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Insight: Key Points of the Consultation Draft on Private Fund Information Disclosure

By Ivy Yang

Fund managers face the risk of being penalized or having their private fund registrations suspended by regulatory authorities if they fail to fulfill their disclosure and reporting obligations in a timely manner. Additionally, there is the risk of being held liable for compensating investors for losses arising from breaches of information disclosure. In light of the increasing disputes regarding information disclosure, the China Securities Regulatory Commission (CSRC) issued a public notice on July 5, 2024, soliciting opinions on the "Regulations on Information Disclosure and Reporting for Private Investment Funds (Consultation Draft)". The contents are summarized as follows:

1. Clarification of the Fund Manager's Disclosure Obligations

Private fund managers are not exempt from their legal information disclosure obligations, even if they delegate disclosure activities to private fund sales institutions or other service providers or use contractual agreements.

2. Fund Contracts and Disclosure Responsibilities

The fund contract must stipulate the responsibilities and obligations related to information disclosure, and outline mechanisms in case the fund manager is unable to perform the disclosure obligations or encounters major risks.

3. Special Disclosure Requirements for Underlying Assets (Including Derivatives) and Cross-border Assets

3.1 Private fund managers must disclose information about the fund's underlying assets to investors in accordance with regulations. For funds investing in other private funds or legally issued asset management products (excluding public securities investment funds), the fund contract must specify the arrangements for the transparent disclosure of underlying assets as required. The invested private funds or legally issued asset management products (excluding public securities investment funds) must provide a mechanism in the contract to facilitate the disclosure of underlying assets.

3.2 Securities funds must disclose in their quarterly reports the holdings of underlying assets, investment paths, cross-border investments, and capital flows to investors. If the underlying assets of private securities investment funds involve non-public information, the fund manager can fulfill disclosure obligations by providing details such as the strategy type, investment portfolio, concentration of holdings, leverage, and valuation methods. If the underlying assets involve derivatives, the fund manager must disclose information about the linked asset class.

3.3 Private equity funds investing in other private funds or legally issued asset management products, or making investments through special purpose vehicles, must transparently disclose in the fund's periodic reports the

investment path, investment amount, shareholding ratio, and ownership confirmation for the top ten underlying investment targets.

4. Differentiated Disclosure Requirements

The draft clarifies differentiated requirements for regular and interim reports for private securities investment funds and private equity funds, as well as specific arrangements for the disclosure of underlying assets. It also specifies auditing requirements for private securities investment funds not under custodianship and comprehensive audit requirements for private equity funds. In addition, the draft defines the responsibilities of the custodian of private securities investment funds to verify the fund's net asset value and outlines investor notification and reporting requirements in the event of specific risk scenarios.

5. Information Reporting

Private fund managers are required to fulfill periodic, interim, and specialized reporting obligations, including the submission of annual operational information and audited annual financial statements.

6. Management of Information Disclosure

Private fund managers must establish management systems for information disclosure and reporting, strengthen the control of non-public fund information, and properly maintain relevant documentation. The shareholders, partners, and actual controllers of private fund managers must cooperate in fulfilling information disclosure and reporting obligations.

7. Changes in Information Disclosure Content

7.1 Monthly, Quarterly (Semi-Annual), and Annual Report Content

(1) Private Securities Funds

- **Monthly Reports:** Previously, only funds with a managed scale exceeding RMB 50 million were required to disclose net asset values in monthly reports. Now, all fund products must disclose net asset values, fund shares, and investor equity information to investors.
- **Quarterly Reports:**
The previous requirement to disclose fund net asset values, key financial indicators, and portfolio information within 10 working days after the end of each quarter has been adjusted to include:
 - Fund net asset values, fund shares, and their changes, including subscription and redemption details;
 - Investor equity and its changes;
 - Financial information such as returns, expenses, and profits;
 - Details of underlying asset holdings and investment paths;

- Information on underlying assets with low or restricted liquidity;
 - Leverage usage;
 - Related party transactions of the fund;
 - Cross-border investments and capital flows;
 - Custodian's review opinions on fund financial information;
 - Any material events that may affect investor equity.
- **Annual Reports:**
Private fund managers must prepare the annual report of private securities investment funds within six months after the end of each fiscal year, disclosing the following:
 - The manager's annual report;
 - The custodian's annual report;
 - Annual financial statements audited when required (e.g., when investing in other private funds or legally issued asset management products excluding public securities funds, for funds with large management scales and a significant number of natural person investors, or as required by the CSRC);
 - Other information as prescribed by the CSRC.

(2) Private Equity Funds

(Quarterly reports replace semi-annual reports, except for venture capital funds which maintain both quarterly and semi-annual reports.)

- **Quarterly Reports:**
Private fund managers must prepare quarterly reports for private equity funds within one month after the end of each quarter, disclosing the following:
 - Fund net assets, investor equity, and their changes;
 - Financial information such as returns, expenses, and profits;
 - The number, value, and latest valuation of investment targets, as well as new investments and exits during the reporting period;
 - Details of investment targets, including name, industry, investment stage, investment path, amount, shareholding ratio, ownership confirmation, risk control measures, and changes;
 - Leverage usage, including fund layering and borrowings;
 - Related party transactions of the fund;
 - Cross-border investments and capital flows;

- Material events that may affect investor equity.
- **Annual Reports:**
Private fund managers must prepare the annual report for private equity funds within six months after the end of each fiscal year, disclosing the following:
 - The manager's annual report;
 - The custodian's annual report;
 - Audited annual financial statements, which must include special notes on related party transactions;
 - Key operational details of major investment targets;
 - Other information as prescribed by the CSRC.

