

USCBC China Economic Reform Scorecard – “Mixed Signals”

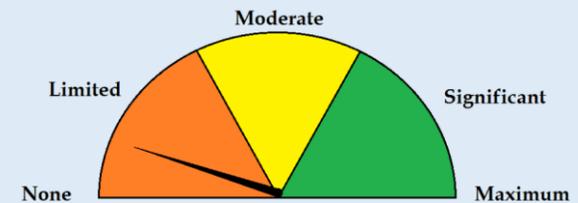
February 2015

Executive Summary

- The US-China Business Council’s (USCBC) latest assessment of China’s economic reform efforts continues to show limited impact on the top concerns of American companies doing business in China. Recent months have seen mixed signals: positive reforms but also new policy developments that limit foreign company market access. This mix creates continued questions on the ultimate reform outcome, resulting in no overall improvement in this update of our assessment.
- While China’s top-line reform message of “letting the market play a decisive role” remains compelling, the slow speed of reform in essential areas, as well as signs of protectionism in certain sectors, continues to create uncertainty about whether policy changes will address market access and level playing field concerns of USCBC members.
- Since USCBC’s previous assessment in October 2014, a handful of new central government measures have been released that can or promise to make incremental improvements to the business environment for foreign companies, such as streamlined investment pre-approvals; standardized tax incentives at the local, provincial, and central levels; specialized intellectual property courts; three new free trade zones; and financial reforms.
- At the same time, new concerns have emerged about policies that use “national security” to exclude foreign technology and non-technology companies from business opportunities in various sectors.
- Overall, China’s reform efforts have yet to address core business issues like foreign investment restrictions, licensing, and other barriers that often benefit domestic companies. However, China’s reform program is in the second year of a timeline that the leadership has indicated will end in 2020. Near-term opportunities for further progress on economic reform could come in the lead up to the March 2015 meetings of the National People’s Congress or in conjunction with China’s ongoing negotiations with the United States on a Bilateral Investment Treaty (BIT).

Impact of Economic Reform on Foreign Companies

(as of December 31, 2014)



**Assessment unchanged from October 2014*

Since China's new leadership came to power in early 2013, senior government officials and agencies have spoken widely about economic reform. The November 2013 Chinese Communist Party (CCP) Third Plenum – the third full meeting of China's top political leadership during the 18th National Congress – was a turning point in the government's economic reform effort under President Xi Jinping. Post-plenum documents and official statements said the market should play a "decisive role" in China's economy. Additionally, these same statements said that reforms should focus on improving the legal system, opening more areas to foreign and private investment, and changing how state-owned enterprises (SOE) are owned and operated.

While China's top-line reform message of "letting the market play a decisive role" remains compelling, few detailed plans and even fewer concrete policies have emerged to implement the broad areas laid out for reform. The slow speed of reform continues to create uncertainty about when – and even whether – policy changes will address the market access and level playing field concerns of US-China Business Council (USCBC) members.

USCBC tracks reform developments to address two major questions:

- What tangible progress have Chinese government agencies made toward implementing economic reform?
- What impact will reforms have on US companies and their operations in China?

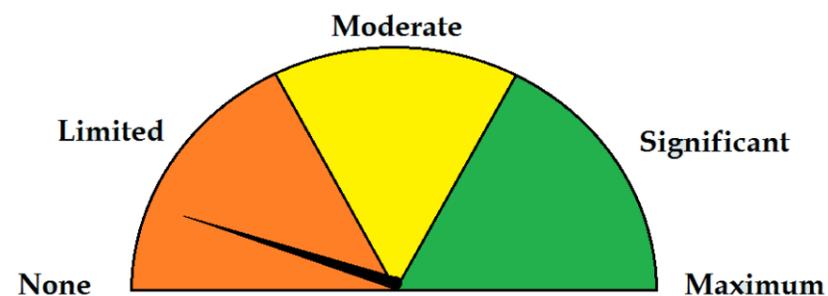
To answer these questions, USCBC has compiled a list of reform-related policies since the start of the Xi administration. Such policies are divided into themes, such as the role of the state and the market, foreign investment, and institutional reforms. Given the stated role of the China (Shanghai) Pilot Free Trade Zone (Shanghai FTZ) as the "test lab" for reforms nationwide, this report also pulls out specific Shanghai FTZ-related policy announcements. The current assessment includes 18 months of data from March 2013 through December 2014.

This report assesses the impact of China's reform efforts on foreign company operations both by rating individual policies and by scoring the Chinese government's overall reform efforts.

- Each policy is assessed as having either a "significant impact" (green), "moderate impact" (yellow), "limited impact" (orange), or "no impact" (red) for foreign company operations in China.
- USCBC's overall assessment uses a three-color dashboard, rating China's reform efforts as either limited, moderate, or significant based on their tangible impact on foreign companies.

For more information about USCBC's methodology, see Appendix 1. For a fuller list of reform-related policies tracked by USCBC, see Appendix 2.

USCBC Assessment



USCBC's latest assessment of China's economic reform efforts still indicates "limited" progress, unchanged since our [October 2014 assessment](#). This assessment is based on a review of both new and existing policies. Since October, Chinese government agencies have released more concrete reform-related policies detailing responsibilities for government agencies, timelines for action, and specific steps to implement given areas of reform. Focal points for these policies have included administrative reform, financial liberalization, and tax and budgetary management.

Among recent reform-related policies, those that may have the most direct positive impact for foreign companies include government work plans that address unnecessary investment pre-approvals and standardize the rules for local government investment incentives. The

creation of three new free trade zones also provides an opportunity for Chinese regulators to broaden the scale and scope of process improvements launched in Shanghai. Financial reforms such as the Shanghai-Hong Kong Stock Connect program, improvements to capital account convertibility for cross-border financing, and the start of RMB cash pooling in the Shanghai FTZ are important steps toward the liberalization of China's financial markets.

These policies are large in number and in scope, and show a continued will at senior levels of the leadership to move forward with an agenda of market reform. Such policies do slightly improve the broader economic environment, but make little tangible progress on [core foreign company issues](#). Despite the number of reform policies released by Chinese government agencies (more than 250 by USCBC's latest count) and their growing level of detail, many are still not broad enough in scope or specific enough in implementing detail to address foreign company issues. Instead, many of these policies address minor operational issues or are limited to particular sectors. Others do not clearly apply to foreign companies.

This progress has been offset by other actions that may impede American company market access and suggest a continuation of rules and practices that permit discriminatory treatment. Some USCBC member companies are finding that they are not able to participate in project opportunities on the grounds of "national security" concerns, even though the project or product does not have a legitimate national security impact. New rules in the banking and telecommunications sectors would require use of "secure and controllable" technologies, a category that may effectively exclude foreign products. Other announcements about pending national cybersecurity rules raise additional challenges. Anecdotally, some companies are hearing from local governments that foreign products are not eligible for certain legal tenders due to national security concerns, even when the products involved do not have a clear security dimension. In addition, the draft of a new foreign investment law continues to distinguish foreign-invested companies as a separate class of enterprise from domestic companies, inviting the continuation of discriminatory treatment.

Senior officials have stated that China's overall economic reform plans will be implemented through 2020. The Shanghai FTZ was launched with a three-year timeframe before its reforms would go nationwide, though some of its policies have already been extended to designated districts in Shanghai. Reform policies still have the *potential* to address foreign company issues before the above deadlines are reached, even if the practical progress so far has been scant.

USCBC encourages Chinese officials to take further steps to actively promote economic reforms that will benefit both foreign and domestic stakeholders. Key steps include establishing concrete policies that liberalize investment, boost the role of the market in the economy, create a level playing field for foreign and domestic firms, and promote further legal reform.

Appendix 1: Methodology

Research and Data Collection

For the purposes of this report, USCBC compiled a database of policy developments and announcements related to economic reform. These policies include:

- National-level policies that direct and implement reforms in broad areas;
- National-level policies that promote reforms in specific priority areas; and
- Policies related to the Shanghai FTZ, given the zone's importance in testing and promoting economic reform.

This report does not attempt to include every policy change that has been made since China's March 2013 leadership transition, nor does it include draft policies that have yet to be finalized. Instead, this report focuses on concrete policies that may have an impact on business operations and that are either explicitly or implicitly tied to economic reform goals. This report also reviews landmark reform documents – such as the Third Plenum Decision – that set clear, high-level direction for wider economic reforms. This report excludes speeches and pronouncements by Chinese leaders about *intended* reforms unless they include specific policy announcements.

USCBC's research focuses on the central government for several reasons. First, reforms are being directly driven in most cases by the central government leadership. Second, it is extremely challenging to track and assess local government policies and implementation. Thus, this report excludes reform policies by provincial and local governments unless they have national implications, such as those related to the Shanghai FTZ and the new free trade zones in Tianjin, Fujian, and Guangdong. In the case of the last three, this report contains few policy details, as none had been published as of the date of this report.

