the districted city level shall order it to correct. In the case of serious circumstances, a fine of 20, 000 yuan up to 50, 000 yuan shall be imposed on the financial institution and a fine of 10, 000 yuan up to 50, 000 Yuan shall be imposed upon its directly liable chairman, senior manager or any other person:

- (1) Where it fails to perform the obligation of clarifying any clients' identity according to the relevant provisions;
- (2) Where it fails to preserve the clients' identity materials and transactional records according to the relevant provisions;
- (3) Where it fails to report relevant reports on large sum transactions or doubtful transactions according to the relevant provisions;
- (4) Where it trades with any client who fails to clarify its/his identity or establishes any anonymous account or pseudonymous account therefore;
- (5) Where it violates the relevant confidential provisions or divulges any relevant information;
- (6) Where it refuses or retards any anti-money laundering examination or investigation; or
- (7) Where it refuses to provide any investigation material or provides any false material on purpose;

Where a financial institution has any of the aforesaid act and thus leads to the consequence of money laundering, a fine of 500, 000 Yuan up to 5, 000, 000 Yuan shall be imposed upon the financial institution and a fine of 50, 000 Yuan up to 500, 000 Yuan shall be imposed upon its directly liable chairman, senior manager or any other person. In the case of particularly serious circumstances, the administrative department of anti-money laundering may advise the relevant financial regulatory body to order the financial institution to suspend its business for rectification or to revoke its business license.

As to the directly liable chairman, senior manager or any other person of a financial institution as prescribed in the preceding two paragraphs, the administrative department of anti-money laundering may advise the relevant financial regulatory body to order the financial institution to give a disciplinary sanction thereto or revoke his qualification to hold a post and prohibit him from engaging in any financial work.

*Article 33*

Where anyone violates the provisions of the present Law and thus constitutes a crime, he shall be subject to criminal liabilities according to law.

*Article 34*

The term “financial institutions” as mentioned in the present Law refers to the policy banks, commercial banks, credit cooperatives, post savings institutions, trust investment companies, securities companies, futures brokerage companies, insurance companies as well as any other institutions that have been determined and publicized by the administrative department of anti-money laundering of the State Council to engage in the financial undertakings.

*Article 35*

The scope of the special non-financial institutions that shall perform the obligation of anti-money laundering, the specific anti-money laundering obligations thereof as well as the specific measures for supervision and administration on the special non-financial institutions shall be formulated by the administrative department of anti-money laundering of the State Council in collaboration with the relevant departments of the State Council.

*Article 36*

The supervision over any funds suspected of being involved in any terrorism activity shall be governed by the present Law. In the case of any different provision in any other law in this regard, such provision shall prevail.

*Article 37*

The present Measures shall come into force as of January 1, 2007.

## **AML RULES 2007**

### *Article 1*

In order to prevent money laundering activities, regulate anti-money laundering supervision and regulation practice and anti-money laundering tasks of financial institutions, safeguard financial order, the Rules are formulated pursuant to the Anti-Money Laundering Law of the People's Republic of China, the Law of the People's Republic of China on the People's Bank of China and other relevant laws, administrative rules and regulations.

### *Article 2*

The Rules are applicable to financial institutions legally established within the territory of the People's Republic of China, which includes:

- (1) Commercial banks, urban credit cooperatives, rural credit cooperatives, post savings institutions, policy banks;
- (2) Securities companies, futures broker companies, fund management companies;
- (3) Insurance companies and insurance asset management companies;
- (4) Trust investment companies, financial asset management companies, finance companies, financial leasing companies, automobile finance companies, money brokerage companies;
- (5) Other institutions identified and proclaimed by the People's Bank of China.

The provisions concerning anti-money laundering supervision and regulation on financial institution stipulated by the Rules are applicable to institutions engaged in remittance, payment and clearing, and sales of funds.

### *Article 3*

The People's Bank of China is the competent authority in charge of anti-money laundering affairs under the State Council, and is responsible for supervising and regulating the anti-money laundering work of financial institutions in pursuant to the law. The China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission shall perform anti-money laundering supervision and regulation responsibilities within their own jurisdiction. When carrying out the anti-money laundering responsibilities, the People's Bank of China, relevant authorities or institutions under the State Council and the judicial agencies shall cooperate with each other.

### *Article 4*

The People's Bank of China shall represent the Chinese Government to carry out international cooperation on anti-money laundering affairs as authorized by the State Council. The People's Bank of China can establish cooperative mechanism with agencies in charge of anti-money laundering affairs of other countries or territories and conduct cross-border anti-money laundering supervision and regulation.

### *Article 5*

The People's Bank of China carries out the following supervision and regulation responsibilities on anti-money laundering:

- (1) Issue, or issue jointly with the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission, anti-money laundering regulations or rules for financial institutions;
- (2) Monitor the movement of funds in both RMB or foreign currencies for anti-money laundering purposes;

- (3) Supervise and inspect financial institutions on their fulfilment of anti-money laundering obligations;
- (4) Investigate suspicious transactions or activities within its own jurisdiction;
- (5) Report to law enforcement agencies transactions or activities of suspicious money laundering crimes;
- (6) Exchange information for anti-money laundering purposes with overseas anti-money laundering intelligence units in accordance with relevant laws, administrative rules and regulations;
- (7) Other responsibilities stipulated by the State Council.

#### *Article 6*

The China Anti-Money Laundering Monitoring and Analysis Centre is established by the People's Bank of China, and shall perform the following responsibilities:

- (1) Receive and analyze large-value and suspicious transaction reports in RMB or foreign currencies;
- (2) Establish the national anti-money laundering database and properly keep large-value and suspicious reports filed by financial institutions;
- (3) Report to the People's Bank of China the analysis result of large-value and suspicious transactions pursuant to provisions;
- (4) Require financial institutions to supplement and correct RMB and foreign exchange large-value and suspicious reports in a timely manner;
- (5) Exchange relevant anti-money laundering information with overseas anti-money laundering intelligence organizations with the approval of the People's Bank of China; and
- (6) Other responsibilities stipulated by the People's Bank of China.

#### *Article 7*

The People's Bank of China and its staff shall keep confidential the information obtained while performing anti-money laundering responsibilities and shall not disclose such information against provisions. The China Anti-money Laundering Monitoring and Analysis Centre and its staff shall keep confidential the information of customer identification, large-value and suspicious transaction obtained while performing anti-money laundering responsibilities and shall not provide such information to any organization and individual unless otherwise required by law.

#### *Article 8*

Financial institutions and their subsidiaries shall establish and improve anti-money laundering internal control programs, set up or designate relevant internal departments to specialize in anti-money laundering efforts, establish internal operation and control program, and conduct anti-money laundering training on their staff to enhance their anti-money laundering capabilities. The person in charge of financial institutions and their branch offices shall be responsible for the effective implementation of the internal control program.

#### *Article 9*

Each financial institution shall establish and implement customer identification program pursuant to the provisions.

- (1) When establishing business relationship with any customer or providing occasional services above the prescriptive amount, a financial institution shall conduct customer identification procedures, require its customer to show a valid identity card or other identity document, verify the documents and register the identity information. The identity information shall be updated in time if any change occurs;



(2) A financial institution shall know the purpose and nature of the transactions made by its customers, effectively identify the beneficiary of transactions in accordance with the provisions;

(3) A financial institution shall re-identify its customer in case that the authenticity, validity or integrity of the identification record of the customer obtained previously is doubted or abnormality is discovered during the business.

(4) A financial institution shall be required to satisfy them selves that the overseas financial institution of agent relationship or other similar business relation has effective customer identification procedures and is able to obtain necessary customer identification information from the overseas financial institution.

Specific implementing measures stipulated above shall be formulated jointly by the People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission.

#### *Article 10*

During the stipulated period, financial institutions shall properly keep customer identification documents, as well as relevant document relating to each transaction such as data, vouchers, accounting materials, etc. Specific implementing measures stipulated above shall be formulated jointly by the People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission.

#### *Article 11*

Financial institutions shall file RMB and foreign exchange large-value and suspicious transaction reports to the China Anti-money Laundering Monitoring and Analysis Centre in accordance with the provisions. Specific implementing measures stipulated above shall be formulated by the People's Bank of China.

#### *Article 12*

The People's Bank of China, jointly with the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission, shall guide the industry self-discipline organizations to formulate anti-money laundering guidelines for specific sector or professions within their jurisdictions;

#### *Article 13*

In case that the financial institutions discover any case of suspicious crimes during their fulfilment of their anti-money laundering responsibility, they shall report such as to the local People's Bank of China and public security organ in writing in a timely manner.

#### *Article 14*

Financial institutions and their staff shall assist and cooperate with the judicial authorities and administrative law enforcement authorities to fight against money laundering activities in accordance with the law. The overseas branches of financial institutions shall comply with the anti-money laundering laws and regulations of the host countries or territories, and assist and cooperate with the anti-money laundering authority of the countries or regions of the host country or *territories*.

#### *Article 15*

Financial institutions and their staff shall keep confidential the customer identification materials and transaction records obtained while performing anti-money laundering responsibilities and shall not provide such information or material to any organization and individual unless otherwise required by law. The financial institutions and their staff shall keep confidential the anti-money laundering work information such as information related to suspicious transactions and investigation on suspicious transactions conducted by the People's Bank of China and shall not provide such information to the customer or other persons.

#### *Article 16*

Financial institutions and their staff are protected by law to report large-value and suspicious transactions in accordance with laws.

#### *Article 17*

In accordance with the provisions of the People's Bank of China, financial institutions shall submit statistical statements, information materials, and audit reports related to their anti-money laundering practices to the People's Bank of China.

#### *Article 18*

Based on the need for fulfilling the responsibilities of anti-money laundering, the People's Bank of China and its subsidiaries have the power to adopt the following measures to conduct on-site inspections:

- (1) Enter the financial institutions for inspection;
- (2) Inquiring the staff of financial institutions for explanations on the inspected items;
- (3) Checking and copying documents and materials kept by financial institution that are relevant to the inspected items, and seal up the documents and materials that might be transferred, destroyed, concealed or tampered;
- (4) Checking the computerized system that stores the management or business data of the financial institutions.

Before conducting on-site inspection, the People's Bank of China and its subsidiaries shall fill in the approval form for on-site inspection, which specifies the institution to be inspected, content of inspection, timetable, etc. The on-site inspection shall be undertaken after being approved by the person in charge of the People's Bank of China or its branch Offices. When on-site inspection is undertaken, the number of inspectors shall not be less than two, and law enforcement certificate and inspection notice shall be presented. If the number of inspectors is less than two or law enforcement certificate and inspection notice are not properly presented, the financial institution has the right to refuse the inspection.

After on-site inspection, the People's Bank of China and its subsidiaries shall produce the letter of comments on on-site inspection, seal up the document and send it to the inspected institution. The letter of comments on on-site inspection shall cover the inspection profile, inspection comments, recommendations for improvement and measures.

#### *Article 19*

Based on the need for fulfilling the responsibilities of anti-money laundering, the People's Bank of China and its subsidiaries could talk to the directors and senior executives of the financial institution and ask them to provide explanations on important issues on the fulfilment of anti-money laundering obligations of the financial institution.

#### *Article 20*

Where necessary, the People's Bank of China shall inform the China Banking Regulatory Commission, the China Securities Regulatory Commission or the China Insurance Regulatory Commission of the result of its on-site inspection on the financial institution.

#### *Article 21*

When discovering any suspicious transaction in need of further investigation or verification, the People's Bank of China and its branches at the provincial level can investigate the customer account information, transaction record and other relevant document relating to suspicious transaction. The financial institution and its staff shall cooperate with the investigation or verification. The People's Bank of China and its branches at the provincial level mentioned above include the People's Bank of China's Shanghai Headquarter, branches, operational offices, sub-branches both at the provincial capital cities and quasi province-level cities.