7.2 Obligations for Disclosure of Significant Events

For **private securities investment funds**, fund managers must prepare interim reports and disclose to investors any significant events that may materially affect investor equity, including:

- Changes to basic information such as the fund's name, address (formerly registered address), and organizational form;
- Changes to the fund manager, custodian, or basic information of the manager, such as name, address, legal representative, and actual controller;
- Changes to key matters such as fund managers, duration, investment scope, strategies, structure, valuation methods, profit distribution principles, and fees;
- Significant related-party transactions and other matters that may present potential conflicts of interest;
- Significant adverse developments in key underlying assets;
- Delays in handling large-scale redemptions;
- Fund liquidation or winding-up;
- Significant litigation or arbitration involving the fund's assets (with the removal of those concerning management or custodial services);
- Investigations or administrative and criminal penalties imposed on institutions or individuals that have a significant impact on the fund's operations for suspected serious violations or misconduct;
- Other matters that may impact investor equity.

For **private equity funds**, fund managers must also disclose any significant events that may materially affect investor equity, including:

- Major investment risks;
- Investments or exits by managers, controlling shareholders, and related parties in the fund's investment targets;
- Matters listed in Article 19 of these regulations (the significant matters for private securities investment funds mentioned above);
- Other matters that may affect investor equity.

Insight: Analysis of Forward and Futures Trading: Conceptual and Practical Distinctions

By Hann Wu

In financial markets, the differentiation between forward and futures transactions has become increasingly important. Some financial transactions, though technically resembling forward contracts, are futures transactions in essence. This article examines the distinctions between these two forms of trading.

Formal Distinctions

During the 2010s, with the rise of commodity forward transactions, issues of futures trading being disguised as forward transactions gradually emerged. To mitigate financial risks and regulate market order, the State Council issued the "**Decision of the State Council on the Cleanup and Rectification of Various Trading Venues to Effectively Prevent Financial Risks**" (State Council Document [2011] No. 38) and the "**Implementation Opinions of the General Office of the State Council on the Cleanup and Rectification of Various Trading Venues**" (State Council General Office Document [2012] No. 37) in 2011 and 2012, which provide standards for identifying disguised futures transactions based on their form.

These documents specify that except for securities and futures exchanges established in accordance with the law or trading venues for financial products approved by the financial regulatory authorities of the State Council, any trading venue and its branches that violate any of the following provisions shall be subject to rectification and reorganization:

(I) **Prohibition on Splitting Equity Interests into Equal Shares for Public Offering**

No trading venue shall split any equity interests into equal shares for public offering. A trading venue that uses its services and facilities to divide equity interests into equal shares and then sells them to investors shall be deemed to have engaged in "public offering of equal shares." Public offerings of shares by a joint-stock company shall be subject to the relevant provisions of the Company Law and the Securities Law.

(II) **Prohibition on Centralized Trading**

No trading venue shall engage in trading through centralized trading methods.

The term “centralized trading methods” referred to in this Opinion includes methods such as collective bidding, continuous bidding, electronic matching, anonymous trading, market-making, etc. However, negotiated transfers and auctions conducted in accordance with the law are not included.

(III) Prohibition on Continuous Listing of Equity Interests Based on Standardized Trading Units

No trading venue shall continuously list equity interests for trading based on standardized trading units. The term “standardized trading unit” as referred to in this Opinion refers to a minimum trading unit set for interests other than equity interests, with trading conducted in the minimum unit or its multiples. “Continuous listing for trading” refers to the act of listing the same type of trading product for sale within five trading days after purchase or for purchase within five trading days after sale.

(IV) Limitation on the Number of Equity Holders

The total number of equity holders shall not exceed 200. Unless otherwise specified by laws and administrative regulations, the total number of actual holders of any equity interest during its term, whether in the issuance or transfer phase, shall not exceed 200. In cases of trust, agency, or other forms of indirect holding, the number of actual holders shall be calculated based on the actual holders.

(V) Prohibition on Centralized Trading of Standardized Contracts

No trading venue shall engage in centralized trading of standardized contracts. The term “standardized contract” as referred to in this Opinion includes the following two situations:

- (i)** A contract uniformly formulated by the trading venue, where all terms except for the price are fixed, and it specifies the delivery of a certain quantity of the underlying asset at a certain time and place in the future.
- (ii)** A contract uniformly formulated by the trading venue, where the buyer has the right to buy or sell the specified underlying asset at a specific price at a certain time in the future.

The aforementioned documents, to some extent, provided key elements for formally distinguishing futures transactions from forward transactions. However, with the development of international derivatives trading, the structure of derivatives transactions has undergone significant changes, transitioning from traditional over-the-counter, one-on-one agreements between counterparties to standardized contracts. An increasing number of market participants now offer standardized derivatives trading agreements, and the standardization of over-the-counter derivatives has substantially expanded the volume and scale of derivatives trading. Furthermore, the rapid advancement of information technology and the emergence of electronic trading platforms have facilitated a shift towards electronic matchmaking of derivatives transactions, utilizing exchanges or

clearinghouses as central counterparties for centralized settlement. This evolving landscape has exposed the inadequacy of relying solely on formal distinctions to differentiate futures transactions from forward transactions.

The Expansion of Centralized Trading

In recent legal cases, courts have often expanded the interpretation of centralized trading. For instance, on certain platforms where individual investors conduct one-on-one transactions with platform members, courts have determined that while each individual transaction between an investor and a platform member is one-on-one, the platform member engages in transactions with multiple investors simultaneously, which constitutes centralized trading, thereby making the transaction disguised futures trading. In another case, "clearing by trading centers and custodial banks, which unify the settlement of member and client funds," has been considered a form of centralized trading. Such broad interpretations may hinder financial innovation, as they adhere rigidly to formal definitions without considering the evolving nature of financial products and services.

The judgment criteria for distinguishing between forward and futures trading should shift from a formalistic approach to one based on the substance of the transactions. The trend towards standardized and centralized derivative trading calls for abandoning reliance on the general characteristics of futures contracts, such as standardized contracts and margin requirements, as the sole criteria for differentiation.