To compile data for this report, USCBC conducted detailed reviews of relevant government webpages on a fixed schedule. USCBC also

monitored other government websites, media sources, and a broad mix of information channels to identify concrete policies related to economic reform.

Assessing Individual Policies

Each policy was first categorized from a list of key reform themes and subthemes. USCBC used the following themes and subthemes to categorize policies:

- Overall Reform
- Foreign Investment
- Administrative Licensing and Approvals
- Institutional Reforms (*Subthemes: Reform-Related Agencies and Groups; Government Restructuring; Other Institutional Reforms*)
- Role of the State and the Market (*Subthemes: SOE Reform; Private Capital*)
- Financial Reforms (*Subthemes: Banking/Interest Rates; Exchange Rate/Foreign Exchange; Insurance; Securities*)
- Pricing Reform and Competition Policy (*Subthemes: Pricing Reforms; Competition Policy*)
- Rule of Law/Legal and Judicial Reform
- Taxation and Budget (*Subthemes: Taxation; Budget/Debt Issues*)
- Corruption, Bribery, and Party Discipline
- Urban/Rural Issues (*Subthemes: Urbanization; Hukou/Household Registration Reform; Land Rights*)
- Other Reforms

Each policy was then assessed based on its impact on foreign company operations in China, with consideration given to the breadth of impact across industries, the geographic scope of the policy, and the level of foreign company concern addressed. For each policy, USCBC considered both the direct impact and the impact of follow-up implementing policies. The impact of each policy is rated on a four-color scale:

- **Significant** (green) The policy has a positive impact on a wide variety of industries with foreign investment in China, and it has the potential to significantly impact companies' abilities to operate in those sectors nationwide. For these policies, implementation is either completed or seems likely. This category may also include State Council or National People's Congress directives that indicate a significant shift in policy direction across multiple areas of reform.
- **Moderate** (yellow) The policy has: 1) the potential to have a positive impact on companies in a wide variety of industries with foreign investment in China, but significant questions remain regarding implementation speed or ability; or 2) a moderate impact on a wide variety of industries with foreign investment in China; or 3) a significant positive impact for companies in only one sector or in a narrow range of sectors with foreign investment in China.
- **Limited** (orange) The policy has a limited impact on one sector or on a narrow range of foreign investment sectors, or it has only an indirect impact or benefit for foreign companies investing in China.
- **None** (red) The policy will have no clear direct or indirect impact for foreign companies.

The database includes a handful of broad policy documents that set high-level strategic direction for economic reform but do not contain guidelines for implementing those reforms, such as the November 2013 Decision on Major Issues Concerning Comprehensive and Far-Reaching Reforms. In these cases, the assessment is made based on how relevant the scope of reform is to top foreign company issues. These policies are marked with specific text indicating that the impact of these policies is aspirational.

Providing an Overall Assessment

Based on an overall review of the importance and impact of individual policies, this report assesses the Chinese government's overall efforts to promote meaningful economic reform.

As detailed above, USCBC's overall assessment uses a three-color dashboard, rating China's overall reforms as either limited, moderate, or significant based on the impact they have had on foreign companies. USCBC's overall rating comes from multiple rounds of discussion about numerous factors, including the average rating of policies in the database and how much of an effect the overall body of reform policies has had on the business environment as a whole.

Appendix 2: Policy Announcements Related to Nationwide Economic Reform

I. Overall Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
10/26/13	383 Plan	Development and Reform Commission	Promotes significant reforms to China's economy focused on reducing the role of the state and increasing the role of the market, SOE reform, promoting private participation in the market, and streamlining administrative procedures.	<u>Moderate</u> : Touches on areas key to China's overall economic reforms relevant to foreign companies and increasing the market's role in the economy, with specific policy suggestions. While potential policy impact remains high, limited implementation of major reforms to date limits this impact to moderate.
11/15/13	The Decision on Major Issues Concerning Comprehensive and Far-Reaching Reforms	CCP	Outlines over 300 reform priorities discussed during the Third Plenum. Reforms are to be implemented by 2020.	<u>Moderate</u> : Describes a litany of government reforms that will have a direct impact on foreign companies. Clearly defines government priority to allow the market to play a greater role in the economy. While potential policy impact remains high, limited implementation of major reforms to date limits this impact to moderate.
5/24/13	Notice on Key Priorities in Deepening Economic Reforms	State Council	Sets key priorities for deepening economic reform in 2013, and assigns them to key agencies. Key areas include administrative licensing, tax and budgeting, financial reform, investment, pricing, social security, and urbanization.	<u>Moderate</u> : While the document laid out key areas of reform in 2013, implementation plans were released through 2014. Due to updated implementation, relative progress was made in administrative licensing, urbanization, and pricing plans. As such, the notice's impact has been upgraded to moderate.

6/6/14	Third Meeting of Central Leading Group for Comprehensively Deepening Reform	State Council	Announces policies to promote reforms introduced during the Third Plenum, including the Proposal for Deepening Reform of the Tax System, Opinions on Promoting Reform of the Household Registration System, Framework Opinions on the Issues with Pilot Programs for Legal Reform, the Proposal for Shanghai Judicial System Reform Pilot Program, and the Proposal for Establishing Intellectual Property Courts.	Moderate: Though policies mention areas of concern to foreign companies, such as tax reform, legal reform, and intellectual property, these policies do little beyond laying out areas of reform, and provide few details or actionable next steps. Follow-up policies in 2014 have begun to provide salient details in some areas of concern to foreign companies, including tax reform, household registration reform, and specialized IP courts. However, other issues raised during this meeting, including legal reform and broader intellectual property concerns, remain to be addressed.
6/17/14	Notice on Strengthening Efforts in Trade Policy Compliance	State Council	Directs all government agencies that set or influence policy on IPR or trade in goods and services – including central and local government agencies – to comply with China's WTO commitments. States that MOFCOM is responsible for receiving all future compliance opinions from WTO and directing them to relevant Chinese government organs for compliance measures.	Moderate: While MOFCOM has had the ability to review policies for WTO compliance since 2001, these procedures would set a much clearer mechanism for MOFCOM to do so, giving them greater internal leverage to push back and influence policy. However, the notice does not make any practical changes in terms of implementation -- and it is important to note the challenges MOFCOM will continue to face in interagency disputes.

2/28/14	Second Meeting of Central Leading Group for Comprehensively Deepening Reform	State Council	Releases a series of policies pushing forward reforms introduced during the Third Plenum, including the "Central Leading Group for Comprehensively Deepening Reform 2014 Work Priorities"; the "Opinions on the Legislative Work Requirements and Tasks Proposed by Third Plenum of 18th CPC Congress"; the "Report on the Significant Reforms of the Economic and Ecological Civilization System Special Group"; the "Implementation Plan on Deepening Cultural System Reform"; the "Opinions and Implementation Program on Deepening the Reform of the Judicial System and the Social System".	Limited: Sector coverage of these policies is broad, but implementation is in the early stages. While potential policy impact remains high, lack of thorough implementation of major reforms to date places this item in the "limited" category.
6/27/14	Notice on the Outline for Establishing a Social Credit System (2014-2020)	State Council	Outlines plans to accelerate the creation of a nationwide credit system (including credit reporting) in China by 2020. The outline focuses on four key areas for establishing the social credit system: government integrity, business integrity, social integrity, and public confidence in the judiciary.	Limited: While building such a nationwide credit system could have a significant impact on transparency and financial development, the policy is more aspirational than detailed, meaning there are few concrete policies included. Additionally, the direct impact of this policy is limited to credit-related institutions.
8/21/14	Several Opinions on Promoting the Reform and Development of the Tourism Industry	State Council	Creates macro goals for the development of China's tourism industry. The plan calls for tourism spending to reach \$1 billion, an average of 4.5 vacations per year by urban residents, and tourism-related GDP accounting for 5% of total GDP by 2020. Follow-up steps to come out this plan are assigned to different ministries with expected follow-up plans by June 2015.	Limited: The high-level plan sets aspirational goals for industry development, and includes relaxing permits for foreign tourism certification to provincial level departments. Overall, there is not a direct impact on improving market access for foreign tourism companies.
11/16/14	Several Opinions on Promoting the Healthy Development of Domestic Trade Circulation	State Council	Lays out high level goals for improving domestic trade development, including promoting e-commerce, expediting logistics and distribution development, emphasizing the development of chain stores, and strengthening logistics infrastructure.	None: The opinions do not lay out concrete measures for improving domestic trade. While improving infrastructure, logistics, and services that support development of trade are welcome for foreign companies that distribute and sell in China, the opinions are aspirational at this point.