#### *Article 22*

When investigating suspicious transactions or activities, the People's Bank of China and its branches at the provincial level can inquire and ask relevant staff of a financial institution to make explanation, check a copy the account information, transaction record and other materials related to the investigated customer of the financial institution, and seal up the document and material that may be transferred, concealed, tampered or damaged. When the investigation of suspicious transactions is undertaken, the number of investigators shall not be less than two, and law enforcement certificate and investigation notice issued by the People's Bank of China or its branch offices at the provincial level shall be presented. Checking and copying the account information, transaction record and other materials related to the investigated customer of the financial institution shall be approved by the person in charge of the People's Bank of China or its branches at the provincial level. If the investigators violate the stipulated procedures, the financial institution has the right to refuse the investigation.

Enquiry record shall be made when enquiry is conducted. The enquiry record shall be verified by the enquired. The enquired has the right to request supplements or corrections if the enquiry record is thought to have missing or incorrect points. The enquired shall sign his or her name, or seal up on the documents after the verification of the enquiry record. The investigator shall also sign on the enquiry record. While affixing any document or material for keeping, the investigators shall check the items to be affixed with the staff of the financial institution present. Two lists of affixed items shall be made on the spot, and signed by both the investigator and the staff of the financial institution. One of the two lists shall be kept by the financial institution, the other attached to the file for future check-up.

#### *Article 23*

If the suspicion is not excluded after investigation, the case shall be reported to the law enforcement agency with proper jurisdiction. In case that the customer requests the fund in the investigated accounts to be transferred overseas, financial institutions shall report timely to the local People's Bank of China. Upon authorization of the responsible person of the People's Bank of China, the People's Bank of China can take temporary freezing measures and inform the financial institution in writing. The financial institution shall implement the freezing notice immediately once receiving it.

Upon receiving the case, if the law enforcement agency decides to freeze the fund, the financial institution shall cooperate after receiving the notice of continual freezing. If the law enforcement agency decides not to continue freezing the fund, upon receiving the notice from the law enforcement agency to discontinue freezing the fund, People's Bank of China shall notify the financial institutions to remove the freezing measure in writing in a timely manner.

Temporary freezing shall not exceed 48 hours. Unless getting continual freezing notice from the law enforcement agencies within 48 hours after the temporary freezing measure is taken, the financial institution shall remove freezing immediately upon the expiry of the 48 hours.

#### *Article 24*

In the case of any of the following misconducts, correspondent administrative sanctions shall be imposed on the employee of the People's Bank of China and its subsidiaries who performs anti-money laundering tasks:

- (1) Inspecting, investigating or taking temporary freezing measure in violation of the provisions;
- (2) Disclosing national secrets, commercial secrets or individual privacy obtained while performing anti-money laundering tasks;
- (3) Imposing administrative sanctions upon relevant institutions or individuals in violation of relevant provisions; or
- (4) Other misconducts in violation of the obligations specified by the law.

#### *Article 25*

When a financial institution is in breach of the Rules, the People's Bank of China or its branch offices above the prefecture level shall impose penalties on the financial institution in accordance with the Article 31, 32 of the Anti-money Laundering Law of the People's Republic of China. Depending on different situation, the People's Bank of China could propose to the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission to adopt the following measures:

- (1) Order the financial institution to stop its operation for internal rectification or withdraw its business license;
- (2) Disqualify the directors, senior managers and other person(s) directly responsible for the misconduct of the financial institutions from engaging in financial businesses; or
- (3) Order the financial institution to impose disciplinary sanctions on the directors, senior managers and other person(s) directly responsible for the misconduct of the financial institution.

In case that the county-level sub-branches of the People's Bank of China discover that financial institutions act in violation of the Rules, they shall report to the branch office at higher level. The branch office at higher level shall impose sanctions or make suggestions in accordance with the aforementioned provision.

#### *Article 26*

The People's Bank of China and its branch offices above the prefecture level shall abide by the Rules of Administrative Punishment Procedure of the People's Bank of China when imposing administrative sanctions on the financial institution that violates the Rules.

#### *Article 27*

The Rules come into effect as of January 1st, 2007, when the Rules for Anti-money Laundering by Financial Institutions that was issued by the People's Bank of China on March 1, 2003 shall be simultaneously abolished.

### **Administrative Rules for the Reporting of Large-Value and Suspicious RMB Payment Transactions (2003)**

#### *Article 1*

These Rules are formulated in accordance with *Law of the People's Republic of China on the People's Bank of China* and other laws and regulations in order to strengthen supervision over RMB payment transactions, regulate RMB payment transaction reporting activities and prevent bank payment and settlement from being misused for money laundering and other law-violating and criminal activities.

#### *Article 2*

RMB payment transactions referred to in these Rules are RMB-denominated monetary payment made by institutions and individuals through bills, bank cards, remittance, entrusted collection, custodian acceptance, online payment and cash and its clearing transactions. Large-value payment transactions refer to any RMB payment transaction whose value is above the specified threshold. Suspicious payment transactions refer to those RMB payment transactions with abnormality in amount, frequency, direction, use or nature.

#### *Article 3*

Policy banks, commercial banks, urban and rural credit cooperatives and their unions, postal savings institutions (hereinafter referred to as financial institutions) licensed by the People's Bank of China and established within the territory of the People's Republic of China shall abide by these Rules when handling payment transactions.

*Article 4*

The People's Bank of China and its branch offices shall be charged with supervising and administering reporting of payment transactions.

*Article 5*

The People's Bank of China shall establish a payment transaction monitoring system.

*Article 6*

Financial institutions shall create specialized anti-money laundering posts in their operational offices, specify their responsibilities, and have specified staff record, analyze and report large-value payment transactions and suspicious payment transactions.

*Article 7*

The following transaction payments constitute large-value transaction payments:

- (1) Any single credit transfer above RMB one million Yuan between legal persons, other organizations and firms created by self-employed persons (hereinafter referred to as institutions);
- (2) Any single cash transaction above RMB 200,000 Yuan, including cash deposit, cash withdrawal, cash remittance, cash draft, cash promissory note payment.
- (3) Fund transfer above RMB 200,000 Yuan among individual bank settlement accounts, and between individual bank settlement account and corporate bank settlement account.

*Article 8*

The following payment transactions constitute suspicious payment transactions:

- (1) Fund being moved out in large quantities after coming into a financial institution in small amounts and in many batches within a short period of time or vice versa;
- (2) The frequency and amount of fund movement apparently not commensurate with the magnitude of an enterprise's business operation;
- (3) Direction of fund movement apparently not commensurate with the range of business operation of an enterprise;
- (4) Current fund movement apparently not commensurate with the features of an enterprise's business operation;
- (5) Regular occurrence of frequent fund movement apparently not commensurate with the nature and business operation of an enterprise;
- (6) Frequent fund movement within a short period of time between the same receiving party and the same paying party;
- (7) Sudden and frequent fund movement in and out of an account that has been dormant for a long time;
- (8) An enterprise frequently receiving individual remittance that is obviously unrelated to its range of business within a short period of time;
- (9) Cash deposit and withdrawal whose amount, frequency and use are apparently different from the normal fund movement of a customer;
- (10) The accumulated cash movement through an individual bank settlement account exceeding RMB one million yuan within a short period of time;
- (11) Frequent fund transfer within a short period of time to and from customers located in regions with serious drug-trafficking, smuggling and terrorist activities;

- (12) Accounts being opened and closed frequently, and experiencing large fund movement before being closed;
- (13) Breaking large-value fund movement up into small amounts deliberately in order to escape large-value payment transaction monitoring;
- (14) Other suspicious payment transaction defined by the People's Bank of China; or
- (15) Other suspicious payment transaction identified by a financial institution.

"A short period of time" referred to in this Article is 10 or less than 10 business days.

#### *Article 9*

When a depositor applies for opening a bank settlement account, the financial institution should examine the authenticity, completeness and legality of the documents submitted by the depositor.

#### *Article 10*

A financial institution shall create depositor's database to record information of holders of bank settlement accounts, including, in the case of a corporate customer, the title of the institution, name of legal representative or person-in-charge and name and number of his/her valid ID, supporting documents for opening the account, organization registration code, address, registered capital, range of business, major parties of fund movement, average size of daily fund movement of the account, and in the case of an individual customer, the name of the customer, name and number of his/her ID, address and other information.

#### *Article 11*

When a financial institution discovers from its customer any occurrence as listed in Article 8 in the processing of payment and settlement business, it shall record, analyze the suspicious payment transaction, and fill in the Suspicious Payment Transaction Reporting Form before reporting the case.

#### *Article 12*

When a financial institution finds it necessary to further verify a case of suspicious payment transaction, it shall report to the People's Bank of China in a timely manner. When the People's Bank of China inquires about a case of suspicious payment transaction, the inquired financial institution shall find out the truth, reply promptly and record the case in the file.

#### *Article 13*

A financial institution shall keep the record of payment transactions in accordance with the regulations on bank accounting files.

#### *Article 14*

A financial institution shall formulate internal rules and operational procedures for payment transaction reporting in line with these Rules, and report the rules and procedures to the People's Bank of China. A financial institution shall supervise and examine the implementation of these rules and procedures by its branch offices.

#### *Article 15*

Large-value fund transfer from accounts shall be reported by the financial institution through connecting its system with the payment transaction monitoring system. Large-value cash transfer shall be reported by the financial institution through its business processing system or by writing. Suspicious payment transaction shall be examined by the financial institution at the counter and reported in writing or other forms.

#### *Article 16*

When a financial institution processes a large-value fund transfer, it shall report to the head office of the People's Bank of China within the next business day after the day of the transaction's occurrence. When a financial institution processes a large-value cash transfer, the financial institution shall report

within the next business day after the day of the transaction's occurrence to the local branch office of the People's Bank of China, who shall in turn report to head office of the People's Bank of China.

#### *Article 17*

When an operational office of a policy bank, a wholly state-owned commercial bank, or a joint-stock commercial bank discovers a suspicious payment transaction, it shall fill in the Suspicious Payment Transaction Reporting Form and report to the tier-one branch of the bank, who shall report, within the next business day after receiving the Form, to the regional branch, operations office and provincial capital sub-branch of the People's Bank of China, and at the same time report to its superior branch.

When an operational office of a city commercial bank, a rural commercial bank, a rural or urban credit cooperative or its union, a wholly foreign-funded bank, a Sino-foreign joint-equity bank or a foreign bank's branch discovers a suspicious payment transaction, it shall fill in a Suspicious Payment Transaction Reporting Form and report to the local branch office, operations office, provincial capital sub-branch or prefecture sub-branch of the People's Bank of China. When a prefecture sub-branch of the People's Bank of China receives such a report, it shall report, within the next business day after receipt, to the branch, operations office or provincial capital sub-branch of the People's Bank of China.

#### *Article 18*

When an operational office of a financial institution finds, after analyzing a case of RMB payment transaction, the need for immediate criminal investigation against the suspect, it shall report to the local public security authority immediately and its superior branch at the same time.

#### *Article 19*

Branches, operation offices and provincial capital sub-branches of the People's Bank of China shall analyze the Suspicious Payment Transaction Reporting Forms submitted by financial institutions. When it is necessary for the reporting financial institution to provide additional material or further explanation, the said financial institution shall be informed immediately.

#### *Article 20*

Each branch, operation office and provincial capital sub-branch of the People's Bank of China shall make a weekly summary of the Suspicious Payment Transaction Reporting Forms submitted by financial institutions and report to the head office of the People's Bank of China on the first business day of every week. The payment transaction shall be reported to the head office of the People's Bank of China immediately after its discovery if the case is serious.

#### *Article 22*

The People's Bank of China and financial institutions shall not disclose to any institution or individual information about suspicious payment transactions, unless otherwise stipulated by laws.