Forward Contracts: Traditional Roots

Forward trading originated in the context of maritime trade, where merchants engaged in transactions involving goods to be delivered in the future. The essence of forward trading is rooted in traditional spot transactions, where goods are exchanged for payment immediately. However, forward contracts differ by separating the contract's conclusion from its execution, with a delay between agreement and delivery. Despite this, both spot and forward trades are centered on physical delivery of goods.

The main purpose of forward contracts is to lock in future prices to hedge against price fluctuations. These transactions are typically private and involve personalized terms, making them prone to default and limited in liquidity. As a result, forward contracts are often less secure and harder to transfer.

Futures Contracts: Standardized Evolution

Futures trading emerged as a response to the need for greater security and liquidity in financial markets. Futures contracts are standardized versions of forward contracts, created by exchanges to promote safer and more liquid trading. Standardization involves setting uniform terms, including contract names, commodities, trade units, quotation units, minimum price fluctuations, price limits, contract delivery months, delivery dates, and delivery locations.

Although futures contracts maintain the possibility of physical delivery, their primary purpose has evolved. Investors no longer trade futures to acquire physical commodities;

instead, they use them primarily to hedge against price fluctuations or speculate on market movements. As such, futures trading is now characterized by features such as margin requirements, daily settlement of positions, forced liquidation, and cash settlement.

Substantive Distinctions: Purpose of the Transaction

While forward and futures contracts may appear similar in form, they are fundamentally different in terms of their objectives. The core distinction lies in the purpose of the transaction: whether it aims to facilitate the physical transfer of goods or to hedge against risks and speculate on price movements.

As the Beijing Financial Court has noted, "Investors do not pay the full price of the commodity when entering a futures contract but rather deposit a margin. After the contract is concluded, investors may settle their obligations not through physical delivery but by taking opposite positions or closing out their positions." This statement reflects the essence of futures trading: the goal is not the transfer of ownership of physical goods but the generation of profits through price fluctuations.

Regulatory Updates

Announcement on Raising the Duty-Free Allowance for Baggage Items Carried by Residents from Hong Kong and Macau Entering the Mainland

Announcement No. 7, 2024

Ministry of Finance, General Administration of Customs, State Taxation Administration

In accordance with the relevant revised provisions of the "Mainland and Hong Kong Closer Economic Partnership Arrangement" and the "Mainland and Macau Closer Economic Partnership Arrangement," the following is announced regarding the raising of the duty-free allowance for baggage items carried by residents entering the Mainland from the Hong Kong Special Administrative Region (hereinafter referred to as Hong Kong) and the Macau Special Administrative Region (hereinafter referred to as Macau):

1. For residents entering the Mainland from Hong Kong or Macau who are 18 years of age or older, baggage items for personal reasonable use obtained abroad, with a total value not exceeding RMB 12,000 (inclusive), shall be released duty-free. Additionally, at ports with duty-free stores, the aforementioned travelers may purchase a certain quantity of duty-free goods at the port, and together with the baggage items obtained abroad, the total value must not exceed RMB 15,000 (inclusive) to be eligible for duty-free release.
2. When traveling from Macau to the Hengqin Guangdong-Macao Deep Cooperation Zone via the "first line," residents' baggage items shall follow the current regulations; when traveling from the Hengqin Guangdong-Macao Deep Cooperation Zone to the Mainland via the "second line," the duty-free allowance for residents' baggage items shall follow the provisions set out in Article 1 of this Announcement.

3. Aside from the adjustments to the duty-free allowance for baggage items as mentioned above, the relevant regulations for travelers who frequently travel to and from Hong Kong and Macau regarding baggage items, as well as other existing regulations, remain unchanged.
4. These measures shall take effect from July 1, 2024, and initially be implemented at six ports: Luohu, Futian, Shenzhen Bay, West Kowloon Station of the Guangzhou-Shenzhen-Hong Kong High-Speed Rail, Gongbei, and Zhuhai Port of the Hong Kong-Zhuhai-Macau Bridge. Starting from August 1, 2024, they will be expanded to all entry ports (except for the Hengqin "first-line" port).

Ministry of Finance
General Administration of Customs
State Taxation Administration

Notice on the Tax Policy for the 9th Asian Winter Games in Harbin 2025

Finance and Taxation [2024] No. 24

To the Finance Departments (Bureaus) of all provinces, autonomous regions, municipalities directly under the Central Government, and municipalities under separate state planning, the Finance Bureau of the Xinjiang Production and Construction Corps, the Guangdong Branch of the General Administration of Customs, and all directly affiliated customs offices, as well as the Taxation Bureaus of all provinces, autonomous regions, municipalities directly under the Central Government, and municipalities under separate state planning:

In order to support the organization of the 9th Asian Winter Games in Harbin 2025 (hereinafter referred to as the Harbin Asian Winter Games), the following tax policies are hereby notified:

1. The sales revenue from television broadcasting rights and the revenue from sponsorship programs (both goods and funds) obtained by the Organizing Committee of the 9th Asian Winter Games (hereinafter referred to as the Organizing Committee) shall be exempt from Value-Added Tax (VAT).
2. The revenue obtained by the Organizing Committee from domestic and foreign sponsorship, the income from transferring intellectual property rights (such as logos), promotion expenses, ticket sales, and revenue from issued charge cards shall be exempt from VAT.
3. The revenue obtained by the Organizing Committee from issuing commemorative stamps in cooperation with China Philatelic Corporation and issuing commemorative coins in cooperation with the People's Bank of China shall be exempt from VAT.
4. The revenue obtained by the Organizing Committee from broadcasting, internet, television, and other media shall be exempt from VAT.
5. The revenue obtained by the Organizing Committee from charging athletes'

accommodation and meal fees, as well as income from related services provided in accordance with the prices approved by the Asian Olympic Council, shall be exempt from VAT.