II. Foreign Investment

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/23/13	Notices on Relevant Matters Regarding RMB Settlement of Foreign Investors Investing in Domestic Financial Institutions	PBOC	Allows foreign investors approved to invest in domestic financial institutions to use RMB in specific activities including capital increases, mergers and acquisitions, equity transfer, distribution of profits, liquidation, etc.	Significant: Broadens the ability for foreign companies to directly use RMB to expand investments in China.
3/27/13	Implementation Opinions on Further Developing Local Medical Institutions	Shanghai Municipal Health Bureau	Encourages foreign investment and pledges future reductions in investment barriers in healthcare services, including new medical institutions, high-level medical service centers, and underdeveloped healthcare services including elderly care, rehabilitation, mental health, pediatrics and obstetrics.	Moderate: Discusses investment openings in key areas. Though the policy does not create direct openings, follow-up regulations (such as the Notice on Carrying out the Pilot Program Establishing Wholly Foreign-Owned Hospitals) indicate some progress in Shanghai and various Chinese provinces.
5/11/13	Regulations on the Administration of Foreign Exchange in Onshore Direct Investment by Foreign Investors	SAFE	Simplifies procedures and policies on foreign exchange issues for foreign direct investment including issues regarding registration, opening an account, payment, selling and purchasing of foreign exchange. The regulation also abolishes 24 foreign exchange administrative regulations.	Moderate: Applies directly to foreign companies investing in China and streamlines relevant foreign-exchange related procedures, but only applies to SAFE rules and does not address broader barriers and delays that foreign companies are most concerned with.
12/2/13	Catalogue of Investment Projects Subject to Government Approval (2013 revision)	State Council	Transitions numerous investment projects to the record-filing system from the approval system in an effort to streamline administrative approvals. Adopts a "negative list" approach designating investment projects that will still be subject to administrative approvals.	Moderate: Impact on companies across a range of sectors, and supports government efforts to shift towards a negative list approach in investment approvals. However, the impact is only limited to local NDRC approvals and the actual impact for foreign companies is limited given that it does not have any effect on the other steps in the foreign investment approval process, such as MOFCOM or other agency reviews.

12/28/13	Circular on Improving Regulations of the Approval of Investment Projects and Strengthening Coordinated Supervision	NDRC, MLR, MEP, MOHURD, CBRC	Reduces pre-examinations and strengthening supervision during and after the approval process. NDRC will no longer review the items that are decided by enterprises such as market prospects, economic profitability, fund sources, etc.	Moderate: Streamlines the approval process by cutting the pre-approval process for foreign and domestic investment projects. However, the impact is only limited to local NDRC approvals and the actual impact for foreign companies is limited given that it does not have any effect on the other steps in the foreign investment approval process.
3/1/14	Administrative Provisions on Company Registered Capital Registration	SAIC	Brings SAIC's company registration rules in line with amendments to China's Company Law by eliminating minimum registered capital requirements, transitioning from a paid-in capital system to a subscribed capital system, and replacing annual inspection system with an annual reporting system.	Moderate: Streamlines administrative processes, but the impact is limited because the registration procedure for foreign companies is subject to a separate set of MOFCOM rules.
5/20/14	Administrative Measures for the Approval and Filing of Foreign Investment Projects	NDRC	Allows some foreign investment projects to use a streamlined filing process. Eligible projects include those listed in the "encouraged" category of the Catalogue Guiding Foreign Investment that do not have Chinese ownership requirements and do not fall under one of the special approval requirements in the 2013 Catalogue of Investment Projects Subject to Government Ratification.	Moderate: Allows numerous foreign investment projects to go through a simplified filing system, and uses a much-welcomed negative list approach. Impact is limited, however, considering additional approvals are required by MOFCOM and SAIC.
5/26/14	Administrative Measures on the Government Examination and Approval of Investment Projects	NDRC	Provides more specific process guidelines for regulating NDRC's review of investment projects based on a previously released catalogue that allows foreign companies to use a simplified filing system.	Moderate: The measures provide broad oversight authority to the NDRC to review investment projects based on a previously released catalogue that allows foreign companies to use a simplified filing system.

5/30/14	Notice on Carrying out the Optimization of Approval of Foreign Investments	MOFCOM	Launches a pilot program that would streamline approvals of foreign investment projects by foreign companies and FIEs, eliminating steps in the approval process and attempting to simplify the documentation that applicants must provide to establish a new FIE. The pilot program runs for three months, until August 31.	<u>Moderate</u> : Scope of the pilot project would allow investments across a range of industries to benefit from process improvements to make foreign investment approvals faster and easier. However, the pilot program is quite short – leading to questions about whether such a short pilot with such a short lead time could lead to meaningful implementation. Improvements are primarily process-related.
8/27/14	Notices on Carrying out the Pilot Program Establishing Wholly Foreign-Owned Hospitals	NHFPC, MOFCOM	Lays out the requirements, standards, and approval processes for foreign investors applying to qualify for establishing wholly foreign-owned hospitals in China. Currently seven provincial/ municipal pilot regions have been selected.	<u>Moderate</u> : Potential to have a deep impact on foreign companies looking to invest in this space, as it is essentially creating equal treatment for foreign and domestic investors in hospitals nationwide (with the exception of traditional Chinese medicine hospitals).
11/18/14	Catalogue of Investment Projects Subject to Government Approval (2014 Version)	State Council	Adjusts catalogue of investment projects requiring government approval, including delegating approvals to lower level authorities and lifting control of foreign investments.	<u>Moderate</u> : Positive step towards decentralizing decision making and improving foreign investment access for certain projects.
12/12/14	State Council Executive Meeting Announces Creation of New FTZs	State Council	Announces the official approval for three new FTZs to be located in Tianjin, Guangdong, and Fujian.	<u>Moderate</u> : Introduction of new FTZs has the potential to be positive, but when reflecting on the Shanghai FTZ and the slow pace established for expanding FTZ policies nationwide, it is yet to be seen if most companies will benefit.
6/8/13	Modification to Regulations on Foreign Insurance Companies	CIRC	Modifies regulations for foreign insurance companies to allow them to make capital contributions via RMB or other currencies, and allows foreign insurance companies to allocate working capital to their branches in China via RMB-denominated income.	<u>Limited</u> : Process improvements for insurance companies on registered capital issues, but does not impact market access and is limited purely to one sector.
5/15/14	Opinions on Promoting Foreign Trade	State Council	Encourages Chinese government agencies to increase multilateral trade and outbound investment, promote a free-floating RMB exchange mechanism and RMB settlement, strengthen trading competitiveness, and improve online and traditional trading platforms.	<u>Limited</u> : Contains positive language about liberalizing trade, but this general opinion contains no specific policy measures.

8/19/14	Notice on Properly Handling the Change in Registration Requirements from Pre-Registration to Post-Registration	SAIC	Revises current requirements that businesses must first receive administrative approvals from other agencies before applying for a business license from SAIC. Instead, companies are now permitted to apply directly for a business license from SAIC first and can apply for other administrative approvals if required.	Limited: Streamlines the process for opening new facilities somewhat, though it does not address or create market access opportunities, or address the larger challenges in administrative licensing.
12/2/14	Announcement on Encouraging Foreign Investors to Establish For-Profit Elder Care Facilities	MOFCOM, MCA	Encourages foreign investors to set up for-profit elder care institutions in China as a WFOE or JV.	Limited: Potential to have important impact on foreign investment, but limited to a narrow sector (elder care industries).
5/2/13	Notice on Renminbi Qualified Foreign Institutional Investors (RQFII) Issuing Securities in China	PBOC	Clarifies specific procedures and requirements for RQFII registration process and the responsibility of regional PBOC office in regulating pilots.	None: Process-oriented reform with limited impact on foreign companies.
10/14/14	Reply to Issues Concerning the Provision of Online Data Processing and Transaction Processing Services by Service Providers from Hong Kong and Macao in Guangdong Province	State Council	Provides approval for implementing an MIIT plan for allowing service providers from Hong Kong and Macau to provide online data processing services (e-commerce) in Guangdong with ownership cap of 55 percent.	None: This announcement, while potentially representing a big step in moving a Shanghai FTZ liberalization outside the zone, is limited to market openings for Hong Kong and Macao investors in e-commerce in Guangdong.

III. Administrative Licensing and Approval Reform

Date	Policy Title	Agency/Agencies	Summary	Impact
12/29/14	Work Plan for Simplifying Approval Items, Standardizing Intermediary Services, and Implementing Parallel Online Approval Mechanisms for Enterprise Investment Projects	State Council	Creates a work plan for government agencies to clean up all unnecessary pre-approvals for investment projects under their purview, calling for the establishment of an online administrative approval platform for investment projects. Provides an appendix of government pre-approvals and their supporting rationale, while essentially requiring any approvals not in the appendix to be reported to SCLAO for review. Requires SCLAO by June 2015 to submit a report to NPC Standing Committee to approve, cancel, or amend the pre-approvals.	Significant: Sets clear, specific timelines and goals for government agencies to eliminate unnecessary approvals for investment projects, streamline their approval processes, and create an online approval system. Impact could be significant depending on implementation of the work plan.

