



GAZETTE OF

STATE ADMINISTRATION OF FOREIGN EXCHANGE

国家外汇管理局文告

Volume 2002 (I)

State Administration of Foreign Exchange

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PREFACE

With a view to enhancing the transparency of the foreign exchange administration in China, the Gazette of the State Administration of Foreign Exchange (Chinese version) was launched by the State Administration of Foreign Exchange (SAFE) on January 1, 2002, with approval from the General Administration of Press and Publication. It contains rules and regulations released by the SAFE throughout the whole year, and offers the public a comprehensive and accurate account. Texts of the rules and regulations published in the Chinese version of the Gazette are standard and carry legal weight.

Adapting to new situations following China's entry into the World Trade Organization (WTO), the SAFE has introduced this English version of the Gazette to further increase its transparency in 2003. Major rules and regulations released by the SAFE in 2002 have been translated into English. Devotion by professionals in the SAFE along with financial experts from the People's Bank of China allows the Gazette to maintain its quality. Starting from 2003, most of the rules and regulations published hereafter in the Chinese version of the Gazette will be translated into English in time.

These translations are only used as references. In case of discrepancy, the original version in Chinese will prevail.

Aug 13/19/05

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Circular of the People's Bank of China (PBC) and the State Administration of Foreign Exchange (SAFE) on Adjusting Policies concerning Foreign Exchange Purchase for Some Capital Account Transactions

(Promulgated on September 19, 2001)

D/C: Yinfa [2001] No.304

PBC branches and operations offices, PBC central sub-branches in provincial capitals and the cities of Shenzhen, Dalian, Qingdao, Xiamen, and Ningbo; SAFE branches in all provinces, autonomous regions, and municipalities directly under the central government, exchange administration offices, and SAFE branches in the cities of Shenzhen, Dalian, Qingdao, Xiamen, and Ningbo; all designated Chinese-funded foreign exchange banks:

The PBC and the SAFE took some temporary measures to restrict foreign exchange purchase for some capital account transactions under the particular circumstances in 1998. These measures have played a positive role in stabilizing balance of payments and preventing foreign exchange evasion and arbitrage. Now, as the country enjoys healthy macroeconomic development and favorable balance of payments, in order to facilitate enterprises' autonomous operation, help the improvement of banks' asset quality, and implement the strategy of "Going Out", these measures are to be adjusted as follows:

1. Lift the restriction on foreign exchange purchase for repaying overdue domestic foreign exchange loans. Branches of the SAFE shall uphold the principle of examining and approving foreign exchange purchase only when enterprises apply for such purchase; and shall make such examination and approval by stages and in batches to prevent massive purchase.
2. Relax the restriction on foreign exchange purchase for advance repayment of domestic foreign exchange loan, external debt on-lending, and external debt. In case an advance repayment clause is included in the loan contract, with the approval of the SAFE office, advance repayment can be made with the debtor's own foreign exchange. Otherwise, with the approval of the SAFE office, foreign exchange purchase for advance repayment can be made if the advance repayment: (i) has been approved by the State Council; or (ii) is needed for debt restructuring, closure, suspension, merger, or shift of the enterprise due to policy adjustments; or (iii) is needed to enforce a judgement made by a court of law.
3. Relax the restriction on foreign exchange purchase for overseas investment. Foreign exchange needed for strategic overseas investment (approved by the State Council), process-

ing project with exported materials, and foreign aid project may be purchased. Other kinds of overseas investment shall mainly be financed by the investors' own foreign exchange.

Rules on foreign exchange purchase for the payment of L/C advance will be formulated separately.

This circular shall take effect as of the date of promulgation. In case of any contradiction with previous regulations, this circular shall prevail. On receiving this circular, the SAFE branches shall transmit it to sub-branches and related units under their jurisdiction as soon as possible. Headquarters of all designated Chinese-funded foreign exchange banks shall transmit it to their branches or sub-branches. Any problem encountered during its implementation shall be promptly reported to the Capital Account Management Department of the SAFE.