6. The revenue obtained by the Organizing Committee from the sale of assets after the Games shall be exempt from VAT and Land Value Added Tax (LVAT).
7. The business books and taxable certificates, such as various contracts, used by the Organizing Committee, shall be exempt from the stamp duty payable by the Organizing Committee.
8. The property transfer certificates for assets donated to the Organizing Committee by the property owner shall be exempt from stamp duty.
9. The consumables imported for the Harbin Asian Winter Games, which are designated by the Asian Olympic Council or international sports federations and cannot be produced domestically or do not meet the required specifications, shall be exempt from customs duties, VAT, and consumption tax. The scope and quantity list of exempt consumables for the Games shall be compiled by the Organizing Committee and submitted to the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration for review and approval.
10. Other special materials imported by the Organizing Committee, including sports competition equipment, medical testing equipment, security equipment, communication equipment, and technical equipment designated by the Asian Olympic Council or international sports federations, which cannot be produced domestically or do not meet the required specifications, shall be processed under the temporary importation rules for goods during the Harbin Asian Winter Games. These items shall be re-exported after the event concludes; those left in the country or disposed of shall undergo formal import procedures according to relevant regulations, and applicable customs duties, VAT, and consumption tax shall be levied.
11. The above tax policies shall be implemented starting from January 1, 2024.

Ministry of Finance
General Administration of Customs
State Taxation Administration

Reply of the Supreme People's Court on the Effectiveness of Terms in Contracts Between Large Enterprises and Small and Medium-sized Enterprises (SMEs) Requiring Third-Party Payments as a Condition for Payment

Judicial Interpretation [2024] No. 11

To the Shandong Provincial High People's Court:

We have received your request regarding the effectiveness of "back-to-back" clauses in contract dispute cases. After study, the reply is as follows:

1. In the process of construction, procurement of goods, or provision of services, if a large enterprise agrees with a small or medium-sized enterprise (SME) that payment is contingent upon receiving payment from a third party, such a clause violates Articles 6 and 8 of the *Regulations on Guaranteeing Payment for Small and Medium-Sized Enterprises*. The people's court shall, in accordance with the first paragraph of Article 153 of the *Civil Code*, deem the agreement to be invalid.
2. After determining that the contract term is invalid, the people's court shall, based on the specifics of the case, industry standards, and the trading habits of both parties, reasonably determine the payment period for the large enterprise and corresponding breach of contract liability. If both parties have agreed on the interest rate for overdue payments, it shall be handled according to their agreement; if the agreement is unlawful or there is no agreement, interest shall be calculated based on the one-year loan market quotation rate published by the National Interbank Funding Center. If the large enterprise claims that the contract price includes compensation for overdue payments and requests a reduction in breach of contract liability, and the defense is found to be valid after review, the people's court may support this request.

Notice of the National Financial Supervision and Administration Commission on Strengthening and Improving the Supervision of Internet Property Insurance Business

To all financial regulatory bureaus, property insurance companies, and insurance intermediaries:

To further regulate internet property insurance business, effectively prevent industry risks, protect the legitimate rights and interests of financial consumers, promote the digital and intelligent transformation of the property insurance industry, and achieve high-quality development of internet property insurance, the following matters regarding the strengthening and improvement of supervision of internet property insurance business are hereby notified in accordance with the *Insurance Law of the People's Republic of China*, the *Regulations on the Supervision of Internet Insurance Business* (China Banking and Insurance Regulatory Commission Order No. 13, 2020), the *Measures for the Management of Insurance Sales Behavior* (National Financial Supervision and Administration Commission Order No. 2, 2023), and other relevant laws and regulations:

1. The insurance institutions referred to in this notice include property insurance companies (including mutual insurance organizations and internet insurance companies) and insurance intermediary institutions. The insurance intermediary institutions referred to in this notice include professional insurance agencies, insurance brokers, insurance adjusters, and commercial bank-affiliated insurance agencies.

The internet property insurance business referred to in this notice refers to the insurance operations conducted by property insurance companies through establishing their own online platforms or entrusting insurance intermediaries to

sell property insurance products, conclude property insurance contracts, and provide property insurance services on their self-operated online platforms.

2. Property insurance companies other than internet insurance companies that engage in internet property insurance business shall meet the following conditions: (1) The comprehensive solvency adequacy ratio for the most recent consecutive four quarters shall not be less than 120%, and the core solvency adequacy ratio shall not be less than 75%; (2) The risk comprehensive rating for the most recent consecutive four quarters shall be Class B or above; (3) Other conditions stipulated by the financial regulatory authority.

Internet insurance companies engaging in internet property insurance business shall meet the relevant conditions specified in the *Regulations on the Supervision of Internet Insurance Business* and meet the solvency and risk comprehensive rating requirements as of the end of the last quarter.

3. Insurance institutions engaging in internet property insurance business shall adhere to the essential requirement of serving the real economy and the people's needs. Property insurance companies are encouraged to develop small, dispersed, convenient, and inclusive property insurance products based on specific internet scenarios, enhancing the accessibility and availability of insurance services.
4. Property insurance companies that meet the conditions of this notice may, in principle, expand their internet property insurance business into provinces (autonomous regions, municipalities directly under the central government, and separately planned cities) where they have not established branches and shall report the expansion of the business to the local regulatory agencies in a timely manner.

Property insurance companies engaging in internet-based short-term health insurance and accident insurance shall comply with the relevant requirements of the *Notice of the General Office of the China Banking and Insurance Regulatory Commission on Further Regulating the Internet Life Insurance Business of Insurance Institutions* (Yin Bao Jian Ban Fa [2021] No. 108).