9/19/13	Notice on Strictly Limiting New Administrative Licensing Procedures	State Council	Limits the number of new administrative licensing procedures.	<u>Moderate</u> : Broad impact on overall reform push to simplify administrative licensing procedures, but with few details to date.
2/7/14	Notice on Registered Capital Registration System Reform	State Council	Lowers requirements for registering new businesses and simplifying procedures in a move aimed at promoting a more market-oriented economy.	<u>Moderate</u> : Sets foundations for reducing registered capital requirements and easing the incorporation process for domestic and foreign companies. However, this impacts only one aspect of the foreign investment process, and not the most troublesome (market access).
2/18/14	Decision on Cancelling and Decentralizing a Batch of Administrative Approval Items	State Council	Cancels or decentralizes 64 administrative approval items and 18 sub-items that are closely related to business development such as the establishment of an enterprise, production license, business scope and disposal of assets and capital.	<u>Moderate</u> : Eliminates selected business process approvals in a range of areas, including approvals related to foreign-invested banks and financial institutions.
3/25/14	Opinions on Further Optimizing the Market Environment for Enterprise Merger and Reorganizations	State Council	Streamlines M&A approval procedures by addressing issues in examinations and approval, financing, auditing, and service and institutional mechanisms that serve as obstacles for reorganization.	<u>Moderate</u> : Progress in simplifying M&A approvals and increasing transparency that also applies to foreign companies, but questions remain as to how many foreign transactions may be able to take advantage of streamlined procedures.
4/22/14	Circular on the Elimination of Non-Administrative Approval Items	State Council	Requires administrative agencies to review and eliminate non-administrative approval items.	<u>Moderate</u> : While the notice does not directly eliminate any administrative items, it formally requires agencies to review and eliminate these items, creating significant opportunities for administrative licensing reform.
6/17/14	Notice on Improving Foreign Investment Review and Administration	MOFCOM	Removes requirements on initial capital contributions and capital contribution timelines for foreign companies, as well as registered capital requirements, except where stated otherwise by law.	<u>Moderate</u> : The notice importantly eliminates requirements for how companies arrange capital contributions. This will simplify procedures for some companies that register a new entity or engage in a JV, but does not address the broader issue of separate regulatory regimes for foreign and domestic firms.

9/11/14	Implementation Measures on Administrative Licensing of Foreign-invested Banks	CBRC	Replaces 2006 implementation measures on administrative licensing for FIE banks. These measures simplify administrative licensing procedures – such as narrowing the scope for approval of articles of association – and strengthen regulation on who may serve on a board of directors.	Moderate: Measures simplify administrative procedures for foreign banks, allowing them to establish unlimited sub-branches in cities where they have operations and eliminating minimum working capital requirements for those new offices. While impact is limited to the banking sector, the measures will allow much more operational space.
5/15/13	Decision on Cancelling and Decentralizing Administrative Items by the State Council	State Council	Eliminates or decentralizes 104 administrative items on its website, including administrative approvals, awards, and administrative fees.	Limited: Few of the items included are among those of most concern to foreign companies, though the notice did make some changes in areas such as representative office registration, shipping, service outsourcing, and education appointments.
7/13/13	Decision on Removing 50 Administrative Approvals	State Council	Eliminates or decentralizes 50 administrative approval items.	Limited: Eliminates a small number approval items that apply to foreign investments in specific areas such as certain types of imported cosmetics, medical services, and the movie industry.
7/24/13	Notice on the Release of Regulations on Services Trade Foreign Exchange	SAFE	Shortens the approval process for cross-border services to ensure the healthy growth of the domestic service industry.	Limited: Relaxes requirements restricting domestic companies from depositing foreign exchange overseas.
8/2/13	Notice on Partially Cutting Administrative Fees	NDRC, MOF	Lowers administrative fees for a variety of approvals required by 14 ministries.	Limited: Marginally reduces administrative fees in certain areas (e.g. trademark application fees were reduced from RMB 1000 to RMB 800).

8/15/13	Decisions on Revising Certain Administrative Regulations	State Council	Removes certain articles covering administrative approvals in 21 different existing regulatory measures, such as the Telecommunication Provisions and the Administrative Regulations on Civil Explosives.	<u>Limited</u> : While a few of these regulations touch on foreign company interests, revisions are primarily general or process-oriented, and do not create new market opportunities for foreign companies; the majority of revised regulations are not directed at foreign companies.
8/20/13	Notice on Easing the Visa and Residency Process for Foreign Talent	MHRSS	Streamlines the visa and residency permit application process for qualified foreign talent working in the PRC.	<u>Limited</u> : Streamlines the application process for foreign and domestic companies high-skilled employees from overseas, but this is not a huge issue for foreign companies.
9/27/13	Notices on CSRC Dispatch Agencies Administrative Penalty Work Rules	CSRC	Decentralizes administrative penalties and enforcement and grants 36 branches.	<u>Limited</u> : No immediate impact on foreign companies but in line with decentralization reforms.
10/24/13	Notices on Removing 314 Provincial-level Administrative Fees	MOF, NDRC	Eliminates 314 administrative fees collected by local authorities.	<u>Limited</u> : Advances central government efforts to reduce administrative fees, but few of the fees impacted are among US companies' top concerns.
11/8/13	Decisions on Cancelling and Delegating Several Administrative Approval Items	State Council	Cancels or delegates to lower levels of government 68 administrative approval items.	<u>Limited</u> : Advances government reforms to streamline administrative approvals, but few of these decentralizations touch on top foreign company concerns.
11/15/13	Catalogue Decentralizing MEP Approval Authority Over Environmental Impact Assessment Documents	MEP	Decentralizes approval authority over a total of 25 projects, mainly infrastructure projects and projects with minor environmental impact, such as distributed gas-fired generation, urban rapid rail transportation, civil airport expansion, pumped storage power station and other projects.	<u>Limited</u> : Streamlines approval for environmental and infrastructure projects, but impact is limited, and only for foreign companies interested in this sector.
1/13/14	Circular on Implementing the Decision of the State Council on Eliminating and Delegating a Batch of Administrative Approval Items	SAT	Reduces administrative tax approval items and increases transparency requirements.	<u>Limited</u> : Small step forward in reducing administrative approval requirements, but does not address investment barriers that are of greatest concern to foreign companies.

6/23/14	Notice on Promoting the Streamlining of Regulator Authority and Market Access	CBRC	Simplifies bank approval procedures by eliminating certain administrative approvals (such as approval for Chinese commercial banks and rural banks to open securities trust investment services in China for qualified foreign institutional investors), promoting more decentralization of approval authorities, particularly oversight of local financial institutions; and promoting greater consistency in approval processes and standards through various means, including unified examination and inspection procedures.	<u>Limited:</u> Administrative approvals and licensing are important issues for foreign enterprises, but this does not set forth any new treatment for foreign enterprises. This policy is instead directed at improving domestic banking bureaucracy.
6/26/14	Notice on Further Tightening Enterprise-related Charging Administration to Reduce Enterprise Burdens	State Council	Introduces measures to control administrative and other government fees that are charged to enterprises by establishing a specific list of authorized fees with allowable values; only charges in this list are permitted. The notice also requires the removal of any pre-approval charges that lack a legal basis.	<u>Limited:</u> While the policy is national in scale and contributes to increased transparency, administrative fees are not a top concern of foreign companies and will not have a major influence on operations.
7/25/14	Notice on Improving the Registration System for Foreign Investments in Real Estate	MOFCOM, SAFE	Establishes an electronic filing system for foreign companies to register real estate investments, and delegates oversight from central to provincial-level MOFCOM departments.	<u>Limited:</u> Reform makes some improvement to the previous approval process for real estate investment, but the notice does not change the amount, type, or any other relevant market access condition for foreign investments in real estate.
8/12/14	Decision on Cancelling and Adjusting a Batch of Administrative Approvals	State Council	Removes or relaxes administrative approval processes for certain investment projects and professional certifications. In total, 95 measures have been removed or relaxed, though very few directly impact foreign companies.	<u>Limited:</u> Though a positive symbolic step, impact on foreign companies is limited. For example, one cancellation eliminates MOFCOM and NDRC pre-approval for FIE investments in "encouraged" industries from the CGFI, making that process easier – but ignoring the broader investment issues that companies face if their industries are not marked as "encouraged."