#### *Article 23*

When a financial institution fails to examine the document submitted for opening accounts in accordance with relevant regulations and opens a settlement account for an individual, the People's Bank of China shall issue a warning and concurrently impose on it a fine between RMB1,000 Yuan and RMB5,000 Yuan. In a serious case, its senior executives directly responsible for such misconduct shall be banned from taking any senior position in the financial industry.

#### *Article 24*

In the case of any of the following misconduct by a financial institution, the People's Bank of China shall issue a warning and order the financial institution to take remedial action within a specified period of time, and if the financial institution fails to do so within the specified time limit, a fine up to RMB30,000 Yuan may be imposed.

- (1)Opening account without examining the submitted materials according to relevant regulations that leads to the opening of a falsified institutional bank settlement account;
- (2)Failing to create depositor's databank or having incomplete depositor's information;

- (3) Failing to keep customer transactions record as stipulated;
- (4) Failing to examine and report payment transactions in accordance with these Rules;
- (5) Failing to report any known suspicious payment transaction or a suspicious payment transaction that should have been reported;
- (6) Disclosing suspicious payment transaction information in violation of Article Twenty-One.

*Article 25*

Disciplinary penalty shall be imposed on the staff of a financial institution who is/are involved in falsifying account-opening materials to open bank settlement account(s) for individual(s) and facilitate money-laundering activities; when the misconduct constitutes a violation of the criminal law, the case shall be transferred to judiciary authorities.

*Article 26*

When a financial institution seriously violates these Rules, the People's Bank of China shall cease its approval for the institution to open basic deposit account, suspend or terminate part or all of its payment and settlement business and ban the senior executives directly responsible for such violations from taking any senior management position in the industry.

*Article 27*

Staff of the People's Bank of China shall be imposed an administrative penalty in accordance with laws for any violation of Article 21 of these Rules.

*Article 28*

When "above", "between" and "up to" are used to indicate a threshold number, a floor or a ceiling, the number that ensues any of them is also included.

*Article 29*

These Rules shall enter into effect as of March 1, 2003.

**Administrative Rules for the Reporting by Financial Institutions of Large-Value and Suspicious Foreign Exchange Transactions (2003)**

*Article 1*

These Rules are formulated in accordance with *Regulations of the People's Republic of China on Foreign Exchange Administration* and other regulations in order to monitor large-value and suspicious foreign exchange transactions.

*Article 2*

Financial institutions located in the territory of China that run foreign exchange business (hereinafter referred to as financial institutions) shall report, in accordance with these Rules, to foreign exchange administration authorities large-value and suspicious foreign exchange transactions. Large-value foreign exchange transaction refers to foreign exchange transactions above a specified amount made by transactions parties in any form of settlement through financial institutions. Suspicious foreign exchange transaction refers to foreign exchange transaction with abnormal amount, frequency, source, direction, use or any other such nature.

*Article 3*

State Administration of Foreign Exchange and its branches (hereinafter referred to as SAFE) are responsible for supervising and administering the reporting of large-value and suspicious foreign exchange transactions.



#### *Article 4*

When opening foreign exchange accounts for customers, financial institutions shall abide by *Rules on Using Real Name for Opening Individual Deposit Account* and *Rules on Administration of Foreign Exchange Account within the Territory of People's Republic of China* and shall not open anonymous foreign exchange accounts or accounts in obviously fictitious names for their customers.

When processing foreign exchange transactions for customers, financial institutions shall verify information about the customer's real identity, including the name of work unit, name of the legal representative or person-in-charge, ID and its number, supporting documents for account opening, organization registration code, address, registered capital, business scope, size of business operation, average daily transaction volume of the account and in the case of an individual customer, name of the depositor, ID and its number, address, occupation, household income and other information about the customer's family.

#### *Article 5*

Financial institutions shall record all large-value and suspicious foreign exchange fund transactions and keep the record for a minimum of five years as of the day of transaction.

#### *Article 6*

Financial institutions shall establish and improve internal anti-money laundering post responsibility system, formulate internal anti-money laundering procedure and, have specified staff record, analyze and report large-value and suspicious foreign exchange transactions.

#### *Article 7*

Financial institutions shall not disclose to any agency or individual information about large-value and suspicious foreign exchange transactions, unless otherwise provided for by laws.

#### *Article 8*

The following foreign exchange transactions constitute large-value foreign exchange transactions:

- (1) Any single deposit, withdrawal, purchase or sale of foreign exchange cash above US\$10,000 or its equivalent, or the accumulated amount of multiple deposit, withdrawal, purchase or sale transactions of foreign exchange within one day above US\$10,000 or its equivalent;
- (2) Foreign exchange non-cash receipt and payment transactions made through transfer, bills, bank card, telephone-banking, internet banking or other electronic transactions or other new financial instruments in which a single transaction volume or accumulated transaction volume within one day exceeding US\$100,000 or its equivalent by individual customers, and in the case of corporate customers, a single transaction volume or accumulated transaction volume within one day exceeding US\$500,000 or its equivalent.

#### *Article 9*

The following foreign exchange transactions constitute suspicious foreign exchange cash transactions:

- (1) Frequent deposit and/or withdrawal of large amount of foreign exchange cash from an individual bankcard or individual deposit account that are apparently not commensurate with the identity of or use of fund by the cardholder or account owner;
- (2) An individual resident transferring to or withdrawing cash in large amount in a foreign country after depositing large amount of foreign exchange cash in a bankcard in China;
- (3) Frequent depositing, withdrawal or sale of foreign exchange through an individual foreign exchange cash account below the SAFE validated threshold;
- (4) Non-resident individual requiring banks to open traveller's check or draft to convert large amount of foreign exchange cash he/she has brought into China in order to take the fund out of China;

- (5) Frequently depositing large amount of foreign exchange cash in a bankcard held by non-resident individual;
- (6) Frequent and large-amount fund movement through a corporate foreign exchange account not commensurate with the business activities of the account owner;
- (7) Regular and large-amount cash deposit into a corporate foreign exchange account without withdrawal of large amount of cash from the said account;
- (8) An enterprise frequently receiving export proceeds in cash that is apparently not commensurate with the range and size of its business;
- (9) The RMB fund that an enterprise uses to buy foreign exchange for overseas investment is mostly in cash or has been transferred from a bank account not belonging to the said enterprise;
- (10) The RMB fund that a foreign-funded enterprise uses to buy foreign exchange for repatriation of profit is mostly in cash or has been transferred from a bank account not belonging to the said enterprise;
- (11) A foreign-funded enterprise making investment in foreign exchange cash.

#### *Article 10*

The following foreign exchange transactions constitute suspicious foreign exchange non-cash transactions:

- (1) Foreign exchange account of an individual resident frequently receiving fund from domestic accounts that are not under the same name;
- (2) An individual resident frequently receiving large amount of foreign exchange remittance from abroad before remitting the total amount out in the original denomination, or frequently remitting foreign exchange fund of the same denomination that is transferred from abroad in large amount;
- (3) Non-resident individual frequently receiving remittance in large amount from abroad, especially from countries (regions) with serious problems of narcotics production and trafficking;
- (4) Foreign exchange account of a resident or non-resident individual with a regular pattern of receiving large amount of fund which is withdrawn in several transactions the next day, and then receiving large amount of fund again which is withdrawn in several transactions the next day;
- (5) An enterprise making frequent and large advance payment for import and commission under trade account below the SAFE validated threshold through its foreign exchange account;
- (6) An enterprise frequently receiving, through its foreign exchange account, export payment in bills (such as check, draft and promissory note) in large amount;
- (7) Dormant foreign exchange accounts or foreign exchange accounts usually with no large fund movement suddenly receiving abnormal foreign exchange fund inflow, and the inflow gradually becoming larger in a short period of time;
- (8) An enterprise having frequent and large amount fund transactions through its foreign exchange account not commensurate with the nature and size of its business operation;
- (9) The foreign exchange account of an enterprise becoming inactive abruptly following frequent and large amount inflow and outflow of fund;
- (10) Frequent fund movement through the foreign exchange account of an enterprise in amounts divisible by thousand;

- (11) Rapid inflow and outflow of fund through the foreign exchange account of an enterprise, the amount of which is big within one day but the outstanding balance of the account is very small or nil;
- (12) The foreign exchange account of an enterprise remitting abroad the bulk of balance received in multiple small amount electronic transfers, check or draft deposits; (13) A domestic enterprise opening an offshore account in the name of an overseas legal person or natural person, and the said offshore account experiencing regular fund movement;
- (14) An enterprise remitting fund to many domestic residents through an offshore account and surrendering foreign exchange to banks in the name of donation, the transfer of fund and foreign exchange sales all done by one person or few persons;
- (15) The annual expatriation of profit by a foreign-funded enterprise exceeding the amount of originally invested equity by a large margin and obviously not commensurate with its business operation;
- (16) A foreign-funded enterprise rapidly moving the fund abroad in a short period of time after receiving the investment, which is not commensurate with the payment demand of its business operation;
- (17) Offsetting deposit and loan transactions with affiliates or connected companies of financial institutions located in regions with serious smuggling, drug trafficking or terrorist activities or other crimes;
- (18) Securities institutions ordering banks to transfer foreign exchange fund not for the purpose of securities dealing or settlement;
- (19) Securities institutions that engages in B share trading business frequently borrowing large amount of foreign exchange fund through banks; and
- (20) Insurance institutions frequently making compensation payment in large amount to or discharging insurance in large amount for the same overseas policy holder through banks.

#### *Article 11*

Financial institutions shall report the large-value or suspicious foreign exchange fund transactions as defined by Articles 8, 9 and 10 monthly in hard copy as well as in electronic copy.

#### *Article 12*

Financial institutions shall examine the following foreign exchange cash transactions and report promptly any discovery of suspected money laundering in hard copy with relevant documents attached.

- (1) Amount of expenditure of foreign exchange account roughly tallying with the amount of deposit in the previous day;
- (2) Depositing foreign exchange or Renminbi cash in many transactions in the foreign exchange deposit accounts of other individuals and receiving at the same time Renminbi or foreign exchange of equivalent amount;
- (3) An enterprise frequently purchasing foreign exchange with Renminbi cash.