The expansion of motor vehicle insurance business by property insurance companies via the internet into provinces (autonomous regions, municipalities directly under the central government, and separately planned cities) without a branch shall be strictly controlled. Companies with strong risk management, internal control, and comprehensive service capabilities that align with the regional market environment, market capacity, commercial demand, competition level, etc., and meet the corresponding regulatory requirements, may be implemented after prudent evaluation by the National Financial Supervision and Administration Commission.

In principle, property insurance companies shall not expand the operation of agricultural insurance, ship insurance, and special risk insurance through the

internet.

5. Property insurance companies are strictly prohibited from expanding the geographical scope of offline business through internet channels to circumvent local regulations.
6. Property insurance companies engaging in internet property insurance business must establish a full-service system for insurance contract amendments, policy cancellations, claims, and complaint handling. If it is not possible to provide a full process of online services, the property insurance company must prominently inform financial consumers before the insurance contract is signed and disclose this on its self-operated online platform or the online platform of the entrusted insurance intermediary institution. If certain types of online insurance services need to be suspended for special reasons, the company must inform financial consumers at least 5 business days in advance and disclose the information on its self-operated platform or the online platform of the entrusted insurance intermediary institution.
7. Property insurance companies engaging in internet property insurance business must, in accordance with legal regulations and regulatory requirements, provide clear and user-friendly interfaces for consumers to easily query policy information, cancel policies, etc.; accurately confirm the insurance intention of financial consumers, record and preserve the operation tracks of financial consumers on the sales page, and provide information explaining the insurance terms to financial consumers, ensuring the legitimate rights of consumers such as the right to know, the right to make independent choices, and the right to fair transactions, and ensuring traceable management.
8. Property insurance companies engaging in internet property insurance business must strengthen business risk management according to regulations, actively use technological means, and establish and improve risk monitoring and early warning mechanisms, building a comprehensive, dynamic, and intelligent risk management system. Core risk control in internet property insurance business must be independent and effective; no core business processes that affect risk management may be fully outsourced to partner institutions, nor can risk identification, assessment, and control be solely based on data from partner institutions.

Insurance intermediaries cooperating with property insurance companies in internet property insurance business must provide core information related to insurance business, such as customer information, risk control data, and anti-money laundering data.

Property insurance companies must distinguish clearly between online business and online-offline integrated business, establish a sound separation mechanism, and effectively isolate and prevent operational risks.

9. Property insurance companies engaging in internet property insurance business

must adhere to compliant and prudent business practices, enhancing data security protection.

- (1) Property insurance companies collaborating with internet platforms for internet property insurance business must carefully choose partners. They should establish an access and exit mechanism for cooperation partners, set clear standards and procedures, conduct thorough evaluations and due diligence on partners, and implement a list management system. Pricing items, standards, and payment methods should be negotiated with partners based on the principles of "equality, voluntariness, fairness, reasonableness, and matching value with price, as well as aligning benefits and risks." The independence of operations and a fair competitive market environment should be maintained. Internet platform insurance agencies must obtain a business license for insurance agency operations.
- (2) For internet property insurance business based on specific scenarios, property insurance companies must strictly follow regulations on insurance product supervision, scientifically assess the risks of the specific scenarios, and fairly and reasonably develop insurance terms and rates. Insurance products must not violate the principles of insurance.
- (3) Property insurance companies engaging in internet property insurance business must regulate data collection and use, strengthen data management throughout the process, clarify the responsibility boundaries of cooperating institutions in data collection, processing, and storage, and comply with laws, social ethics, and commercial morality. Companies must fulfill their obligations to protect data security and adhere to the principles of legality, legitimacy, and necessity when collecting, processing, and using personal information.

10. Insurance intermediaries conducting internet property insurance businesses must meet the following conditions:

- (1) Professional insurance intermediaries must be national institutions.
- (2) They must have at least three years of experience in property insurance business operations.
- (3) They must have complete information systems for sales management, policy management, and customer services. Business process management must meet operational needs, and the organization must comply with requirements for traceable management in internet property insurance business.
- (4) Other conditions as stipulated by the financial regulatory authority.

11. Property insurance companies can provide on-the-ground services for internet property insurance businesses through their branch offices or offline cooperation

institutions. Offline cooperation institutions refer to other insurance institutions and their branches, including regional insurance professional intermediaries.

- (1) If a property insurance company provides on-the-ground services through its own branch offices, it must clearly define the scope of authorization, strengthen service process and quality management, and ensure organic integration of online and offline services. If the service level of a branch office fails to meet the requirements of internet property insurance business, the company must immediately suspend the provision of new internet property insurance services in that region and promptly inform financial consumers. The company should rectify the situation by improving or adding alternative forms of on-the-ground services. Once the requirements are met, the company can resume offering new internet property insurance business in that region.
- (2) If a property insurance company delegates on-the-ground services to offline cooperation institutions, it must carefully select the partners. The offline cooperation institutions must have at least three years of experience in providing property insurance services. For internet property insurance business targeted at new citizens or emerging sectors, the company may appropriately relax the requirement for the operational time limit of offline cooperation institutions. The company must strictly control service capabilities and quality, take responsibility for handling financial consumer complaints and feedback, and clearly define the rights and obligations, scope, duration, pricing items, pricing items, standards, payment methods, dispute resolution, breach of contract liability, and financial consumer protection matters (such as information protection) in agreements. The company must not refuse to address reasonable consumer complaints and feedback based on the cooperation agreement with offline institutions. The company should evaluate services at least once a year. If the offline cooperation institution receives poor evaluation results, numerous complaints, low service quality, or poor internal management, the property insurance company must take immediate action and ensure proper information disclosure and follow-up service plans for protecting financial consumers' rights.
- (3) Property insurance companies conducting internet property insurance business in policy-oriented or location-specific areas must strictly comply with the requirements set by regulatory authorities, industry governing bodies, and relevant government departments regarding their on-the-ground services. They should build a more complete and robust on-the-ground service system, invest in sufficient technical and human resources, and effectively manage risks and provide full-process services.