8/15/14	Decision on Revising Certain Administrative Regulations	State Council	Removes certain articles covering administrative approvals in 21 different existing regulatory measures, such as the Telecommunication Provisions and the Administrative Regulations on Civil Explosives.	<u>Limited</u> : While a few of these regulations touch on foreign company interests, revisions are primarily general or process-oriented, and do not create new market opportunities for foreign companies; the majority of revised regulations are not directed at foreign companies.
11/1/14	Notice on Issues Concerning Reduction and Elimination of Administrative Fees on Elder Care Institutions and Medical Institutions	MOF, NDRC	Removes all administrative fees for non-profit elder care and healthcare facilities, and 50 percent of administrative fees for for-profit elder care and healthcare facilities.	<u>Limited</u> : Potential to have an important impact on foreign investment specific to the healthcare and elder care industries, though impact is focused more on operations than market access and remains focused on a very narrow sector.
11/24/14	Decision on Cancelling and Adjusting a Batch of Administrative Examination and Approval Items	State Council	Eliminates, adjusts, or decentralizes a batch of 226 administrative approvals.	<u>Limited</u> : Few of the items included are among those of most concern to foreign companies, though the notice did make some changes in areas such as commercial registration for foreign-invested enterprises.
11/24/14	Notice on Clearing and Regulating Administrative Pre-Approval Services Fees for Enterprises	NDRC	Calls for creating a defined range of costs for administrative approvals for companies, as well as creating a catalogue to list such costs.	<u>Limited</u> : Administrative licensing and approvals continues to be a top issue for American companies, so bringing standardization and transparency to the process would be welcome. However, this policy announcement is still aspirational.
12/9/14	Notice on Adjusting the Administrative Policies Concerning the Access of the Inter-bank Foreign Exchange Market by Financial Institutions	SAFE	Cancels the requirement for SAFE to give pre-approval for qualified financial institutions to participate in the inter-bank foreign exchange and derivatives trading markets.	<u>Limited</u> : Streamlines the process for qualified institutions set up within China – a category which includes some foreign banks – to offer certain types of financial products in China, but does not create new market openings for foreign banks.

12/8/14	Notices on Cancelling and Adjusting Administrative Approval Items	CIRC	Cancels CIRC administrative approvals and credentials for actuaries for insurance companies, and changes the credentials to a post-approval registration requirement with SAIC.	Limited: Continued cancellation of administrative burdens is a positive step towards reducing government bureaucracy, but this small change has limited effect on foreign companies in general.
11/14/13	Administrative Approval Rules for Domestic Commercial Banks	CBRC	Eliminates some approval items, and delegates authority for others to lower-level authorities.	None: Only applies to domestic banks, but also pushes forward administrative licensing reforms.
1/8/14	State Council Executive Meeting on the Cancellation and Decentralization of 70 Administrative Inspection and Approval Items	State Council	Cancels and decentralizes 70 administrative examination and approval items.	None: List is not yet publically released, so no indication of any impact.

IV. Institutional Reforms

Reform-Related Agencies and Groups

Date	Title	Agency/Agencies	Summary	Impact
12/31/13	Establishment of the Central Government Leading Group for Overall Reform	State Council	Sets up a central leading group to comprehensively deepen reforms, determine the leading cadres selection regulation.	Moderate: Signals the central government's intention to move forward with reforms introduced during the Third Plenum. To date, the impact is largely aspirational due to the limited implementation of major reforms assigned to the group.
1/22/14	Work Plan for Relevant Central Authorities to Implement the Important Initiatives of Third Plenum of the Eighteenth CCP Congress Decision	State Council	Establishes six special teams under the central leading group for comprehensively deepening reform: economic and ecological civilization system reform special team, democracy and the rule of law sector reform special team, cultural reform special team, social reform special team, party construction reform special team, and discipline inspection system reform special team.	Moderate: Sets key structures and personnel to push forward economic reforms introduced during the Third Plenum. While potential policy impact remains high, limited implementation of major reforms to date restricts this impact to moderate.

Government Restructuring & Other Institutional Reforms

Date	Title	Agency/ Agencies	Summary	Impact
2/10/14	Plan for Establishing Rule of Law within the Agency	NDRC	Promotes NDRC's transformation over the next five years into a rule of law (ROL) agency with "statutory limitations to power, standardized operations, openness and transparency, unity in power and accountability, integrity and high efficiency."	Limited: While the language is positive, the policy contains few concrete details of policy change and clear signs of implementation are still largely lacking.

Other

Date	Title	Agency/ Agencies	Summary	Impact
10/23/14	Notice on Reforming and Adjusting the Work System for the Inspection of Environmental Protection Performance of Publicly Traded Companies	MEP	Removes MEP's responsibility for conducting environmental protection inspections of publicly traded companies.	Limited: While policy does address some complaints about MEP's investigation system, including local protectionism, excessively long investigation periods, and rent seeking, this notice addresses more of a process set of issues. However, the policy's reference to publicly traded companies likely refers to those traded on Chinese exchanges, which would largely limit inclusion of foreign companies.

V. Role of the State and the Market

SOE Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
12/6/13	Notice on Improving the Operating Budget for State-Owned Assets	CSRC	Requires SOEs to provide a portion of revenues collected to the state.	Limited: Promotes SOE reforms, particularly related to profits and revenues, but does not change the role of SOEs in the economy.
12/18/13	Opinions on Further Deepening the Reform of Shanghai State-owned Assets and Promoting the Development of Enterprises	Shanghai Municipal Government	Introduces 20 reform measures designed to accelerate SOE structural adjustments, standardize corporate governance structures, improve personnel selection and incentive mechanisms, improve SOE international competitiveness, and optimize SOE supervision.	Limited: Promotes needed reforms for SOEs to push them towards operating based on market factors, but scope remains limited only to Shanghai-controlled SOEs.
1/20/14	Guiding Opinions on Strengthening Value Management of Central State-owned Enterprises with Focus on Evaluation of Economic Value Added (EVA)	SASAC	Calls for SOEs to focus on improving efficiency and use EVA as a key performance indicator.	Limited: While this represents a step towards holding SOEs more accountable for their performance, it does not fundamentally alter the competitive dynamics that impact foreign companies.
8/29/14	Proposal for Reform of the Compensation for Leaders of Central Government-Managed Businesses	CPC Politburo	Proposes four reforms for SOE leadership compensation, including determining appropriate levels of compensation for SOE leadership. Expected to reduce compensation by at least 50 percent for high-level executives.	None: One of four party-reform announcements released at CPC Politburo meeting. Though it has no direct impact on foreign companies or market access issues, it remains a positive step in systemic reform.
8/29/14	Opinions on Rationally and Strictly Standardizing SOE Leadership Compensation and Expenditures	CPC Politburo	Calls for creating a rational standard for SOE leadership compensation and expenditures, and removes authority for SOE leadership to determine salaries.	None: One of four party-reform announcements released at CCP Politburo meeting. Limiting SOE leadership compensation has no direct impact on foreign companies or market access issues.

Private Capital

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/26/13	Guiding Opinions on Government Procurement of Services from Social Organizations	State Council	Allows further market access in the public service sectors to eligible social organizations and enterprises.	<u>Limited</u> : Promotes the establishment of a services procurement system that will include public participation, but does not clarify if this includes foreign companies.
12/31/13	Opinions on Accelerating the Operations of Medical Institutions with Social Capital	NHFPC	Incorporates the operations of medical institutions with social capital into the planning of the health service system in the coming five years, and require local jurisdictions to develop reasonable policies for non-large-scale medical devices and equal treatment between private and public hospitals.	<u>Limited</u> : Promotes the establishment of private hospitals, but does not clarify access for foreign companies.
2/13/14	Regulatory Measures on the Equal Opening of Oil and Gas Pipeline Facilities (Trial)	NEA	Requires government agencies to regulate oil and gas pipeline facilities fairly, openly, and transparently, and opens investment to the private sector.	<u>Limited</u> : Allows private capital investment in an area dominated by state capital -- but private capital is unlikely to include foreign investment.
5/18/14	Notice on Encouraging Social Capital in Infrastructure and Other Projects (First Batch)	NDRC	Lists 80 specific projects in infrastructure and other areas where private investment is encouraged.	<u>Limited</u> : Allows private participation in select infrastructure projects, but scope is limited and unclear if it will allow foreign participation.
9/12/14	Notice on Accelerating the Construction of Projects for Healthcare and Elder Care Services	NDRC, MCA, MOF, MLR, MOHURD, NHFPC, PBC, SAT, GAS, CBRC	Requires upgrading of medical treatment and elder care capabilities, including a new requirement that 25 percent of available hospital beds must be in private hospitals by 2020. The policy also sets targets of having 4.97 hospital beds per 1,000 people by 2015, and 6 hospital beds per 1000 people by 2020.	<u>Limited</u> : Potentially important development for foreign companies involved in healthcare services, including potential future access to public funds. However, this notice merely sets goals without specific implementation details.
12/2/14	Guiding Opinions on Carrying Out the Public-Private Partnerships (PPP)	NDRC	Outlines the scope, goals, and reporting mechanisms for implementing the State Council's public-private partnerships for basic government services and infrastructure.	<u>Limited</u> : Further transparency and private participation in providing services, but the direct impact on foreign participation in such programs is yet to be seen. Likely indirect impact for foreign suppliers of inputs for projects being undertaken under the PPP umbrella.