#### *Article 13*

Financial institutions shall conduct verification over the following non-cash foreign exchange transactions, and shall promptly report any discovering of suspected money laundering activity and attach related files to the superior authorities:

- (1) An individual resident frequently switching from one denomination to another when conducting foreign exchange transactions apparently with no profit-seeking purpose;
- (2) An individual resident asking a bank to issue traveller's check or draft after frequently receiving foreign exchange remittance from abroad;

- (3) A non-resident individual frequently ordering traveller's check or cashing traveller's check or draft in large amount through foreign exchange account;
- (4) When opening foreign exchange account, an enterprise declining to provide supporting documents or general information on different occasions;
- (5) An enterprise group making internal foreign exchange fund transfer exceeding the volume of actual business operation;
- (6) An enterprise providing incomplete documents when surrendering to or purchasing foreign exchange from a bank, or the amount of buying or selling suddenly expanding, selling and buying becoming more frequent, or the amount of foreign exchange sold to the bank apparently exceeding the normal level of its business operation;
- (7) When entering an item of export revenue into an account in a bank, an enterprise failing to provide valid documents but frequently collecting foreign exchange sales statement (for verification purpose), or rejecting to provide valid documents but frequently collecting foreign exchange sales statement (for verification purpose);
- (8) An enterprise frequently receiving foreign exchange, making foreign exchange payment or frequently selling foreign exchange to banks, all in large amount, for the purpose of donation, advertising, sponsoring conference or exhibition, which is apparently not commensurate with its range of business;
- (9) An enterprise frequently receiving foreign exchange, making foreign exchange payment, or frequently selling foreign exchange to banks, all in large amount, for the purchase of buying or selling technology or trade mark right or other intangible assets, which is apparently not commensurate with its range of business;
- (10) Freight, premium and commission paid by an enterprise apparently not commensurate with its import and export trade;
- (11) An enterprise often depositing traveller's check or foreign exchange draft, especially those issued abroad and not commensurate with its business operation;
- (12) An enterprise suddenly paying its overdue foreign exchange loan in full with fund whose source is unspecified or not commensurate with the background of the said enterprise;
- (13) An enterprise applying for a loan guaranteed by assets or credit belonging to itself or a third party, the source of which is unspecified or not commensurate with the background of the customer;
- (14) Raising fund abroad through letter of credit with no foreign trade background or other means;
- (15) An enterprise knowingly conducting loss-making sales or purchase of foreign exchange;
- (16) An enterprise seeking to conduct a swap between the local currency and foreign currency for a fund whose source and use is unspecified;
- (17) The capital invested by the foreign partner of a foreign-funded enterprise exceeding the approved amount or direct external borrowing of a foreign-funded enterprise being remitted from a third country where there is no connected enterprise;
- (18) Local currency fund converted from capital invested by the foreign partner of a foreign-funded enterprise or external borrowing being diverted to bank accounts for securities and other investment, which is not commensurate with its business operation;
- (19) Fund movement in and out of the foreign exchange cash account of a financial institution apparently not commensurate with the size of the deposit in the account, or the fluctuation of fund movement apparently exceeding the change in the size of deposit;
- (20) Fund movement of the internal foreign exchange transaction accounts of a financial institution apparently not commensurate with its daily business operation;

- (21) Fund movement of the inter-bank foreign exchange transaction account, onshore and offshore business transaction account, or account for transactions with overseas affiliates apparently not commensurate with the daily business operation of the financial institution;
- (22) Foreign exchange credit or settlement between a financial institution and its connected enterprises fluctuating by a large margin within a short period of time;
- (23) A financial institution buying an insurance policy with large value foreign currency cash; and
- (24) Any foreign exchange fund transaction being suspected with proper reasons by the staff of a bank or other financial institutions as money laundering.

#### *Article 14*

Tier-one branches located in provincial capital, capital of autonomous region and municipality directly under the central government of a financial institution shall act as the major reporting unit and the head office of the financial institution shall designate a major reporting unit if there is no such branch in these places.

Sub-branches and offices of a financial institution shall report, within the first five work days of every month, large-value and suspicious foreign exchange fund transactions of the preceding month through their superior office to the major reporting unit and at the same time to the local branch office of SAFE.

Each major reporting unit shall summarize large-value and suspicious foreign exchange fund transactions that take place in the province, autonomous region or municipality directly under central government in the preceding month and report, within the first 15 work days of every month, to the local branch office of SAFE.

The head office of each financial institution shall report, within the first five days of every month, large-value and suspicious foreign exchange fund transactions that take place within the head office in the preceding month to the local branch office of SAFE.

#### *Article 15*

When a financial institution discovers suspected crime during the examination and analysis of large-value and suspicious foreign exchange fund transactions, it shall report to the local public security authority and local SAFE office within three work days as of the day of discovery.

#### *Article 16*

SAFE branch offices in every province, autonomous region, and municipality directly under the central government shall summarize large-value and suspicious foreign exchange fund transactions reported by financial institutes and report to SAFE head office within the first 20 work days of every month; when a foreign exchange transaction is suspected as crime, the case shall be transferred promptly to local public security authority and to the SAFE head office.

#### *Article 17*

In the case of any of the following misconduct by a financial institution, the SAFE shall issue a warning, order the financial institution to take remedial action, and impose a fine between RMB10,000 Yuan to RMB30,000 Yuan.

- (1) Failing to report, according to relevant rules and regulations, large-value or suspicious foreign exchange fund transactions;
- (2) Failing to keep large-value or suspicious foreign exchange transactions in record as stipulated by relevant rules and regulations;
- (3) Disclosing large-value or suspicious foreign exchange fund transactions in violation of relevant rules and regulations; and
- (4) Opening foreign exchange account without examining account-opening document.

### *Article 18*

When a financial institution opens a foreign exchange account for an individual customer without examining account-opening documents, the SAFE shall issue a warning, order it to take remedial action and may impose a fine between RMB1,000 Yuan and RMB5,000 Yuan.

### *Article 19*

When a financial institution brings about grave loss as a result of its serious violation of these Rules, the SAFE may cease or revoke its approval for foreign exchange purchase and sales business in part or in full.

### *Article 20*

Disciplinary penalty shall be imposed on the staff of a financial institution who provides assistance to money-laundering activities; when the misconduct constitutes a violation of the criminal law, the case shall be transferred to judiciary authorities.

### *Article 21*

“Frequent” in these Rules means foreign exchange fund transactions occurring at least three times each day or occurring daily for at least five days in a row. “Large amount” in these Rules refers to amount close to the threshold amount for reporting as a large-value foreign exchange transaction. “A short period of time” in these Rules means within 10 business days. When “above”, “between” and “up to” are used to indicate a threshold number, a floor or a ceiling, the number that ensues any of them is also included.

### *Article 22*

These Rules shall enter into effect as of March 1, 2003.

## **Administrative Rules for the Reporting of Large Value and Suspicious Transactions by Financial Institutions (2007)**

(Not considered for assessment, for information only)

### *Article 1*

In order to prevent money laundering activities through financial institutions and regulate large-value and suspicious transaction reporting of financial institutions, the Rules are formulated pursuant to the Anti-money Laundering Law of the People’s Republic of China, the Law of the People’s Republic of China On the People’s Bank of China and other relevant laws and administrative regulations.

### *Article 2*

The Rules are applicable to financial institutions legally established within the territory of the People’s Republic of China, which includes:

- (1) Commercial banks, urban credit cooperatives, rural credit cooperatives, post savings institutions, and policy banks;
- (2) Securities companies, futures broker companies, and fund management companies;
- (3) Insurance companies and insurance asset management companies;
- (4) Trust Investment companies, financial asset management companies, finance companies, financial leasing companies, automobile finance companies, and money brokerage companies;
- (5) Other institutions identified and proclaimed by the People’s Bank of China.

Institutions engaged in remittance, payment and clearing, and sales of funds are obligated by the Rules to report large-value and suspicious transactions.

### *Article 3*

The People's Bank of China and its subsidiaries are responsible for supervising and inspecting the reporting of large-value and suspicious transactions by the financial institutions.

### *Article 4*

The People's Bank of China establishes the China Anti-money Laundering Monitoring and Analysis Center to be responsible for receiving the RMB and foreign exchange large-value and suspicious transaction reports. When the China Anti-money Laundering Monitoring and Analysis Centre discovers that the essential elements of the large-value transaction or suspicious reports provided by a financial institution are not complete or accurate, it can send a notice of supplementation and correction to the financial institution that files the report. The financial institution shall supplement and correct the report within five business days after receiving the notice.

### *Article 5*

Financial institutions shall establish posts to specialize in anti-money laundering efforts and designate specific personnel to be responsible for reporting large-value and suspicious transactions. Financial institutions shall set up internal control and operation program for reporting large-value and suspicious transactions and report the program s to the People's Bank of China for record. Financial institutions shall supervise and regulate their subsidiaries on their implementation of the large-value and suspicious reporting program.

### *Article 6*

Financial institutions and their staff shall keep confidential the information concerning suspicious transaction reports and shall not provide such information to any organization or individual.

### *Article 7*

Financial institutions shall timely report the large-value transactions to the China Anti-money Laundering Monitoring and Analysis Centre in electronic way within five business days after the date of transactions, through their headquarters or institutions designated by headquarters. For financial institutions that do not have headquarters or are not able to file large-value transaction reports to the China Anti-money Laundering Monitoring and Analysis Centre through headquarters and institutions designated by headquarters, the means of reporting shall be decided by the People's Bank of China. When the customers conduct large-value transactions through their accounts opened in domestic financial institutions or banking cards, the financial institutions that opened the accounts or the banks issuing the cards shall report such transactions. When the customers conducted large-value transactions through their overseas banking cards, the banks that receive the bills shall report them . When the customers conduct large-value transactions not based on any account or banking card, the financial institutions that deal with such businesses shall report such transactions.

### *Article 8*

Financial institutions shall file a suspicious transaction report to their headquarters. The headquarters of the financial institutions or the institutions designated by headquarters shall report the suspicious transactions within 10 business days after the date of transaction to the China Anti-money Laundering Monitoring and Analysis Centre in electronic way. For financial institutions that do not have headquarters or are not able to file suspicious transaction reports to the China Anti-money Laundering Monitoring and Analysis Centre through the headquarters or the institutions designated by headquarters, the means of reporting shall be decided by the People's Bank of China.

### *Article 9*

Financial institutions shall report the following large-value transactions to the China Anti-money Laundering Monitoring and Analysis Centre:

- (1) Any single cash transaction with the value or any series of cash transactions with the accumulated value in a single day over RMB 200,000, or over US\$10,000 equivalents in foreign currencies such as cash deposit, cash withdrawal, sale and purchase of foreign

exchange by cash, cash exchange, cash remittance, cashier's check payment and other cash transactions.

(2) Any fund transfer above RMB 2,000,000 or US\$200,000 equivalents in foreign currencies among bank accounts of legal persons, other organizations and firms created by self-employed persons, in a single deal or in accumulative terms on the day of the transactions;

(3) Any fund transfer above RMB 500,000 or US\$100,000 equivalents in foreign currencies among bank accounts of natural persons, or among bank accounts of the natural persons and legal persons, other organizations and firms created by self-employed persons, in a single deal or in accumulative terms on the day of the transactions;

(4) Any cross-border transaction over US\$ 10,000 equivalents in foreign currencies in a single deal or in accumulative terms on the day of the transactions, and one party involved in the transaction is a natural person. The value of accumulative deals is calculated and reported on single customer, unilateral transaction basis according to receipt and payment of fund, unless otherwise provided for by the People's Bank of China.

In case that the customer conducts financial transactions with securities companies, future broker companies, fund management companies, insurance companies, insurance asset management companies, trust investment companies, financial asset management companies, finance companies, financial leasing companies, automobile financial companies and money brokerage companies, etc., and transfers fund through bank account, commercial banks, urban credit cooperatives, rural credit cooperatives, post savings institutions or policy banks shall file large-value transaction report to the China Anti-money Laundering Monitoring and Analysis Centre in accordance with the stipulations in item (2), (3) and (4) of this Article. The People's Bank of China can adjust the large-value reporting standard stipulated by this Article according to actual need.

#### *Article 10*

Financial institutions can choose not to file a report on large-value transaction if the transaction falls under one of the following conditions and is not discovered to be suspicious:

(1) Time deposit is not directly withdrawn or renewed When expired. Instead, its principal or its principal plus its whole or partial interest is deposited in another account under the same accountholder's name at the same financial institution by the customer.

The principal or the principal plus its whole or partial interest under his demand deposit account is transferred for time deposit to another account under the same accountholder's name at the same financial institution by the customer. The principal or the principal plus its whole or partial interest under his time deposit account is transferred for demand deposit to another account under the same accountholder's name at the same financial institution by the customer.

(2) Transactions between different types of foreign currencies in the course of firm-offer foreign exchange transactions conducted by natural persons;

(3) One party involved in the transaction is the China Communist Party and or the government organ, administrative organs, judicial organs, military organs, organs under the Chinese People's Political Consultative Conference, the Chinese People's Liberation Army and or the armed police force at various levels. Various types of subordinated enterprises of the above organizations are excluded;

(4) Inter-bank lending funds and bonds transaction in the inter-bank bonds market;

(5) Gold transactions conducted by the financial institution in the gold exchange;

(6) Internal fund allocations in financial institutions;

(7) Transactions under the transfer loans of international financial organization and foreign government loans;



(8) Debt swap transactions under international financial organization and foreign government loans;

(9) Tax, correction of errors in account and interest payment in the commercial banks, urban credit cooperatives, rural credit cooperatives, post savings institutions and policy banks;

(10) Other situations stipulated by the People's Bank of China.