12. Property insurance companies engaging in internet property insurance businesses must develop a clear strategy for internet property insurance

development, establish an internal control management system that matches the scale of operations, set up a dedicated department for internet property insurance management, allocate sufficient professional personnel, and establish performance evaluation, deferred payment, and recovery mechanisms for key personnel in internet property insurance positions.

13. The financial regulatory authority and its dispatched agencies are responsible for the daily monitoring and regulation of internet property insurance business. If an insurance company or its on-the-ground service provider is found not to meet the operating conditions specified in this notice, or if there are risk issues during operations, the regulatory authority may order the insurance company to rectify the situation within a specified period. If the company fails to rectify the issue within the deadline, or if its operations severely threaten the stability of the insurance company or harm the legal rights of policyholders and insured persons, appropriate regulatory measures may be taken in accordance with the law. After rectification, the insurance company must submit a rectification report to the financial regulatory authority or its dispatched agency.
14. If a property insurance company fails to meet the operational conditions specified in Article 2 of this notice, it must immediately cease engaging in new internet property insurance business. Within 10 working days from the cessation of new business, the company must report to the financial regulatory authority or its dispatched agencies responsible for daily supervision, and disclose the relevant information on its official website, self-operated online platform, and the self-operated online platforms of entrusted insurance intermediaries. For effective insurance contracts, the company must continue to fulfill the insurance responsibilities outlined in the contract and ensure proper claims and other subsequent services.

If the property insurance company rectifies the situation and meets the requirements, it may resume conducting new internet property insurance business.

When resuming new business, the company must report to the financial regulatory authority or its dispatched agencies 20 working days in advance and actively disclose the relevant information on its official website, self-operated online platform, and the self-operated online platforms of entrusted insurance intermediaries. Additionally, the company must strengthen monitoring, response, and management of public opinion.

15. If an insurance institution violates the relevant provisions of this notice while conducting internet property insurance business, the financial regulatory authority and its dispatched agencies may issue rectification requirements in accordance with the law, take regulatory measures, or impose administrative penalties. Property insurance companies already conducting internet property insurance business will be given a transition period. They must rectify their operations in a way that truly protects the legal rights and interests of financial consumers and

fully comply with the requirements of this notice by December 31, 2024.

16. Any previous regulations on internet property insurance business that conflict with this notice shall be governed by the provisions of this notice.

State Financial Supervision and Administration Commission

Guiding Opinions on Further Enhancing Financial Support for the Green, Low-carbon, and High-Quality Development of the Yangtze River Economic Belt

Issued by: People's Bank of China, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Ecology and Environment, Financial Regulatory Authority, China Securities Regulatory Commission, and State Administration of Foreign Exchange

To fully implement the strategic deployment of the Party Central Committee and the State Council regarding the high-quality development of the Yangtze River Economic Belt, comprehensively and accurately implement the new development concept, uphold the principle of major protection and no large-scale development, prioritize ecology, and pursue green development, guided by technological innovation, coordinate ecological environment protection with economic and social development, and fight the battle for the protection and restoration of the Yangtze River. The aim is to strengthen financial support and services and promote the green, low-carbon, and high-quality development of the Yangtze River Economic Belt. The following opinions are hereby put forward with the approval of the State Council.

I. Overall Requirements

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, we will thoroughly implement the spirit of the 20th National Congress of the Communist Party of China and the Central Financial Work Conference. We will earnestly carry out the important speeches and instructions of General Secretary Xi Jinping on promoting the high-quality development of the Yangtze River Economic Belt. We will adhere to the centralized and unified leadership of the Party Central Committee over financial work, uphold the principle that financial services serve the real economy, focus on risk prevention as a permanent theme of financial work, follow the work principle of seeking progress while maintaining stability, and in accordance with market-oriented and rule-of-law principles, strengthen financial support for the green, low-carbon, and high-quality development of the Yangtze River Economic Belt. This will enhance the role of the Yangtze River Economic Belt as the main battlefield for ecological priority and green development, promote domestic and international dual circulation, and lead high-quality economic development.

II. Key Tasks

(1) Vigorously Develop Green Finance to Support the Green, Low-carbon, and High-Quality Development of the Yangtze River Economic Belt

1. **Fully Utilize Structural Monetary Policy Tools to Support Green and Low-carbon Development**

Make full use of carbon reduction support tools and other structural monetary policy tools to guide financial institutions to increase support for key areas such as green development and low-carbon transformation in the Yangtze River Economic Belt. Encourage more social funds to be directed towards green and low-carbon transformation areas. Cultivate high-level third-party carbon accounting institutions to improve the quality and credibility of carbon emission data.

2. Actively Support the Issuance of Green Bonds

Guide financial institutions and enterprises in the Yangtze River Economic Belt to issue green bonds based on domestic and international standards, facilitating international market funds to invest in China's low-carbon transition. Increase support for innovative products like carbon-neutral bonds and actively support enterprises in the region to raise funds through bond issuance. Provide financial support for high-carbon industries in the Yangtze River Economic Belt to achieve low-carbon transformation through products like transition bonds and sustainable development-linked bonds.

3. Leverage the Role of Multi-level Capital Markets

Support qualified green and low-carbon enterprises in the Yangtze River Economic Belt to use multi-level capital markets for financing and development through listing, refinancing, mergers and acquisitions, and new board listings. Support qualified infrastructure projects in the region to issue asset-backed securities (ABS) and real estate investment trusts (REITs). Encourage public fund managers to actively launch relevant theme public funds. Research and develop green and low-carbon development indices and launch more index-based investment products related to green and low-carbon development. Explore asset securitization pathways and models for ecological products.