8/19/13	Opinions on Reforming the Railway Investment and Financing System and Accelerating Railway Construction	State Council	Opens ownership and management rights of intercity rail, city (suburban) railway, resource development railway and railway branches to local government and social capital, and encourage social capital to invest in railway construction.	<u>None</u> : Encourages the use of private capital in railway construction -- but private capital does not likely include foreign investment.
4/22/14	Infrastructure and Public Utility Franchise Law" ("Franchise Law")	NDRC	Further opens infrastructure and public utility sector to the private sector.	<u>None</u> : Allows more private participation in areas largely dominated by public investment, but foreign investment in this sector is not clarified and is unlikely.
4/23/14	Opinions on Establishing the Long-term Mechanism of Natural Gas Supply	State Council	Increases natural gas supply to as much as 420 billion cubic meters per year by 2020, and open energy market to private capital.	<u>None</u> : Opens investment in the energy market to more private capital -- but private capital in this context does not likely include foreign investment.
7/14/14	Notice on Issues Concerning Overseas Financing for Special Purpose Investment Vehicles (SPVs) Set Up by Chinese Residents, and Return Investment Foreign Currency Exchange	SAFE	Defines the scope of special-purpose vehicles (SPVs) foreign exchange transactions administered by SAFE, and expands financing channels by allowing domestic companies to acquire foreign currency for SPV investment. Improves the process for Chinese residents' overseas financing activities and cross-border capital transactions.	<u>None</u> : Measures are aimed only at Chinese companies and individuals.
11/26/14	Guiding Opinions on Innovating Financing Mechanisms and Encouraging Social Investment in Key Sectors	State Council	Lays out public service projects in fields such as infrastructure, transportation, environmental protection, and ecological construction that should seek private capital for funding and undertaking.	<u>None</u> : Potentially positive move to decentralize the government's role in supplying all social services and thus allow private participation. "Private capital," however, likely does not include foreign capital.
12/25/14	Announcement on Opening the Broadband Access Market to Private Capital	MIIT	Encourages private capital to invest in wireline broadband access services in several designated pilot zones.	<u>None</u> : Encouraging to see the gradual liberalization of the traditionally entrenched telecom services market, but "private capital" does not likely include foreign investment.

VI. Financial Reforms

Banking/Interest Rates

Date	Policy Title	Agency/ Agencies	Summary	Impact
7/26/13	Guiding Opinions on Strengthening Financing Services to Support SMEs	NDRC	Requires government agencies at all levels to promote greater financing channels for SMEs.	Limited: Efforts primarily aimed at domestic SMEs, with an indirect impact for foreign companies in the banking sector.
8/8/13	Implementation Opinion on Providing Financial Support for Small and Micro Enterprises	State Council	Offers new financing options and reduce borrowing costs for SMEs.	Limited: Very few foreign companies qualify as small- and micro-enterprises.
8/30/13	Guidelines on Protecting Rights and Interests of Consumers	CBRC	Requires banks to improve governance, including formulating internal codes of conduct and halting practices such as a failure to disclose investment risks, overstating returns, deliberately giving misleading information, and divulging or leaking personal information to any third party without consent.	Limited: Impacts foreign financial institutions operating in the China market from an operational standpoint, but mainly to bring these practices in line with global industry best practices; does not make progress on top financial reform concerns for foreign companies.
9/27/13	Measures on Consumer Finance Pilots	CBRC	Creates 10 pilot projects that allow non-financial companies mainly engaged in providing consumer credit services to launch consumer finance businesses, lift the geographical restrictions on business operations, and lower the minimum capital ratio for shareholders from 50 percent to 30 percent.	Limited: Lowers the minimum shareholder requirements for foreign companies to invest in consumer finance companies, but does not clearly permit them to set up their own consumer finance businesses.
11/8/13	Guidance on Commercial Banks Issuing Corporate Bonds to Replenish Capital	CSRC, CBRC	Allows commercial banks that are listed on domestic or overseas exchanges (or are queued to be listed) to issue corporate bonds to replenish capital.	Limited: Allows commercial banks an additional channel to raise capital, but bond market still dominated by domestic players -- and unclear whether this policy would impact or be applied to foreign commercial banks.

1/6/14	Notice on Issues Concerning Strengthening the Supervision on Shadow Banking	State Council	Defines the three categories of shadow banking in China, while calling for standardization of private banking practices and assigning responsibility to different regulators to stabilize the shadow banking sector.	Limited: Stabilizing the financial industry by getting shadow banking under control is a positive step at recognizing there is a problem in the financial system to be addressed. While complete liberalization and openness of the market will take time, this is a positive step at attempting to address the problems. However, the impact to date is yet to be determined, and the direct impact on foreign companies is limited.
2/14/14	General Plan for the Qingdao Wealth Management Comprehensive Reform Pilot	PBOC, NDRC, MOF	Establishes a special pilot zone aimed at encouraging the establishment of diversified wealth management organizations and participation of private capital in order to build a professional wealth management market in the city.	Limited: Increases access for private capital to invest in financial services, but does not clearly specify opportunities for foreign companies.
2/14/14	Measures for the Administration of Service Prices of Commercial Banks	CBRC, NDRC	Makes price charges by commercial banks for services subject to government-guided prices, government-determined prices and market-adjusted prices according to the nature and characteristics of services and market competition situation.	Limited: Small step forward in allowing the market to play a role in determining prices, but still requires significant government oversight.
2/19/14	Circular on the Re-approval of Charging Standards of Supervision Fees for the Banking Sector	MOF, NDRC	Adjusts standards on collecting fees in the banking sector.	Limited: Though the notice makes a concrete policy change, the impact is focused just on one aspect of the banking business -- and thus is limited in both sector and operational impact.
2/20/14	Administrative Measures for the Liquidity Risk of Commercial Banks	CBRC	Institutes a new measurement system aimed to gauge the ability of commercial banks to resist short-term stress from credit squeezes.	Limited: Implementation of the new management impact will focus on commercial banks, which could include foreign banks. However, this will have only a minor operational impact, and many foreign banks already have prudential measures in place to address these types of challenges.
2/27/14	Credit Industry Management Act	PBOC	Promotes the development of credit industry with a more market-oriented approach and calls for the construction of social credit information system along with increased information transparency.	Limited: Provides greater room for the private sector in the credit industry, but no clear indication that foreign companies are included.

6/27/14	Shanghai FTZ Interest Rate Reform Rolled Out to All of Shanghai	PBOC Shanghai Branch	Expands a pilot program on foreign currency deposit rates previously confined to the Shanghai FTZ to all of Shanghai. The announcement allows banks based in Shanghai to put foreign currency deposit rates for accounts (less than US \$3 million) in line with market conditions.	<u>Limited:</u> Although this may not have direct impact on foreign companies due to restrictions on foreign-invested banks, it represents an important first step of expanding a Shanghai FTZ pilot program to a larger scale. The policy could be significant if used as a measure to continue the expansion of more liberalized financial policies more broadly.
7/24/14	Notice on Improving and Innovating Loans to Small and Micro Enterprises to Improve the Financial Services to Small and Micro Enterprises	CBRC	Promotes the development of small companies in China by improving access to financing, reducing their debt financing costs, and promoting favorable terms for loans to small companies to improve liquidity.	<u>Limited:</u> Promoting domestic growth of small firms may create market opportunities, but it does not address the main market access and regulatory concerns of the financial sector. The notice also contains few policy details.
7/25/14	CBRC Approvals to create Qianhai Weizhong Bank , Wenzhou Private Bank , and Tianjin Jincheng Private Bank	CBRC	Approves the establishment of three private bank, designating Tencent, Zhengtai Group, and Tianjin Huabei Group as the largest shareholders in their respective banks. These institutions will be some of the first banks run by non-finance companies in China.	<u>Limited:</u> A positive step towards creating greater openings for private capital in the banking industry, though the significance of a non-finance Internet company being awarded approval for operating a bank shows true potential for private companies to participate in the industry. However, private capital thus far has only included Chinese capital, raising questions as to whether foreign companies will be allowed to participate in these openings.

9/26/14	CBRC Approvals to create Shanghai Huarui Private Bank and Zhejiang Web Commercial Bank	CBRC	Approves the establishment of a private bank, designating Shanghai Junyao Group and Alibaba's subsidiary Zhejiang Ant Micro-financing Services Group as the largest shareholders in their respective banks. These institutions will be some of the first banks run by non-finance companies in China.	Limited: A positive step towards creating greater openings for private capital in the banking industry, though the significance of a non-finance Internet company being awarded approval for operating a bank shows true potential for private companies to participate in the industry. However, private capital thus far has only included Chinese capital, raising questions as to whether foreign companies will be allowed to participate in these openings.
7/1/13	Guidelines on Financial Support for Economic Restructuring, Transformation and Upgrading	State Council	Encourages private capital investment in established and restructuring financial institutions; allows established village banks to change their capital contribution structure; promotes a diversified regulatory mechanism for different financial sectors in order to better support the real economy.	None: Allows qualified private companies to invest in private banks, financial rental companies and consumer finance companies, but private capital does not likely include foreign investment.
3/17/14	Regulations on Financial Leasing Companies	CBRC	Clarifies entry standards, service scopes, operating rules, and regulation & supervision standards for the financial leasing industry.	None: Encourages the use of private capital in leasing -- but private capital does not likely include foreign investment.
3/27/14	Opinions on Accelerating the Construction of Microenterprise and Rural Credit Systems	PBOC	Creates a social risk system that functions like the credit reporting management industry, with a focus on micro-enterprises and rural economic actors.	None: Promotes innovation in the financial services sector, but does not provide new market opportunities for foreign companies.