#### *Article 11*

Commercial banks, urban credit cooperatives, rural credit cooperatives, post savings institutions, policy banks, trust and investment companies shall report the following transactions or activities as suspicious transactions:

(1) Fund being moved out in large quantities after coming into a financial institution in small amounts and in many batches within a short period of time or vice versa, which obviously does not conform to identification of customer, financial position and operation business;

(2) Receipt and payment of funds occur between the same payee and payer frequently over the short term, and the sum of transaction is close to the standards of large-value transactions;

(3) Legal persons, other organizations, firms created by self-employed persons frequently receive remittance over the short term, which is obviously unrelated to their businesses; or natural persons frequently receive remittance of legal persons and other organization over the short term;

(4) Bank accounts that have been idled for a long time are activated for unknown reasons or bank accounts that have been normally low in fund flows have abnormal in-flow of funds all of a sudden with large amounts of receipts and payments over a short period of time;

(5) There is an obvious increase during a short time of flows of funds for customers or frequent receipt and payment of large amounts of funds for customers from areas, regions, countries or jurisdictions where drug trafficking, smuggling, terrorism, gambling and tax evasion through the use of an offshore financial centre are prevalent;

(6) Several bank accounts are opened under the same account holder's name and cancelled without proper reasons, or large amounts of receipts and payments of funds occur before the cancellation of accounts;

(7) Repayment of large value loans is made ahead of schedule, but does not conform to the financial position obviously;

(8) Most of the RMB funds of the customers for purchasing foreign currencies for overseas investment are cash or funds transferred not from the same bank account;

(9) The customer asks for a swap transaction between domestic and foreign currencies, but sources and purposes of its funds are suspicious;

(10) The customer often deposits traveller's checks written abroad or deposit of drafts in foreign currencies, which do not conform to its business position;

(11) Foreign-funded enterprises make investment in cash of foreign currencies, or after investment funds are in place, they transfer them overseas quickly over a short period of time, which is not commensurate with their needs for payment in production and operations;

(12) Investment capital from the foreign party in foreign-funded enterprise exceeds the approved sum or the foreign direct debt borrowed is inwardly remitted from an unrelated enterprise in the third country;

(13) Securities firms instruct the banks to out-transfer funds that are unrelated to securities transactions and settlement, which is not commensurate with their business position;

(14) Securities firms frequently remove and borrow foreign exchange funds in large amounts through the banks;

(15) Insurance companies compensate or refund premiums for the same policyholders in large amounts through the banks;

(16) Natural persons make frequent cash receipts and payments through bank accounts, or when they make one-time cash deposit and or withdrawal at large values which are not consistent with the customer's profile;

(17) After frequently receiving foreign exchange from overseas in their foreign exchange bank accounts, residents ask the banks to issue traveller's checks or drafts, or non-residents ask the banks to issue traveller's checks and or drafts for them to bring out of the country, or frequently place orders for and cash traveller's checks and drafts in large amounts after frequently depositing foreign currencies in cash;

(18) Multiple residents within the border of China receive remittance from one offshore account, at which the transfer and purchase of foreign exchange is operated by one or a few people.

#### *Article 12*

As for the following transactions or activities, securities companies, futures broker companies and fund management companies shall report the transactions as suspicious transactions:

(1) The customer settlement account frequently receives and pays capital in the sum close to the large-value cash transaction report's standard without clear reasons, indicating obviously that the purpose of the operation is to evade the supervision of large-value cash transactions;

(2) The customer without transaction or with a small sum of transaction demands to transfer a large sum of money to other accounts without clear transaction purpose or use;

(3) The customer whose securities account idles for a long period of time while settlement account receives and pays a large sum of capital frequently;

(4) An account idling for a long period of time starts operation suddenly and without clear reasons, and has a large amount of securities transactions during a short period of time;

(5) Business relationship with high-risk money laundering countries or regions;

(6) The customer buys and sells a large amount of securities in a short period of time after opening an account and then closes the account;

(7) The customer has no or small amount of futures transactions for a long period of time and his or her settlement account receives and pays a large amount of capital;

(8) The customer has no transaction for a long period of time and suddenly has frequent futures transactions during a short period of time without any clear reason, and the capital involved is enormous;

(9) The customer frequently takes one futures contract as object, opens at certain price while at the same time opens in reverse direction at approximately same price, with the same amount or approximately the same amount before closing out and exiting to draw money;

(10) At the completion of a business transaction with imported commodities, a customer serves as the selling party of the futures transaction yet cannot provide complete customs declaration and tax payment receipt, or provide fabricated and false customs declaration and tax payment receipt.

(11) The customer demands to transfer fund shares due to non-transaction reasons yet cannot provide legal certification documents;

(12) The customer processes the transfer of fund share custody frequently without proper reason;

(13) The customer demands to change its registered information yet cannot provide required supporting documents and materials to be clear of suspicion of fabrication and alternation.

### *Article 13*

As for the following transactions or activities, insurance companies shall report the transactions as suspicious transactions:

- (1) Separate application but single withdrawal, or single application but separate withdrawal, without reasonable explanations;
- (2) Frequent applications, withdrawals, or alterations of insurance type and amount;
- (3) The insurant pays unusual attention on the auditing, insurance examination, claim settlement, payment and withdrawal regulations of the insurance company instead of on the guarantee function of insurance products and the benefits of investment accounts;
- (4) The customer claims the loss of large-value invoices at time of withdrawal within the hesitation period, or the same insurant withdraws for many times at short period and the amount of loss of invoices is large;
- (5) Relevant obtained information of insurant, insured and beneficiary such as name, residential address, contact way and financial status are not real;
- (6) Any obvious discrepancy between the purchased insurance product and the presented need, customers persist in buying after financial institutions and their staffs explain;
- (7) The customer purchases large value insurance by single payment of the premiums and does not conform to its economic status;
- (8) For large value insurance, the customer withdraws right during the hesitation period or shortly after the effective date of insurance contract or withdraw cash, and require insurance companies to remit returned premiums into the third party' account or other accounts except non- payment account.
- (9) The customer pays no attention to the great economic cost that may be brought by withdrawal and insists on withdrawing without reasonable explanation;
- (10) The customer pays obvious extra premium payable of this term and requires the return of exceeding part right afterwards; (11) The insurance broker pays premiums on other's behalf but fails to state the source of the fund;
- (12) The legal persons and other organizations insist on requiring the premiums to be returned in cash or transferring into non-payment account without reasonable explanation;
- (13) The legal persons and other organizations pay the first period of premiums or single premiums from account other than that of their entity or from their overseas bank account;
- (14) Paying the premiums for an individual through a third party without reasonable explanation of the relationship among the third party and the insurant, the insured and the beneficiary;
- (15) The business is related to a country and region with high money laundering risks;
- (16) The insurant insists on using cash to insure, indemnify, pay premiums, withdraw premiums or insurance policy value, or to pay other funds of large amount and with proper reasons;
- (17) The customer requires the insurance companies to remit the fund to a third party other than the insured and beneficiary when the insurance company indemnifies and pays premiums, or the customer requires the insurance companies to remit returned premiums and insurance policy value to persons other than the insurant.

### *Article 14*

Except for situations stipulated by the Article 11,12 and 13, financial institutions and their staff shall file suspicious transaction report to China Anti-money Laundering Monitoring and Analysis Centre in

case that they discover abnormality of transaction amount, frequency, flow, nature, etc. and the transaction is considered to be suspicious after analysis

#### *Article 15*

Financial institutions shall analyze and identify the suspicious transaction reported to the China Anti-Money Laundering Monitoring

and Analysis Centre in accordance with the Rules. If there are proper reasons to believe that the customer or transaction is relating to money laundering, terrorist activities and other law-violating and criminal activities, financial institutions shall report to the local People's Bank at the same time and cooperate with its anti-money laundering administrative investigation.

#### *Article 16*

If any transaction falls into both the large-value transactions and the suspicious transactions categories, financial institutions shall file the large-value and suspicious transaction reports respectively. If any transaction meets more than two large-value reporting standards, financial institutions shall file large-value transaction reports according to the standards respectively.

#### *Article 17*

Financial institutions shall, according to the essential elements in large-value transactions and suspicious transaction report attached to the Rules (the Content of the essential elements were attached to the Rules) provide authentic and complete transaction information, and formulate the electronic documents of large-value transactions and suspicious transactions. Specific reporting form and requirement shall be issued by the People's Bank of China.

#### *Article 18*

When a financial institution is in breach of the Rules, the People's Bank of China shall impose penalties on the financial institution in accordance with the Article 31, 32 of the Anti-money Laundering Law of the People's Republic of China. Depending on different situation, the People's Bank of China could propose to the China Banking Regulatory Commission, the China Securities regulatory Commission, and the China Insurance Regulatory Commission to adopt the following measures:

- 1) Order the financial institution to stop its operation for internal rectification or withdraw its business license,
- 2) Disqualify the directors, senior managers and other person(s) directly responsible for the misconduct of the financial institutions from engaging in financial businesses.
- 3) Order the financial institution to impose disciplinary sanctions on the directors, senior managers and other person(s) directly responsible for the misconduct of the financial institution.

In case that the county-level sub-branches of the People's Bank of China discover any financial institution in violation of the Rules, they shall report such violation to branch at higher level. The branch at higher level shall impose sanctions or propose suggestions in accordance with the aforementioned stipulation.

#### *Article 19*

The People's Bank of China and its branches above the prefecture level shall abide by the Rules of Administrative Punishment Procedure of the People's Bank of China to impose administrative sanctions on the financial institution that violates the Rules.

#### *Article 20*

Terms contained in the Rules are defined as below: "Short-term" refers to the period within 10 business days, including 10 business days. "Long-term" refers to the period more than one year. "Large Amounts" refers to the situation where the value of transaction(s) in a single deal or accumulative deals is lower but close to the standard of large-value transactions. "Frequently" refers to

the occurrence of transactions for more than 3 times a day or the occurrence thereof every business day for over 3 consecutive days ; “Above” is used to refer the situation that includes the number mentioned.

*Article 21*

The Rules come into effect as of March 1st, 2007, when Administrative Rules for the Reporting of Large-Value and Suspicious RMB Payment Transactions and Administrative Rules for the Reporting of Large-Value and Suspicious Foreign Exchange Transactions by Financial Institutions that were issued by the People’s Bank of China on March 1, 2003 shall be simultaneously abolished.