Circular of the State Administration of Foreign Exchange (SAFE) on Preparing for the Circulation of Euro Currency

(Promulgated on October 25, 2001)

D/C: Huifa [2001] No.181

SAFE branches in all provinces, autonomous regions, and municipalities directly under the central government, exchange administration offices, and SAFE branches in the cities of Shenzhen, Dalian, Qingdao, Xiamen, and Ningbo; all designated Chinese-funded foreign exchange banks:

In accordance with the resolution made by EU financial ministerial meeting in November 1999, euro currency begins to circulate officially as from January 1, 2002. The dual circulation period when currencies currently circulating in the countries within the Euro Area (hereinafter referred to as original currencies) and euro are used simultaneously shall be shortened from planned six months to two months. Thus, the original currencies shall stop circulating as from March 1, 2002 (see Enclosure 1), and euro shall be the sole legal tender in the Euro Area.

In order to assist banks in China to get ready, and ensure smooth foreign exchange business of domestic entities, individuals and banks, some instructions are hereby given as follows:

1. Change accounts in original currencies into accounts in euro. All foreign exchange accounts in original currencies shall be converted into exchange accounts in euro before December 31, 2001. The original exchange accounts shall be closed or cancelled. All foreign currency accounts in original currencies shall be changed into currency accounts in euro on January 1, 2002. The original currency accounts shall be closed or cancelled. After the switchover, the type, maturity, interest rate, and value date of the account shall remain unchanged.
2. All the assets and liabilities recorded in original currencies shall be changed into assets and liabilities denominated in euro before December 31, 2001. Vouchers of import L/C, bill collection, and outward remittance shall be denominated in euro. Inward remittance denominated in original currencies shall only be paid in euro or converted into other convertible currencies or renminbi. As from January 1, 2002, account statement, credit/debit declaration

form, banker's draft, and other certificates provided by banks shall be denominated in euro instead of in original currencies.

3. Currency exchange. As from January 1, 2002, banks in principle shall provide exchange service between cash of original currencies and that of euro. As from December 1, 2001, the European Central Bank (ECB) will begin to provide euro currency to economies outside the Euro Area for open market operations. The member banks of EUROSYSTEM may provide euro currency to banks outside of the Euro Area. All banks shall actively contact their correspondent banks to ensure euro currency supply. All banks shall decide and publish in advance the deadlines of exchange between cash of original currencies and that of euro in accordance with the timetables of the commercial banks in different countries in the Euro Area for stopping accepting cash deposit of original currencies.

4. Exchange rates arrangement. All banks shall convert accounts, assets and liabilities in original currencies into euro ones based on the fixed rates prescribed in 971/98 (EC) resolution of EU on May 3, 1998. During the course of conversion, six significant digits shall be kept. The exchange rates shall not be rounded off. However, clearance and booking shall be conducted in accordance with the round-off principle with two digits after the point being kept.

When converting cash of original currencies into that of euro, banks shall not charge their clients in principle.

5. Withdrawal and deposit of euro currency. As from January 1, 2002, banks shall provide the service of euro currency selling and withdrawing to their clients, and stop the service of original currency selling and withdrawing. All banks shall begin to accept euro currency deposits.

6. Any bank that conducts euro transactions and currency selling and buying shall publish the exchange rate of euro or buying rate and selling rate of euro currency in time.

7. Any lump-sum exchange of the cash of original currencies into that of euro by an individual (including nonresident) over the equivalent of US\$10,000 shall be reported by the handling bank to the SAFE office concerned for record.

8. All banks shall arrange concerned staff members to take part in the training on the identification of euro currency and the prevention of counterfeits so as to control risks.