4. Build a Diversified Funding Mechanism

Guide financial institutions to strengthen support for key projects in the Yangtze River Economic Belt, including urban sewage and waste collection systems, pollution remediation in the "Manganese Triangle," agricultural non-point source pollution control, chemical land reclamation, soil pollution prevention, mobile source pollution control, new pollutants control, tailings pond pollution control, air pollution control, noise pollution control, climate change response, farmland soil pollution control, water ecological restoration of important lakes and reservoirs, biodiversity protection, small hydropower green transformation, and modernization. Encourage financial institutions to provide credit support for urban sewage network renovation projects, rural sewage treatment, and similar areas in the Yangtze River Economic Belt. Support the role of international financial organizations in building a diversified funding mechanism for the green and low-carbon development of the Yangtze River Economic Belt. Utilize the National Green Development Fund to support pollution control, ecological restoration, green transportation, and clean energy industries in the region.

5. Increase Financial Support for Low-carbonization in Yangtze River Waterway Shipping

Guide financial institutions to increase support for the low-carbonization of Yangtze River waterway shipping. Support financial institutions to strengthen support for key areas such as the Yangtze River Golden Waterway, transportation infrastructure connectivity, port and shipping facilities construction, and the research and application of energy-saving technologies for ships, green and smart transformation of shipping enterprises, shore power facilities, and clean energy ships. Develop financial standards for the shipping industry transformation and encourage the exploration of insurance products related to the shipping industry.

6. Improve Mechanisms for Incentives and Constraints in Green Finance

Expand application scenarios for green finance evaluation. Explore the establishment of carbon accounts for key industries, enterprises, and individuals along the Yangtze River Economic Belt. Leverage data platforms to enhance efficiency in collecting, calculating, and rating the carbon footprints of relevant economic entities. Support financial institutions in developing green financial products and services based on carbon account data and constructing incentive-compatible financial mechanisms for carbon emission reduction. Allow financial institutions, under the premise of legal compliance and risk control, to provide greater support for green finance in areas such as credit plans, internal fund transfer pricing, business processes, and financial product and service management rights. Encourage financial institutions to develop and improve green and low-carbon transition plans. Gradually establish a differentiated environmental information disclosure system covering all types of financial institutions, promoting voluntary disclosure of environmental information by financial institutions and progressively enhancing the disclosure of carbon emission and reduction data.

7. Progressively and Prudently Conduct Green Finance Reform Pilot Programs and Climate Investment and Financing Pilots

Under the premises of safeguarding risk control, support eligible and willing provinces and cities along the Yangtze River to undertake green finance reform pilot programs and climate investment and financing trials. Encourage pilot regions to actively participate in platforms such as the G20 and the United Nations Climate Change Conference to voice their perspectives and share China's green finance success stories.

(2) Promote Synergy Between Green Finance, Technology Finance, and Digital Finance

8. Strengthen Technological Support for Green and Low-Carbon Development

Enhance the application of digital technology to optimize and expand intelligent, customized, and scenario-specific green financial services. Establish and

improve a data-sharing mechanism for basic green finance information, exploring the use of technologies such as big data, cloud computing, and edge computing to accurately capture, integrate, and analyze carbon data. This will facilitate the activation of green assets and reduce the cost of green and low-carbon transitions for economic entities along the Yangtze River Economic Belt. Increase financial support for strategic emerging industries and future industries to accelerate the formation of new productive forces and build a comprehensive financial service system covering the entire lifecycle of tech enterprises. This will help shape new innovation-driven development advantages for the Yangtze River Economic Belt. Under the principle of “clear oversight and manageable risks,” support provinces and cities along the Yangtze River in conducting prudent and orderly experiments in technology finance reform to promote synergy between green finance and technology finance.

9. Support Industrial Gradient Transfer in the Yangtze River Economic Belt

Encourage financial institutions to develop financial products for industrial transfer cooperation and provide credit support for eligible industrial transfer projects. Enhance financial support for industrial cooperation among provinces and cities along the Yangtze River, with a focus on cross-provincial industrial park construction, industrial division of labor and cooperation, technological collaborative innovation, and optimized allocation of production factors. Facilitate the orderly transfer of funds, technology, and labor-intensive industries from the eastern region to the central and western regions and from urban centers to hinterland areas. Balance financial openness with security, improve cross-border investment and financing facilitation, and ensure effective foreign exchange management and services for provinces and cities along the Yangtze River.

10. Support the Development of Green and Low-Carbon Technologies

Encourage financial institutions to provide comprehensive financial services for green and low-carbon technology innovation and promotion. Support enterprises in the Yangtze River Economic Belt in innovating green and low-carbon technologies and undertaking energy-saving and emission-reduction technological transformations. Increase the supply of financial products in key areas such as R&D and promotion of green technologies, industrialization of green technologies, cultivation and development of green industries, carbon reduction technologies, and carbon capture, utilization, and storage (CCUS). Assist provinces and cities along the Yangtze River in establishing green project databases based on regional advantages in green and low-carbon technology development. Explore the creation of platforms to facilitate the trading of green technologies and promote their accelerated transfer and transformation.

(3) Promote the synergy among green finance, inclusive finance, and pension finance.

11. Provide targeted support for green and low-carbon development in

agriculture, rural areas, and micro and small enterprises.

Enhance financial support for new agricultural operators and industries such as ecological circular agriculture in the Yangtze River Economic Belt. Guide financial institutions to increase funding for the improvement of agricultural varieties, quality enhancement, brand building, and standardized production, thereby boosting the supply of high-quality green agricultural products. Encourage the development of financial products that integrate green and inclusive characteristics to optimize services for farmers, micro and small enterprises, and specific groups. Coordinate the construction of financing and credit service platforms to provide convenient and efficient financing for green and low-carbon development in agriculture and micro and small enterprises. Under the premise of controllable risks, steadily support pilot programs for inclusive finance reform in provinces and cities along the Yangtze River, fostering synergy between green finance and inclusive finance.