## ANNEX 4

### Laws, regulations and other materials provided by China to the assessment team

1. AML Law (in force 1 January 2007)
2. AML Rules (in force 1 January 2007)
3. AML Rules (in force until 31 December 2006)
4. LVT/STR Rules (in force on 1 March 2007)
5. RMB LVT/STR Rules (in force until 28 February 2007)
6. FX LVT/STR Rules (in force until 28 February 2007)
7. Operational Procedures for Receiving the Reporting of and Launching Investigation on Large Value and Suspicious Payment Transactions
8. Regulations of the Ministry of Public Security and the PBC on Cooperation during Examination and Verification of Suspicious Transaction Dossiers
9. Administrative Measures of the PBC on Anti-Money Laundering Supervision and Investigation Assistance Files (Advance copy)
10. Joint-Ministerial Meeting Conference Mechanism on Anti-Money Laundering
11. Notice of Guidelines on the Adjustment of Main Responsibilities, Organisational Structure and Staff Quota of the PBC
12. Rules for Further Improving Anti-Money Laundering Work in Bank of China
13. Notice of the PBC on Strict Enforcement of AML
14. Basic Principles for Anti- Money Laundering by Overseas Organs of the Bank of China (trial)
15. Regulations of the Financial Institution Department of the Bank of China on the Administration and Operation of the Interbank Accounts
16. Regulations of the Industrial and Commercial Bank of China on Anti-Money Laundering during Public RMB Business
17. Measures for the Pilot Management of Establishing Fund Management Companies by Commercial Banks
18. Law on the PBC
19. Law on Commercial Banks
20. Banking Supervision Law
21. Administration of Online Banking Services Tentative Procedures
22. Administrative Rules for RMB Bank Settlement Accounts
23. PRC Administration of Foreign-funded Financial Institutions Regulations
24. Regulations on the Cancellation of Financial Institutions
25. Measures for Punishment of Illegal Financial Acts
26. Measures Banning Illegal Financial Institutions and Illegal Financial Business Activities
27. Regulations on the administration of savings
28. Directions of the PBC on Supervision of Chinese Commercial Bank's Offices Abroad
29. Interim Measures for the Evaluations of the Internal Control Systems of Commercial Banks
30. Regulation on Financial Asset Management Companies
31. Regulation on the Administration of Renminbi
32. Provisions on the Real Name System for Personal Deposit Accounts
33. Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions
34. Market Risk Management Guidelines for Commercial Banks
35. Notice of the PBC on Printing and Distributing the Detailed Rules for the Implementation of the Administrative Rules for RMB Bank Settlement Accounts
36. Interim Measures for the Control of Online Banking Operations
37. Guidelines on Due Diligence in the Credit Extension Work of Commercial Banks
38. Detailed Rules for the Implementation of the Regulation on the Administration of Foreign-funded Financial Institutions
39. Measures for the Administration of the Financial Licenses
40. Measures for the Administration of Finance Companies of Enterprise Groups
41. Measures for the Administration of Automobile Finance Companies

42. Measures for the Administration of Electronic Banking
43. The Measures of Transaction Processing of RMB Bank Settlement Account Management System ( in trial)
44. ICBC Transaction Rules of Personal Internet Banking
45. Electronic Payment Guidelines
46. Interim Measures on Self-enclosing Loans to Foreign Trade & Economic Enterprises
47. Provisional Regulations on Providing Loan Guarantee for Export Seller's Credit Project of China Export-Import Bank and Insuring Export Credit Insurance
48. Internal Control Guidelines of Commercial Bank
49. Procedures for Administration of China Overseas Financial Institutions
50. Rules for Settlement of Payment
51. The Measures of Transaction Processing of RMB Bank Settlement Account Management System (in trial)
52. Notice on Issues Concerning Setting up Special Securities Accounts and Special Capital Accounts by Trust and Investment Companies
53. Securities Law
54. Measures on the Administration of Securities Companies
55. Measures for the Administration of Securities Exchanges
56. Measures for the Administration of Futures Brokerage Companies
57. Measures of Shanghai Gold Exchange on Member Control
58. Capital Clearance Management Measures for Spot Trading of Shanghai Gold Exchange
59. Spot Trading Rules of Shanghai Gold Exchange
60. Regulations on the Control of Gold and Silver
61. The Measures for the Administration of Sale of Securities Investment Fund
62. Law on Securities Investment Fund
63. Measures for the Administration of Securities Registration and Clearing
64. Measures for the Administration of Securities Exchanges
65. Provisional Measures on On-line Securities Commission
66. Internal Control Guidelines of Security Companies
67. Provisional Rules on Administration of Qualification for Fund Business Professionals
68. Administrative Measures on the Qualification of Senior Management Personnel in Companies Dealing in Futures (amended)
69. Administrative rules for the Administration of the Qualification of Futures Practitioners
70. Measures on Administration of Qualification for Securities Business Professionals
71. Measures of Shanghai Gold Exchange on Dealing with Violation of Regulations and Agreements
72. Measures for the Administration of Operation of Securities Investment Fund
73. Securities Law (revised)
74. Provisions on the Administration of Insurance Agencies
75. Provisions on the Administration of Insurance Brokering Institutions
76. Insurance Law
77. Interim Measures on the Administration of Concurrent-Business Insurance Agency
78. Administrative Provisions on Insurance Assessment Institutions
79. Administrative Provisions on the Post-holding Qualifications of Senior Managers of Insurance Companies
80. Interim Measures on the Administration of Concurrent-Business Insurance Agency
81. Interim Measures on the Administration of Concurrent-Business Insurance Agency
82. Administrative Provisions on the Post-holding Qualifications of Directors and Senior Managers of Insurance Companies
83. Administrative Provisions on Insurance Companies
84. Provisions on the Administration of Insurance Brokering Institutions
85. Regulations on the Foreign Exchange System
86. Interim Provisions on the Administration of Foreign Exchange in Domestic Securities Investments of Qualified Foreign Institutional Investors

87. Circular on the Management and Operation of Foreign Exchange of QFII of Comprehensive Department of State Administration of Foreign Exchange
88. Provisions on Control of Foreign Exchange Operations for Banks
89. Regulation on Administration of Domestic Foreign Exchange Account
90. Regulations on Administration of Overseas Foreign Exchange Account
91. Rules of Document Management on Collection and Payment of Foreign Exchange of Domestic Banks
92. Provisional Regulation on the Administration of Domestic Foreign Exchange Transfer
93. Measure for the Implementation of Administration of Negotiable Instruments
94. Circular On Distributing Provisional Rules On The Administration Of Private Use Of Foreign Exchange By Domestic Resident Individuals
95. Law on Lawyers
96. Work Rules on Legal Counsel
97. The Rules on Lawyers Engaging in Securities Law Business (trial)
98. Notarisation Law
99. Interim Regulations Concerning Notarisation
100. Self-disciplinary Convention on Notarial Vocation
101. Measures for the Registration of Certified Public Accountants
102. Law on Certificated Public Accountants
103. Accounting Law
104. Interim Measures for the Examination, Approval and Supervision of Accounting Firms
105. Administrative Measures for the Qualifications of Accounting Practitioners
106. Method for Accounting Files Management
107. Auditing Standards for CPAs of China
108. Trust Law
109. Regulations on Trust Investment Corporations
110. Administrative Regulations Governing the Registration of legal Corporations
111. Company Law
112. Interim Regulation on the Registration of Public Institutions
113. Interim Measures for the Administration of Capital Trust of the Trust and Investment Companies
114. Notice of the State Administration for Industry and Commerce on Amending the Measures for Consulting the Files of Enterprise Registration
115. Regulations on Administration of Company Registration
116. Materials Submitted in Registration of Establishment of Enterprise Group
117. Materials Submitted in Registration of Change of Enterprise Group Member
118. Measures for Consulting the Files of Enterprise Registration
119. Measures on Investigating and Banning Operation without License
120. Regulations for the Implementation of the Law on Joint Ventures Using Chinese and Foreign Investment
121. Law on Chinese-Foreign Contractual Joint Ventures
122. Regulations on Trust Investment Corporations
123. Interim Measures for the Administration of Capital Trust of the Trust and Investment Companies
124. Regulations on the Administration of Registration of Partnership Businesses
125. Regulations on Company Registration
126. Measures for Administration of Registration of Resident Offices of Foreign Enterprises
127. Administrative Measures for the Registration of Foreign Enterprises Engaged in Production and Operating Activities in China
128. Notice of the State Administration for Industry and Commerce on Amending the Measures for Consulting the Files of Enterprise Registration
129. Provisional Regulations on the Administration of the Issuance and Sales of Instant Lottery Tickets
130. Provisional Regulations for China Welfare Lotteries (Fengcai)
131. Measures for the Administration of the Finance of Lottery Issuance and Sales Agencies



132. Law on Urban Real Estate Administration
133. Notice of the State Administration of Taxation, the Ministry of Finance and the Ministry of Construction on Intensifying the Administration of Real Estate Taxes
134. The law on Urban Real Estate Administration
135. Measures on the Administration of the Registration of Urban House Title
136. Administrative Ordinance on Development and Management of Urban Real Estate
137. Provisions on the Administration of Urban Real Estate Transfer
138. Civil Servant Law
139. Law on Administrative Supervision
140. Implementing Regulation for the Law on Administrative Supervision
141. Announcement of the General Administration of Customs
142. Administrative Measures of China Post on the International EFT
143. Operating Rules of China Post for Electronic Agiotage
144. Customs Law
145. Control Procedures on Carrying the State Currency Into or Out of the Country
146. Implementing Regulations on Administrative Penalty for the Customs of PRC
147. PRC Customs Regulations on Clearance of Entering and Exiting Passengers
148. Interim Measures for the Administration of Carrying Foreign Currency Cash for Persons Entering or Exiting the Territory
149. Amendment of the Criminal Law (III)
150. Criminal Procedure Law
151. State Security Law
152. Public Procurators Law
153. People's Police Law
154. Judges Law
155. Organic Law of the People's Procuratorates
156. Rules for the implementation of the state security law
157. Provisions on Procedures of the Public security Organs in Handling Criminal Cases
158. Measures on Employing the People's Policemen of Public Security Organs
159. Ordinance on Internal Affairs of the People's Policemen of Public Security Organs
160. Interpretation of Supreme People's Court on Applicable Laws to The Trial of Criminal Cases Committed by Units
161. Law on Public Security Administration Punishments
162. Interpretation of the Supreme People's Court Concerning Several Problems of the Execution of Criminal Procedure Law
163. Criminal Law
164. Provisions of the Supreme People's Court Concerning the Execution of Criminal Law and the Determination of Charge
165. Extradition Law
166. Notice of Ministry of Finance on Releasing Measures on the Administration of Confiscated Properties and Recovered Proceeds of Crime
167. Administration Regulations of Financial Institutions on Assisting in Works of Inquiring into, Freezing or Transferring Saving Deposits
168. Amendments to the Criminal Law (VI)
169. Statement of Draft Amendment of the Criminal Law of the Republic of China (III)
170. Cai Jianli, Cai Huaize Money Laundering Case in Quanzhou
171. Court Judgment of Cai Jianli, Cai Huaize Money Laundering Case in Quanzhou
172. Wang Zhao Money Laundering Case in Guangdong
173. Court Judgment of Wang Zhao Money Laundering Case in Guangdong
174. Huang Guangrui Money Laundering Case in Beihai
175. Yu Zhendong case
176. Mutual Legal Assistance Treaty China - US
177. Provisional Regulations on Control of Foreign Boards of Commerce
178. Regulation on Foundation Administration
179. Interim Measures for Banning Illegal Non-Governmental Organisations