9. All SAFE branches and sub-branches shall adjust in time their internal administrative data and the balance ceiling of enterprises' foreign exchange accounts, and handle the alteration of or adjust the registration of the data of external debt and foreign exchange on-lending in accordance with fixed conversion rates (see Enclosure 2) to ensure the conformity between the administrative data and the actual data of foreign exchange.

10. All SAFE branches and sub-branches and banks shall do a good job on publicity to ensure that relevant policies and implementing measures are understood by domestic entities and individuals concerned so as to avoid confusion.

All banks are required to formulate detailed implementing measures in accordance with their specific conditions. All SAFE branches and sub-branches shall inform in time the city commercial banks and foreign-funded banks under their jurisdiction. If there is any problem encountered during implementation or suggestion, please let the Balance of Payments Department of the SAFE know in time.

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Enclosures:

1. The End of Circulation of Original Currencies within the Euro Area, and the Last Date for Changeover at Commercial Banks and Central Banks
2. The Fixed Conversion Rates between the Euro and the Original Currencies in the 12 countries in the Euro Area

Attachment 1

**The End of Circulation of Original Currencies within the Euro Area,
and the Last Date for Changeover at Commercial Banks and Central Banks**

Country	End of Circulation	Last Date for Changeover at Commercial Banks	Last Date for Changeover at Central Banks
Belgium	28.02.2002	31.12.2002	Banknote: unlimited Coin: up to 31.12. 2004 unlimited
Germany	28.02.2002	28.02.2002	
Greece	28.02.2002	28.02.2002 as a rule	Banknote: ten years Coin: two years unlimited
Spain	28.02.2002	30.06.2002	
France	17.02.2002	30.06.2002	Banknote: ten years Coin: three years unlimited
Ireland	09.02.2002	09.02.2002 as a rule	
Italy	28.02.2002	28.02.2002 as a rule	ten years
Luxembourg	28.02.2002	30.06.2002	Banknote: unlimited Coin: up to 31.12.2004
Netherlands	28.01.2002	31.12.2002	Banknote: up to 01.01.2032 Coin: up to 01.01.2007 unlimited
Austria	28.02.2002	28.02.2002 as a rule	
Portugal	28.02.2002	30.06.2002	Banknote: 20 years Coin: up to 31.12.2002
Finland	28.02.2002	28.02.2002 as a rule	ten years

Attachment 2

**The Fixed Conversion Rates between the Euro and the Original Currencies
in the 12 countries in the Euro Area**

Original Currency	Code	Conversion Rates of the euro
Austrian schilling	ATS	13.7603
Belgian franc	BEF	40.3399
Deutsche mark	DEM	1.95583
French franc	FRF	6.55957
Finnish markka	FIM	5.94573
Italian lira	ITL	1936.27
Dutch guilder	NLG	2.20371
Portuguese escudo	PTE	200.482
Spanish peseta	ESP	166.386
Irish pound	IEP	0.787564
Greek drachma	GRD	340.750
Luxembourg franc	LUF	40.3399

**Circular of the State Administration of Foreign
Exchange (SAFE) on Issues concerning the Adjustment
of Policies on the Purchase and Payment of Foreign
Exchange by Domestic Residents for
Self-funded Study Abroad**

(Promulgated on November 5, 2001)

D/C: Huifa [2001] No. 185

All SAFE branches, exchange administration offices, and SAFE branches in the cities of Shenzhen, Dalian, Qingdao, Xiamen, and Ningbo; all designated Chinese-funded foreign exchange banks:

In order to keep abreast with the process of China's entry into the World Trade Organization, meet the increasing demand of domestic residents for self-funded study abroad and perfect foreign exchange administration under current account, the SAFE has decided to adjust the policies on the supply of foreign exchange to domestic residents for self-funded study abroad as from December 1, 2001. A notice is hereby given on related issues as follows:

1. The persons who go abroad to take preparatory courses and then study for higher academic degrees in regular universities and colleges at their own cost shall be supplied with foreign exchange for tuition and living expenses. They shall buy foreign exchange on the basis of school year.
2. The procedure for examining and approving the purchase of foreign exchange shall be simplified. In case of a purchase of foreign exchange equivalent to less than US\$20,000 (including US\$20,000), the person for self-funded study abroad may directly make the purchase in a foreign exchange bank authorized by the SAFE or any of its branches or sub-branches (hereinafter referred to as the SAFE office) with the required valid evidence. In case of a purchase of foreign exchange equivalent to more than US\$20,000, the person for self-funded study abroad shall apply to the SAFE office in the place of residence with the required valid evidence. The SAFE office shall check the authenticity of his or her evidence and give him or her a letter of approval. Then the person shall go through the purchasing formalities with a foreign exchange bank authorized by the SAFE office with the said letter of approval and the required valid evidence.
3. A person for self-funded study abroad shall handle the purchasing procedure in person

in his or her purchase of foreign exchange for the first school-year tuition and living expenses. He or she may entrust his or her directly-related family members at home to buy foreign currency for the tuition and living expenses for the years afterwards in a foreign exchange bank authorized by the local SAFE office.

4. Those who have bought foreign exchange for the first school-year tuition and living expenses before the implementation of this Circular and are studying abroad at present may still purchase foreign exchange for the years afterwards on a school-year basis; but shall not make additional purchase for the previous year.

5. This Circular shall take effect as from December 1, 2001. In case of conflict with previous provisions, this Circular shall prevail.

All SAFE branches shall, upon receiving this Circular, promptly transmit it to the sub-branches and designated foreign exchange banks under their jurisdiction and give it wide publicity by all means. Any problem encountered in the implementation of this Circular shall be reported to the Current Account Management Department of the SAFE without delay.

Enclosure:

Detailed Rules on Purchase and Payment of Foreign Exchange by Domestic Residents for Self-funded Study Abroad

Attachment

Detailed Rules on Purchase and Payment of Foreign Exchange by Domestic Residents for Self-funded Study Abroad

Article 1 The Detailed Rules is formulated in line with the Regulations on the Exchange System of the People's Republic of China, the Regulations on Foreign Exchange Purchase, Sale, and Payment, and the Circular on Issues concerning the Adjustment of Policies on the Purchase and Payment of Foreign Exchange by Domestic Residents for Self-funded Study Abroad, with a view to facilitating domestic residents to exchange currency for tuition and living expenses for self-funded study abroad and perfecting the management of the purchase and payment of foreign exchange by persons for self-funded study abroad.

Article 2 The persons for self-funded study abroad mentioned in the Detailed Rules refer to those who go abroad to take preparatory courses and then study for higher academic degrees in regular universities or colleges overseas at their own cost and those who are required by regular universities or colleges overseas to pay a certain amount of guaranty fund or take language lessons for a period of time before they study for bachelor and higher degrees at their own cost.

Article 3 The persons for self-funded study abroad who have received official enrollment notices from regular universities or colleges overseas and the visas or endorsements of the countries or regions of destination may apply for exchange for tuition and living expenses (scholarship deducted).

A person for self-funded study abroad who is required to pay a certain amount of guaranty fund in foreign exchange before getting the visa or endorsement to the country or region of destination may go through the formalities for paying the guaranty fund in renminbi in advance and buying foreign exchange (scholarship deducted) in line with the provisions of the Circular on Payment of Renminbi Guaranty Fund in Advance for Purchase of Foreign Exchange by Persons for Self-funded Study Abroad (D/C:Huifa [2000] No. 82) issued by the SAFE.

Article 4 The persons for self-funded study abroad shall exchange for the school-year tuition and living expenses on a yearly basis. The persons who have done the exchange for a school year's tuition and living expenses on a yearly basis shall no longer apply for the exchange for foreign currency equivalent to US\$2,000 (US\$1,000 for those going to Hong Kong or Macao) allowed to persons going abroad for private purposes.