12. Support efforts to provide financial services for employment and pension needs during the green and low-carbon transition.

Ensure financial service continuity for enterprises undergoing green and low-carbon transitions in the Yangtze River Economic Belt, meeting basic financial needs of the population. Guide financial institutions to enhance accessibility for elderly individuals by adapting services and infrastructure, offering targeted services such as manual, remote, and on-site assistance. Develop tailored inclusive financial products for specific groups, including low-income households and the elderly. Encourage financial institutions to increase support for elderly care facilities, silver economy projects, and expand financing channels for the elderly care industry. Guide financial institutions to support green and low-carbon transition enterprises, as well as surrounding parks, factories, e-commerce logistics, and cooperatives, to create more employment opportunities, especially for "new urban residents." Promote individual pension services by introducing straightforward, secure, and long-term value-preserving pension products. Financial institutions are encouraged to invest in elderly care industry enterprises along the supply chain through various means such as debt, equity, and property, meeting the diverse pension needs of the population.

13. Vigorously support the establishment of mechanisms for realizing the value of ecological products.

Promote the development of market-based mechanisms, including property rights registration for natural resources, value assessment, trading, and intermediary services. Guide financial institutions to engage in green finance businesses such as pledged financing for expected revenue from ecological products, energy use rights, water use rights, pollutant discharge rights, and carbon emission quotas, following market-oriented and law-based principles. Explore the development of related green financial products based on natural resource property rights registration results and ecological product value assessments for specific

regions. Encourage financial institutions to leverage their functional positioning to provide funding for systematic ecological protection and restoration, ecological product development, and environment-oriented development (EOD) projects, within the framework of legal compliance and risk control. Summarize and promote experiences in financial support for realizing ecological product value, innovate green financial products and services, and support the development of green ecological economies in key ecological functional areas along the Yangtze River.

(4) Carry out robust financial risk assessment and prevention to firmly uphold the risk bottom line.

14. Enhance the capacity for green finance statistics, monitoring, and evaluation.

Improve green finance statistics and establish an intelligent, standardized evaluation mechanism to support routine regulatory activities. Encourage financial institutions to monitor and evaluate environmental benefits, quantifying energy-saving and emission-reduction outcomes.

15. Strengthen risk prevention and mitigation in green and low-carbon transition sectors.

Leverage modern technologies to enhance regulatory tools and encourage financial institutions to conduct stress testing for environmental risks in the Yangtze River Economic Belt. Improve the ability to identify, monitor, and mitigate climate and environmental risks. Strengthen the capacity of financial institutions in managing environmental, social, and governance (ESG) risks. Promote the establishment of a robust information disclosure system for significant environmental risks and explore negative information classification mechanisms. During green project financing approval, consider enterprises' environmental information disclosure to monitor the flow of funds and prevent risks such as "greenwashing."

16. Foster a secure and stable financial development environment.

Strengthen comprehensive financial regulation and bring all financial activities under lawful supervision to ensure transparency and control. Crack down on illegal financial activities rigorously. Effectively address local debt risks while meeting reasonable investment needs, balancing debt resolution and development, and mitigating local debt risks within the context of high-quality development. Enhance cross-regional, cross-sector, and cross-market financial regulatory collaboration to prevent the transmission of risks across these domains. Maintain a balance between development and security by grounding financial support in the genuine financing needs of the real economy and the necessity for risk coverage, thereby firmly upholding the bottom line of preventing systemic financial risks.

III. Safeguard Measures

(1) Strengthen Organizational Leadership

The provincial and municipal branches of the People's Bank of China along the Yangtze River, together with the provincial and municipal Development and Reform Commissions, Industry and Information Technology Departments, Finance Departments (Bureaus), Ecological Environment Departments (Bureaus), provincial and municipal supervisory offices of the Financial Regulatory Administration, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange, must elevate their political awareness and improve their operational mechanisms. Responsibilities should be clearly defined, tasks specified, and policies effectively implemented, with required approvals obtained following prescribed procedures. Relevant departments and branch offices of financial regulatory authorities across the provinces and municipalities along the Yangtze River should enhance cross-provincial and interdepartmental coordination, optimize regional policy alignment, and encourage financial institutions, stock exchanges, and self-regulatory organizations to utilize coordination meetings and other mechanisms to collaboratively address prominent bottlenecks and challenges. This will better support the coordinated, differentiated, and interconnected development of the regions along the Yangtze River.

(2) Strengthen Publicity and Guidance

Relevant departments and branch offices of financial regulatory authorities, financial institutions, stock exchanges, and self-regulatory organizations in provinces and municipalities along the Yangtze River should leverage official websites, WeChat public accounts, news media, and other platforms to publicize and guide efforts in supporting the Yangtze River Economic Belt's green, low-carbon, and high-quality development. A positive public opinion environment should be cultivated. Additionally, experiences and best practices should be summarized and, where conditions permit, replicated and promoted more broadly following due procedures.

(3) Strengthen Supervision and Management

Relevant departments, branch offices of financial regulatory authorities, financial institutions, stock exchanges, and self-regulatory organizations in the provinces and municipalities along the Yangtze River should establish a goal-oriented accountability system to regularly track implementation progress. The evaluation and incentive mechanisms should be improved, incorporating the implementation of financial support for the green and low-carbon development of the Yangtze River Economic Belt into annual performance assessments. Third-party evaluations should be conducted as appropriate to identify and address issues promptly. National authorities should strengthen supervision, guidance, and oversight to ensure that efforts are effectively advanced and produce tangible results.

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National Development and Reform Commission
Ministry of Industry and Information Technology
Ministry of Finance

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National Financial Regulatory Administration
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On August 27, 2024, Attorney Susan Yang attended the second plenary meeting of the Finance, Taxation, and Customs Professional Committee of the Shanghai Bar Association.