180. Interim Measures on Registration of Civilian Operated Non-enterprise units
181. Administrative Regulations Governing the Registration of Social Organisation
182. Temporary Measures for Administration of Registration and Examination on People-Run non-Enterprise Sports Units
183. Interim Measure of Examination and Management of Registration for Technologically Non-State-Owned Non-Enterprise Units
184. Measures for the Annual Inspection of Foundations
185. Measures for the Information Disclosure of Foundations
186. Provisions on the Administration of Name of Foundations
187. Measures on the Registration of Branch (Representative) Offices of Mass Organisations
188. Model Foundation Charter
189. Administrative Procedure Law
190. Law on the Administration of Tax Collection
191. Civil Procedure Law
192. Contract Law
193. General Principles of the Civil Law
194. Foreign Trade Law
195. The Auction Law (2004 Revision)
196. Constitution of China
197. Interim Cash Control Regulations
198. Law on State Compensation
199. Measures for the Administration of Auctions
200. Measures for the Administration of Pawning
201. Law on the Identity Card of Residents
202. Measures Adopted by Supervisory Organs to Investigate and Deal with Infractions of Administrative Regulations
203. Law on Administrative Penalties
204. Constitution of the People's Republic of China
205. Law of the People's Republic of China on Administrative Penalty
206. Provisions on the Seizure and Freeze of Money and Property by the People's Procuratorates
207. Interpretation by the Standing Committee of the National People's Congress Regarding the First Paragraph of Article 294 of the Criminal Law of the People's Republic of China
208. Interpretation by the Supreme People's Court Regarding Some Problems of the Specific Application of Laws in the Hearing of Fraud Cases
209. Interpretation by the Supreme People's Court Regarding Some Problems of the Specific Application of Laws in the Hearing of Cases of Counterfeiting Currencies
210. Interpretation by the Supreme People's Court Regarding Some Problems of the Hearing for Specific Legal Application on Criminal Cases of Destroying Wild Fauna Resources
211. Reply of the Supreme People's Procuratorate Regarding Some Problems the Legal Application on Steal Behaviour Organized and Implemented by the Personnel in the Units
212. Interpretation of Article 191 of Criminal Law of the People's Republic of China
213. Interpretation of Article 312 of Criminal Law of the People's Republic of China
214. Interpretation of Article 349 of Criminal Law of the People's Republic of China
215. Excerpt of a Criminal Law textbook for law major students
216. Circular on Updating the Sanctions List By the United Nations Security Council 1267 Committee (MFA document No.[2006]24)
217. Circular on Updating the Sanctions List by the United Nations Security Council 1267 Committee (MFA mail No.[2006]387)
218. Circular of China Banking Regulatory Commission on Transmitting the Correspondence of the Ministry of Foreign Affairs of PRC on Assisting in Investigating the Assets of the Terrorist Organizations and Individuals Under the Administrative Order by the President of the United States (CBRC Document No.[2004]9)
219. Rules for the Implementation of the Measures for the Administration of Financial Institutions' Report of Large-value and Suspicious Foreign Exchange Transactions
220. Procedural Provision of the People's Bank of China on Administrative Penalty

221. Regulation of the People's Republic of China on the Administration of Foreign-funded Banks
222. Detailed Rules for the Implementation of the Regulation of the People's Republic of China on the Administration of Foreign-funded Banks
223. Detailed Rules on Implementation of the Measures for Statistic Declaration of International Balance of Payments
224. Accounting measures for payment settlement
225. Notice of the PBC Concerning the Reporting Standard of RMB and Foreign Currency Transactions through CAMLMAC System (Trial) (PBC document No.[2004]169)
226. Notice of the PBC General Office Concerning the Networking Schedule of the CAMLMAC System (PBC document No.[2004]201)
227. Notice of the PBC on Observing the Large-Value and Suspicious Transaction Reporting Obligations(PBC document No.[2004]286)
228. Notice of the PBC on Several Issues Concerning Improving Networking with CAMLMAC System and Reporting RMB and Foreign Currency Transactions (PBC document No.[2005]28)
229. Notice of the PBC General Office on Enlarging the Monitoring Scope of Large-Value Transaction and Accelerating the Team Building of Reporters (PBC document No.[2005]36)
230. Notice of the PBC General Office on Accelerating Networking with CAMLMAC System and Reporting RMB and Foreign Currency Transactions By Urban Commercial Banks (PBC document No.[2005]250)
231. Circular of the PBC General Office on Work Concerning Large-Value and Suspicious Transactions Reports In 2005 (PBC document No.[2006]136)
232. Notice of the PBC Concerning Implementing the Reporting Standard of RMB and Foreign Currency Transactions through CAMLMAC System (PBC document No.[2006]193)
233. Notice of the PBC Concerning the Definition of Large-Value and Suspicious Transactions Reporting Components for the Securities and Futures Sector and the Standard of Large-Value and Suspicious Transactions Data Reporting Interface for the Securities and Futures Sector (Trial)(PBC document No.[2007]32)
234. Notice of the PBC Concerning the Definition of Large-Value and Suspicious Transactions Reporting Components for the Banking Sector and the Standard of Large-Value and Suspicious Transactions Data Reporting Interface for the Banking Sector (Trial)(PBC document No.[2007]33)
235. Notice of the PBC Concerning the Definition of Large-Value and Suspicious Transactions Reporting Components for the Insurance Sector and the Standard of Large-Value and Suspicious Transactions Data Reporting Interface for the Insurance Sector (Trial)(PBC document No.[2007]34)
236. Operating Rules of China Post for Electronic Remittance and Cashing Business
237. Auditing Criterion for Chinese Certified Public Accountant No.1142 - Consideration of Laws and Regulations in an Audit of Financial Statements
238. Auditing Criterion for Chinese Certified Public Accountant No.1201 - Planning of auditing
239. Quality Control Standards No. 5101 for Accounting Firms - Business Quality Control
240. Measures for Management of Attorney Service Archives
241. Measures for Volume-setting and Filing of Attorney Service Archives
242. Rule for Notarization Procedures
243. Measures for the Administration of the Practice by Notarization Institutions
244. Measures for the Administration of the Practices of Notaries Public
245. Certain Opinions on Promoting Banking Card Industry
246. Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment
247. Detailed rules on the implementation of the Law of the People's Republic of China on Sino-Foreign Joint Co-operative Ventures
248. Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises
249. Measures for the Administration of Trust Companies' Trust Plans of Assembled Funds
250. Interpretation on Several Issues in Applying Laws to Stealing Cases Issued by the Supreme People's Court and the Supreme People's Procuratorate

251. Criminal Written Judgment
252. Table 6.3.1 Treaty or Agreement on Judicial Assistance in criminal matters
253. Shanghai Convention on Combating Terrorism, Separatism and Extremism.

## ANNEX 5

### Predicate offences covered by articles 191, 312 and 349 of the Penal Code

FATF designated category of offences	Predicate offences stipulated in the Penal Code	Does the predicate offence apply to the three money laundering offences?		
		Art. 191	Art. 312	Art. 349
<b>Participation in an organised criminal group and racketeering</b>	<ul style="list-style-type: none"> <li>Article 294 Forming, leading or taking part in organisations of syndicate nature.</li> </ul>	Yes	Yes	No
<b>Terrorism, including terrorist financing</b>	<ul style="list-style-type: none"> <li>Article 120 Forming, leading or participating in a terrorist organisation.</li> <li>Article 120bis Financing terrorist activity</li> </ul>	Yes. However, as noted in section 1.2 of this report, the criminalisation of terrorist financing is not sufficient.		No
<b>Trafficking in human beings and migrant smuggling</b>	<ul style="list-style-type: none"> <li>Article 240 Abducting and trafficking in a woman or child.</li> <li>Article 241 Buying an abducted woman or child.</li> <li>Article 242 Impeding from rescuing a sold woman or child through violence or treat.</li> <li>Article 318 Organising illegally crossing border.</li> <li>Article 321 Transporting to illegally crossing border.</li> </ul>	No	Yes	No
<b>Sexual exploitation, including sexual exploitation of children</b>	<ul style="list-style-type: none"> <li>Article 358 Organising or forcing to engage in prostitution.</li> <li>Article 359 Seducing, sheltering and procuring for prostitution.</li> </ul>	No	Yes	No
<b>Illicit trafficking in narcotic drugs and psychotropic substances</b>	<ul style="list-style-type: none"> <li>Article 347 Smuggling, trafficking in, transporting and manufacturing narcotic drugs.</li> </ul>	Yes	Yes	Yes
<b>Illicit arms trafficking</b>	<ul style="list-style-type: none"> <li>Article 151 Smuggling weapons, ammunition.</li> </ul>	Yes	Yes	No
<b>Illicit trafficking in stolen and other goods</b>	<ul style="list-style-type: none"> <li>Article 312 Harboring, transferring, purchasing or selling illicit gains or proceeds.</li> </ul>	No	Yes	No
<b>Corruption and bribery</b>	<ul style="list-style-type: none"> <li>Article 382 Embezzlement.</li> <li>Article 384 Misappropriation of public funds.</li> <li>Article 385 Acceptance of bribes.</li> <li>Article 387 A unit's acceptance of bribes.</li> <li>Article 389 Offering bribes.</li> <li>Article 391 Offering bribes to a unit.</li> <li>Article 392 Introducing a bribe.</li> <li>Article 393 A unit offering bribes.</li> <li>Article 395 Unclear origin of huge amount of property, concealing overseas bank savings.</li> <li>Article 396 Dividing up State-owned assets in secret,</li> </ul>	Yes	Yes	No

	dividing up the fines or confiscated money or property in secret.			
<b>Fraud</b>	<ul style="list-style-type: none"> <li>Article 192 Raising funds by means of fraud.</li> <li>Article 193 Defrauding loans.</li> <li>Article 194 Defrauding by means of financial bills, Crime of defrauding by means of financial receipts.</li> <li>Article 195 Defrauding by means of financial receipts.</li> <li>Article 196 Defrauding by means of a credit card.</li> <li>Article 197 Defrauding by means of securities.</li> <li>Article 198 Insurance fraud.</li> <li>Article 181 Fabricating and spreading false information of stock exchange, cajoling investors into buying or selling securities, futures contract.</li> </ul>	Yes	Yes	No
<b>Counterfeiting currency</b>	<ul style="list-style-type: none"> <li>Article 170 Counterfeiting currencies.</li> <li>Article 173 Altering currencies.</li> </ul>	Yes	Yes	No
<b>Counterfeiting and piracy of products</b>	<ul style="list-style-type: none"> <li>Article 140 Producing or selling fake or the substandard goods.</li> <li>Article 141 Producing or selling fake medicines.</li> <li>Article 213 Using the counterfeiting trademark.</li> <li>Article 212 Selling goods with the counterfeiting trademark.</li> <li>Article 217 Infringement of copyright.</li> </ul>	No	Yes	No
<b>Environmental crime</b>	<ul style="list-style-type: none"> <li>Articles 338 - 346, Section 6, Chapter 6 in Part 2: Specific Provisions, Penal Code (impairing the protection of environment and resources).</li> </ul>	No	Yes	No
<b>Murder, grievous bodily injury</b>	<ul style="list-style-type: none"> <li>Article 232 Murder.</li> <li>Article 234 Bodily injuring.</li> </ul>	No	Yes	No
<b>Kidnapping, illegal restraint and hostage-taking</b>	<ul style="list-style-type: none"> <li>Article 239 Kidnapping and hostage-taking.</li> <li>Article 238 Illicit restraint.</li> </ul>	No	Yes	No
<b>Robbery or theft</b>	<ul style="list-style-type: none"> <li>Article 263 Robbery.</li> <li>Article 264 Theft.</li> </ul>	No	Yes	No
<b>Smuggling</b>	<ul style="list-style-type: none"> <li>Article 347 Smuggling, selling, trafficking in and manufacturing drugs.</li> <li>Article 152 Smuggling precious and rare species of plants and the products thereof, smuggling pornographic materials, smuggling solid waste.</li> <li>Article 153 Smuggling normal products<sup>1</sup> and materials.</li> <li>Article 154 Smuggling product and goods subject to duty deduction or duty exemption.</li> <li>Article 155 Purchasing from smugglers smuggled goods or transporting, purchasing or selling in land</li> </ul>	Yes	Yes	No

<sup>1</sup> “Normal product” in article 153 refers to goods and articles other than those covered by article 151, 152 and 347. In general goods and articles that fall under article 153 are: (1) goods and articles that the country restrict to import and export, i.e. goods and articles, the import and export on which the country implements quota or licensing regime, such as cigarettes, alcohol, precious Chinese medicine, automobile, motorcycles, personal computers, etc.; (2) Normal goods and items, the import and export of which are subject to tax or duties, such as glassware, materials for producing paper, plastics, etcetera that are imported or exported, and fresh water fishes, shrimps, tungsten ore, etc. that are exported.