Exchange Rate/Foreign Exchange

Date	Policy Title	Agency/ Agencies	Summary	Impact
1/24/14	Circular on Further Improving and Adjusting the Foreign Exchange Control Policy for Capital Accounts	SAFE	Reforms foreign exchange management under companies' capital accounts, simplifies the process of administrative approvals, and facilitates trade and investment.	Moderate: Simplifies the registration procedures for the acceptance of domestic non-performing assets by foreign investors, creating some new opportunities.

4/25/14	Measures on Management of the Foreign Exchange Funds of Multinational Companies	SAFE	Allows multinational companies to open overseas and domestic accounts simultaneously as well as conduct collection and settlement of accounts in foreign exchange.	Moderate: Allows MNCs more flexibility in using foreign exchange.
8/4/14	Notice on Questions Relating to Management of FIE Foreign Exchange Regional Pilot Zones	SAFE	Establishes 16 pilot zones throughout China, allowing foreign companies to convert up to 100 percent of registered foreign capital into RMB at any point in time, eliminating the need to get approval for each conversion separately. The policy also removes a ban on using registered capital for equity investment in Chinese enterprises.	Moderate: This notice – effective immediately – significantly loosens the rules for foreign companies to convert and use registered capital to support their business. While access is still limited to pilot zones, the spread of zones is broad.
7/5/13	Notice on Simplifying Cross-Border RMB Business Processes and Improving Relevant Policies	PBOC	Allows domestic and qualified foreign banks to offer a broader range of RMB clearing and other RMB-denominated services. Also permits domestic banks to offer RMB-denominated loans to domestic and foreign holding companies to qualified offshore entities.	Limited: Expands the market space for foreign banks to offer RMB-denominated services slightly and provides additional financing room for qualified foreign companies in China. However, these improvements are carefully controlled – and the most significant benefits are limited to one sector.
4/30/14	Provisions on Cross-Border Foreign Currency Flows	SAFE, GAC	Promotes the development of the foreign currency cash management business. Simplifies the management process and delegates administrative approvals local SAFE branches and allows approved institutions to conduct foreign currency business.	Limited: Simplifies internal procedures related to foreign currency cash management; decentralizes approval to local agencies; and creates some opportunities for domestic and foreign companies in this sector.
5/19/14	Administrative Provisions for the Cross-Border Foreign Exchange Guarantee	SAFE	Simplifies the cross-border guarantees for foreign exchange by cancelling a number of administrative approval requirements.	Limited: Incremental step deregulating cross-border foreign exchange guarantees that should reduce regulation of cross-border guarantees by simplifying administrative checkpoints.
6/11/14	Guiding Opinions on Implementing the State Council's Opinions on Supporting the Stable Growth of Foreign Trade	PBOC	Provides government entities with instruction on how to support foreign trade growth, including supportive policies, efforts to promote credit, leasing and financing channels for foreign trade; improving cross-border RMB use by simplifying settlement procedures and launching new funds; and improving RMB exchange rate mechanisms.	Limited: Addresses some important issues related to foreign trade and RMB settlement across industries, but provides few details that would allow foreign companies to participate – and some language (such as "providing services for companies that go abroad") implies a domestic focus.

6/22/14	Administrative Measures for Foreign Exchange Settlement and Sale Banking Services	PBOC	Clarifies conditions to be fulfilled by banks when applying for spot foreign exchange settlement/sales, and to offer RMB and foreign exchange derivatives products.	Limited: Guidelines for applying for these services are limited and vague, and are still bound by limitations in overlapping regulations. While foreign-invested banks can participate in these areas, the policy does not address key investment restrictions that companies face under the Catalogue Guiding Foreign Investment.
7/1/14	PBOC Notice on Inter-bank Currency Exchange Rates and Exchange Rate Announcements	PBOC	Authorizes the China Foreign Exchange Transaction Center to publicly announce exchange rates for various currencies (RMB/USD RMB/EUR, RMB/JPY, etc.) every morning, clarifies how the RMB/USD exchange rate is determined, and allows banks to determine their own daily RMB exchange rates based on market demand.	Limited: While this does create additional flexibility for banks to determine appropriate exchange rates based on observed demand, such flexibility is limited.
12/20/14	Decision to Revise the Administrative Regulations for Foreign-Invested Banks	State Council	Amends China's FIE Bank Administrative Regulations to allow FIE banks freely convertible currency for operating capital. Working capital allocated to bank branches cannot exceed 60 percent of HQ's available capital.	Limited: An incremental step at liberalizing the banking sector for foreign companies; while it eases aspects of their operation by making working capital freely convertible, it doesn't create new market access opportunities or allow banks to expand their operations.

Insurance

Date	Policy Title	Agency/ Agencies	Summary	Impact
4/15/13	Administrative Measures on Insurance Company Mergers and Acquisitions	CIRC	Allows insurance companies and individual shareholders that meet conditions to own stakes in more than one other insurance company in the same market and allows insurers to use borrowed capital for up to 50 percent of the transaction price.	Moderate: Allows foreign and domestic insurance companies to hold controlling stakes in up to two competitors in the same product market (i.e. life insurance, property and casualty insurance, reinsurance), though impact limited to this sector.

3/28/13	Administrative Measures on the Issuance of Subordinated Debts by Insurance Companies	CIRC	Allows insurance groups to issue subordinated debts, where in the past only licensed subsidiaries could issues such bonds.	<u>Limited</u> : Permits insurance groups to issue debt to broaden financing options, but sector impact quite limited.
5/2/13	Administration Measures for Telephone Sales of Life Insurance	CSRC	Provides rules for companies selling life insurance over the phone to protect consumers.	<u>Limited</u> : Minimal impact for companies focused on one small aspect of a particular industry.
2/20/14	Circular on Improving Regulation on the Proportional Use of Insurance Funds	CIRC	Raises the maximum share of total assets that insurers can invest in shares and private equity to 30 percent, up from 25 percent under previous rules.	<u>Limited</u> : Changes will have a limited direct impact on the insurance industry.
4/4/14	Administrative Measures on Insurance Company Mergers and Acquisitions	CIRC	Improves the structure of the insurance industry and enhances its competitiveness, while increasing the variety of risk-handling instruments.	<u>Limited</u> : Will have some impact on foreign companies in the insurance industry, but no impact on others.
4/24/13	Notice on Regulating the Limited Partnership Equity Investment Enterprises to Invest in Insurance Companies	CIRC	Permits qualified domestic and foreign limited partnership firms to invest in insurance companies, marking an initiative of CIRC to encourage and support private capital investment in the insurance industry.	<u>None</u> : Creates more openings for private capital in the insurance market, but private capital in this case does not likely include foreign companies.
8/27/13	Guidance on Insurance Industry's Support of Economic Restructuring, Transformation and Upgrading	CIRC	Encourages the use of private capital to establish insurance agencies, brokerages, and assessment institutions, along with participation in the rural insurance market.	<u>None</u> : Encourages the use of private capital in insurance -- but private capital does not likely include foreign investment.
2/26/14	Opinions on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents	State Council	Establishes a unified urban and rural pension insurance fund consists of contributions by individuals, collective benefits, and government subsidies.	<u>None</u> : Changes focus on areas of the insurance industry that are entirely government run, and companies are not included among contributors.
4/28/14	Amendment to the Measures on Insurance Company Equity Management	CIRC	States that insurance companies must fund additional equity investment from their own funds, and not from bank loans; aims to further opens the insurance industry to the private capital while controlling the systematic risk, especially risk linked to the banking sector.	<u>None</u> : Provides openings for private capital in the insurance industry -- but private capital does not likely include foreign investment.