	<p>seas or territorial waters articles the import and export of which are forbidden or restricted by the State.</p> <ul style="list-style-type: none"> <li>• Article 156 Joint Crimes of Smuggling.</li> <li>• Article 157 Shielding smuggling with arms, or resisting the seizure of smuggled goods by violence or threat.</li> </ul>			
<b>Extortion</b>	<ul style="list-style-type: none"> <li>• Article 274 Extortion.</li> </ul>	No	Yes	No
<b>Forgery</b>	<ul style="list-style-type: none"> <li>• Article 174 Forging, altering or transferring the permit for operation of banking institution.</li> <li>• Article 177 Forging or altering financial bills.</li> <li>• Article 178 Forging or altering negotiable securities issued by the State, forging or altering stocks or corporate or enterprise bonds.</li> </ul>	Yes	Yes	No
<b>Piracy</b>	<ul style="list-style-type: none"> <li>• Article 122 (hijacking ships)</li> <li>• Article 116 (sabotaging ships)</li> <li>• Article 117 (sabotaging waterway so as to overturn or destroy ship),</li> <li>• Article 263 (robbery)</li> <li>• Article 232 (murder).</li> <li>• Article 122 (hijacking ships)</li> <li>• Article 116 (sabotaging ships)</li> <li>• Article 117 (sabotaging waterway so as to overturn or destroy ship),</li> <li>• Article 263 (robbery)</li> <li>• Article 232 (murder).</li> </ul>	No	No	No
<b>Insider trading and market manipulation.</b>	<ul style="list-style-type: none"> <li>• Article 180 Insider transaction or disclosing insider information.</li> <li>• Article 182 Manipulating stock, futures transaction prices.</li> </ul>	Yes	Yes	No

ANNEX 6

Statistics on prosecutions from the MPS and SPC

Completed Prosecutions Predicate Offences: 2002 through 2005								
Category of offence pursuant to Article 191 PC	Type of Crimes	2002	2003	2004	2005	Total	Convictions	
Receiving stolen goods	Concealing, transferring, purchasing or selling illegally acquired goods	4 674	4 614	4 988	6 040	20 316	32 487 * *	
Embezzlement and bribery	Embezzlement and bribery **	13 583	12 219	18 346	18 336	62 484	84 153	*
Financial fraud and disrupting the order of financial administration.	Destroying financial order **	3 461	2 460	2 027	1 737	9 685		*
	Financial fraud **	1 675	1 588	1 388	1 598	6 249		*
	Illegal acts in business operation	1 079	1 249	1 434	1 903	5 665		4 444
	Unclear origin of huge amount of property	14	15	25	16	70		*
Drugs	Drugs offences **	30 008	29 832	31 965	33 802	125 607	125 607	125 573
Smuggling	Smuggling **	872	857	763	755	3 247	3 247	3 429
Organised crime	Forming, leading or taking part in Mafia organisations	244	244	89	65	642	701	*
	Entering and recruiting Mafia organisations	2	3	*	*	5		*
	Harbouring or conniving an organisation in the nature of criminal syndicate	20	12	15	7	54		*
<b>Total</b>		<b>55 665</b>	<b>53 126</b>	<b>61 071</b>	<b>64 285</b>	<b>234 147</b>	<b>234 147</b>	<b>133 448</b>
*Statistics not available **Offence categories which consist of several specific offences								



## ANNEX 7

<b>Article 312: Concealing, transferring, purchasing or selling illegally acquired goods</b>						
<b>Type of action taken</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>TOTAL</b>
Number of cases investigated	0	0	0	0	0	<b>0</b>
Number of cases filed for prosecution	4 676	4 618	4 992	6 051	7 195	<b>27 532</b>
Number of completed prosecutions	4 674	4 614	4 988	6 040	7 159	<b>27 475</b>
Number of persons convicted	6 676	7 536	8 178	10 097	12 156	<b>44 643</b>
Number of persons acquitted	9	4	6	2	3	<b>24</b>
Number of persons sentence to more than 5 years imprisonment	72	98	66	71	112	<b>419</b>
Number of persons sentence to less than 5 years imprisonment	2 838	2 985	2 993	3 699	3 988	<b>16 503</b>
Number of persons fined (in addition to being made subject to other punishments)	4 743	5 350	5 866	7 252	8 686	<b>31 897</b>
Number of confiscations	23	22	27	36	44	<b>152</b>
Number of persons punished by fines only	798	1 002	1 199	1 420	1 836	<b>6 255</b>

<b>Statistics Concerning Investigations, Prosecutions and Convictions involving Terrorism Offences: 2002 - 2006</b>						
<b>Article 120: Forming, leading or participating in a terrorist organization</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>TOTAL</b>
Number of cases investigated	0	6	8	2	0	16
Number of cases filed for prosecution	9	10	2	2	5	28
Number of completed prosecutions	8	8	2	2	4	24
Number of persons being convicted	15	16	1	0	15	47
Number of acquittals	0	0	0	0	0	0
More than 5 years imprisonment	7	14	0	0	4	25
Less than 5 years imprisonment	6	1	0	0	11	18
Punishment of fines in addition to other punishments	0	0	0	0	7	7
Number of cases investigated	0	6	8	2	0	16
Number of cases filed for prosecution	9	10	2	2	5	28

\*Note: None of the above investigations, prosecutions or convictions involve terrorist financing offences.

## ANNEX 8

<b>STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUEST RECEIVED BY THE MINISTRY OF JUSTICE (2003-2006)</b>				
<b>2003</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Corruption	1	1	0
	Murder	1	1	0
	Illegally crossing the border	1	1	0
	Drug	1	1	0
	Cross the border with huge amount of fund	1	1	0
	Delivering subpoena to witness	5	5	0
	Bribery	1	1	0
	Counterfeiting document	1	1	0
	<b>Total</b>	<b>12</b>	<b>12</b>	<b>0</b>
<b>2004</b>	<b>Nature of request</b>	<b>Number of request</b>	<b>Number granted</b>	<b>Number refused</b>
	Counterfeiting document	1	1	0
	Money Laundering	5	5	0
	Accident of production security	1	1	0
	Counterfeiting certificate	1	1	0
	Fraud	2	2	0
	Smuggling	2	2	0
	Murder	1	1	0
	Drug	1	1	0
	Tax evasion	1	1	0
	Citizen Death	1	1	0
	Investigation on a company's assets and finances	1	1	0
	Delivery document and making inquiry to an Chinese citizen	1	1	0
	Illegal currency transaction	1	1	0
	Stealing of computer secret	1	1	0
	<b>Total</b>	<b>20</b>	<b>20</b>	<b>0</b>
<b>2005</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Fraud on Internet	1	1	0
	Tax evasion	1	1	0
	Corruption	1	1	0
	Violation of export control	1	1	0
	CD pirate	1	1	0
	Violation of State Security law	1	1	0
	Violation of US Emigration Law	1	1	0
	Counterfeiting document	3	3	0
	Murder	1	1	0
	Fraud and money laundering	1	1	0
	Smuggling	1	1	0
	Violation of FX regulations	1	1	0
	Counterfeiting certificate of original production area	1	1	0
	Human struggling	1	1	0
	Traffic accident	1	1	0
	Money laundering	2	2	0
	Delivery of criminal subpoena	1	1	0
	Delivery of witness subpoena	7	7	0

<b>STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUEST RECEIVED BY THE MINISTRY OF JUSTICE (2003-2006)</b>				
	<b>Total</b>	<b>27</b>	<b>27</b>	<b>0</b>
<b>2006</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Asking assistance in the case of company fraud	1	1	0
	Asking assistance in the case of Internet crime	1	1	0
	Asking for assistance for a trademark pirate case	1	1	0
	Asking for assistance in credit card fraud case	1	1	0
	Asking for assistance in a case in which an Chinese citizen was murdered	1	1	0
	Asking for assistance in the case of explosive and drug transportation	1	1	0
	Asking for the information of Russians who live in China and being judged	1	1	0
	Asking a Chinese citizen to appear in court in Russia	1	1	0
	Asking a Chinese citizen to go Greece for witness	1	1	0
	Asking for personal information of a drug criminal whose nationality is South Korea	1	1	0
	Assisting Kirgiz citizen to inherit the property in Xinjiang province	1	1	0
	Corruption	1	1	0
	Counterfeiting documents	1	1	0
	Counterfeiting certificate of original production area	4	4	0
	Delivering criminal judgments to Chinese citizens	1	1	0
	Delivering legal documents to a person	1	1	0
	Delivering subpoena and lawsuit document	1	1	0
	Delivering subpoena to an Chinese citizen	2	2	0
	Drug production	1	1	0
	False diploma	1	1	0
	False transactions	1	1	0
	Forfeiting Custom documents	1	1	0
	Fraud	1	1	0
	Fraud on Internet	1	1	0
	Illegally crossing the border	1	1	0
	Import/export of iron ore for a Mongolian company	1	1	0
	Inquire the victim of credit card fraud	1	1	0
	Internet fraud	1	1	0
	Money laundering	6	5	1
	Murder	1	1	0
	Robbing and rape	1	1	0
	Securities and futures fraud	1	1	0
	Seizing and misusing of authority	1	1	0
	Smuggling	3	3	0
	Smuggling and harbouring guns	1	1	0
	Tax evasion	2	2	0
	Traffic accident	1	1	0
	Violation of Anesthetic Regulation	1	1	0
	Violation of FX Transaction Act	1	1	0

STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUEST RECEIVED BY THE MINISTRY OF JUSTICE (2003-2006)				
	<b>Total</b>	<b>51</b>	<b>50</b>	<b>1<sup>2</sup></b>

STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUESTS SENT BY THE MINISTRY OF JUSTICE (2003-2006)				
<b>2003</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Corruption	4	4	0
	<b>Total</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>2004</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Robbery	1	1	0
	Corruption	1	1	0
	Murder	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2005</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Fraud on Internet	1	1	0
	Corruption	2	2	0
	Fraud	3	3	0
	<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>
<b>2006</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Delivering criminal judgment to an Canadian	1	1	0
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>

STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUESTS RECEIVED BY THE MINISTRY OF FOREIGN AFFAIRS (2003-2006)				
<b>2003</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	25	25	0
	Extradition	5	5	0
	Handover	2	2	0
	<b>Total</b>	<b>32</b>	<b>32</b>	<b>0</b>
<b>2004</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	6	6	0
	Delivery of legal documents	1	1	0
	<b>Total</b>	<b>7</b>	<b>7</b>	<b>0</b>
<b>2005</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	23	25	0
	Delivery of legal documents	4	4	0
	Extradition	4	4	0
	Handover	3	3	0
	Investigation assistance	3	3	0
	<b>Total</b>	<b>37</b>	<b>32</b>	<b>0</b>
<b>2006</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	19	19	0
	Extradition	4	4	0

<sup>2</sup> The refusal in 2006 was a request from Justice Department of Poland to take evidence in Hong Kong. Since the criminal legal assistance treaty between Poland and China is not applicable in Hong Kong, the request was refused and Poland was told to contact Hong Kong SAR directly

	Handover	3	3	0
	Investigation assistance	3	3	0
	<b>Total</b>	<b>29</b>	<b>29</b>	<b>0</b>

<b>STATISTICS OF THE MUTUAL LEGAL ASSISTANCE REQUEST SENT BY THE MINISTRY OF FOREIGN AFFAIRS (2003-2006)</b>				
<b>2003</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	1	1	0
	Extradition	2	2	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2004</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	1	1	0
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2005</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Taking evidence	4	4	0
	Extradition	3	3	0
	Investigation assistance	1	1	0
	<b>Total</b>	<b>8</b>	<b>8</b>	<b>0</b>
<b>2006</b>	<b>Nature of request</b>	<b>Number of requests</b>	<b>Number granted</b>	<b>Number refused</b>
	Extradition	1	1	0
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>