Securities and Private Equity

Date	Policy Title	Agency/ Agencies	Summary	Impact
5/9/14	Opinions on Further Promoting Healthy Development of the Capital Market	State Council	Removes administrative approvals from private equity issuance, calls for domestic securities and futures companies to invest in foreign markets, and strengthens regulation of illegal activities in the securities and futures market.	<u>Moderate</u> : Reduces administrative approvals for securities companies, and has a broader indirect impact for other companies in promoting a more open private equity market.
11/14/14	Notice on Tax Policies Concerning the Shanghai-Hong Kong Stock Market Trading Interconnection Pilot Program	CSRC, SAT, MOF	Clarifies tax collection policies for the Shanghai-Hong Kong Stock Market Interconnection pilot program for mainland and Hong Kong investors.	<u>Moderate</u> : Policy announcement does not address new market openings, but is a step in improving comprehensive financial reform, which includes allowing outside investors that are involved in the Hong Kong exchange access to China's stock markets.
3/21/14	Regulations on the Preferred Stock Pilot Program	CSRC	Allows listed companies to issue preferred shares.	<u>Limited</u> : Impact only on companies listed on public exchanges in China.
4/25/14	Notice on Further Tightening Risk Control of Fund Management Companies and Subsidiaries	CIRC	Reduces the risk of specific client asset management business conduct by the subsidiaries by banning certain business practices.	<u>Limited</u> : Increases supervision of financial institutions, but impact on foreign companies limited.
5/13/14	Opinions on Stimulating Innovation and Development in Securities Institutions	CSRC	Promotes the development of modern investment banks, support for development of new products in asset management, bulk stock, derivatives and private equity, and improved supervision.	<u>Limited</u> : Contains positive language about liberalizing trade, but does not include any substantive changes that would increase market access.
6/12/14	Opinions on Promoting the Innovative Development of the Securities Investment Fund Industry	CSRC	Reforms securities regulation by reducing required government approvals and loosening market access controls by setting a negative list for asset management services and by permitting FIE banks to apply for fund management credentials. It also urges securities companies to establish modern asset management mechanisms and develop innovative financial products.	<u>Limited</u> : Positive language that would provide greater market access for securities companies when implemented, but scope is specific only to financial companies and implementation remains limited.

7/7/14	Measures for the Administration of Publicly Offered Securities Investment Fund Operations	CSRC	Reforms government reviews of publicly offered fund products, shifting from approval to registration and limiting the scope of CSRC's review. In the review of an application, CSRC will simply focus on completion of the document, adequacy of disclosures, and administrative issues.	Limited: These measures make process improvements to allow securities companies – both domestic and foreign-invested – more room in creating new products, but do not fundamentally address market access issues.
11/3/14	Notice on Matters Concerning Accessing the Interbank Bond Market by Eligible Non-Financial Institutional Investors	PBOC	Allows non-financial institutional investors to access the interbank bond market.	Limited: Strengthens the role of the bond market in financing and allows markets – and not the government – to play a more decisive role in finance. However, scope of the opening is limited to a small number of institutional investors.
4/19/13	Rules of Contents and Format of Information Disclosure by Companies Offering Securities	CSRC	Sets new rules for the format and content of quarterly and semiannual reports by listed companies.	None: Constitutes process improvements with limited scope.

VII. Pricing Reform and Competition Policy

Pricing Reforms

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/30/13	Pricing Case Administrative Penalty Review Rules	NDRC	Provides instructions for price departments at all levels on the review process of administrative penalty cases, and further standardizes the pricing department's exercise of power in dealing with administrative punishment cases.	Moderate: Process-oriented reform that aims to improve and standardize the investigation process in pricing-related cases. Signals a step forward in improving transparency.
1/21/14	Revised Rules on the Handling of Whistle-blowing of Illegal Pricing Behavior	NDRC	Allows whistleblowers to inform price authorities of illegal pricing behavior, where an alleged wrongdoer causes consumers to overpay due to its illegal pricing activities, the competent price authorities shall order the wrongdoer to refund the overpaid money to consumers before it decides to impose an administrative penalty for such illegal pricing activities.	Moderate: Step towards promoting market-based pricing and cracking down illegal pricing behaviors, which could have both positive and negative impacts for foreign companies.

7/2/13	Announcement Setting On-Grid Nuclear Power Price	NDRC	Sets the benchmark on-grid nuclear power price at RMB 0.43 (7 US cents) per kWh for newly-built reactors across the country.	<u>Limited</u> : Small step in reforming prices in one sector of the energy industry, but the impact is extremely limited.
8/8/13	Notice on Near-Term Energy Market Supervision Work	NEA	Promotes electricity market supervision, increases direct trading between power companies and consumers, and boosts cost and price supervision.	<u>Limited</u> : Advances central government reforms to allow the market a greater role in determining energy prices, but has not made much tangible difference for companies regarding government regulation of energy markets.
11/15/13	Announcement on the Market Adjusted Price for the Charges of Mobile Communications Resale Services under the Pilot Program	MIIT, NDRC	Specifies that market prices will be used for local calls, long distance calls, roaming calls, short messages, multimedia messages, data and other resale services operated by resale enterprises under the pilot program and that the restriction of differential pricing for intranet and extranet upon resale enterprises will be cancelled.	<u>Limited</u> : Allows the market to play a greater role in pricing, but only specific to telecom service providers in the mobile resale pilot program, which does not currently include any foreign companies.
4/15/14	Opinions on the Supply of Low-cost Common Drugs	NDRC, MHRSS, NHFPC, MOF, CFDA	Improves price regulation on low-cost drugs and abolishes price ceilings.	<u>Limited</u> : Marks significant change to a priority set of pricing policies, but impact limited to one sub-sector (common/low-cost drugs) of one industry (pharmaceuticals) that is dominated by domestic players.
7/18/14	Notice on Issues Concerning Lifting the Control of Fee Standards for Certain Professional Services	NDRC	Removes fixed government pricing standards for certain administrative processes, and allows the prices for these services to be determined by the market.	<u>Limited</u> : Most of the fixed prices previously set by the government that have been removed are not of significant relevance to foreign companies, nor does removal of a fixed price improve market restrictions.
1/16/14	Guiding Opinions on the Online Handling of Cases Involving Administrative Penalties for Price-related Violations	NDRC	Makes price authorities with administrative law enforcement information platforms responsible for approving price activities, managing evidence, and other price-related tasks.	<u>None</u> : Process-oriented guiding opinions, with no real impact on foreign companies.

Competition Policy

Date	Policy Title	Agency/ Agencies	Summary	Impact
8/28/13	Work Plan on Eliminating Regional Blockades and Breaking Up Industry Monopolies	MOFCOM, CBRC, CSRC, CIRC, and seven other ministries and agencies	Lays out work to promote fair, market-based competition.	Moderate: Describes planned work to increase pressure on regional monopolies and promote equal market access. Though the document didn't make major policy changes, China has since increased its competition enforcement efforts.
6/6/14	Revised Guiding Opinions on Declaration of Mergers	MOFCOM	Clarifies company requirements for declaring mergers with new requirements for companies to document ownership control and share, share of operational control, details about new corporate entities (such as joint ventures) created during a transaction, and how to handle pre-merger discussions and multiparty mergers.	Moderate: Scope of changes cuts across industry sectors and provides important clarifications helpful to companies governing their communication with MOFCOM during the merger review process.
7/8/14	Opinions on Promoting Fair Competition and Maintaining Regular Order in the Market	State Council	Encourages government entities to reduce supervisory measures and processes that have a negative impact on companies, with a goal of establishing a more mature market supervision system by 2020.	Moderate: Calls for reducing prohibitive measures that affect business operations, but seems to be aimed at domestic companies; foreign companies are mentioned only once (in the context of offering foreign investors pre-establishment and negative list treatment). The document is aspirational in nature and covers a limited number of FIE concerns on market access and investment barriers.
10/24/14	Work Plan for Parallel Approvals of Acquisitions of Publicly Traded Companies	MIIT, CSRC, NDRC, MOFCOM	Changes the requirements regarding investment reviews allowing NDRC reviews of overseas investment projects and MOFCOM reviews of merger reviews to run parallel with CSRC approval of acquisitions of publicly traded companies. Such reviews were formerly conducted separately. Reviewing agencies must also make their decisions independent of other agencies.	Limited: Though process changes are relatively minor, the changes should alleviate some delays in the approval process for M&A and investment projects involving foreign companies, and promote more independent decision-making by authorities during MOFCOM AML reviews.

VIII. Rule of Law/Legal and Judicial Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
10/1/13	Opinions on Continue to Strengthen Government Information Transparency and Improve Government Credibility	State Council	Encourages government departments to better explain policies and regulations to the public in a timely and accurate manner, calling for government departments that deal with people’s livelihood and the macro-economy to hold at least one press conference every three months. It also stresses the need to make better use of government websites, hotlines and other forms of communication.	<u>Moderate</u> : Signals that the central government is serious about improving transparency, but focuses more on encouraging agencies to boost transparency than providing specific requirements to do so.
10/30/13	12th National People's Congress Legislative Plan	NPC	Lays out 68 central government legislative priorities for the next five years.	<u>Moderate</u> : Lays out guidelines for China's key reforms over the next five years. Most notably, it prioritizes revising the Unfair Competition Law, as well as three laws related to Foreign-Invested Enterprise laws, the WFOE, EJV, and CJV laws. While potential policy impact remains high, limited implementation of major reforms to date – including the laws listed in this description – limits this impact to moderate.
2/4/14	Opinions on Publishing Information relating to Administrative Penalty Cases Involving Producing and Selling Counterfeits and Infringement of Intellectual Property Rights	State Council	Requires administrative enforcement agencies to proactively disclose the information relating to administrative penalty cases involving counterfeiting and IPR infringement within 20 working days of an administrative decision.	<u>Moderate</u> : Improves IPR enforcement and transparency.

7/21/14	Interim Measures for Corporate Information Disclosure (Draft)	State Council	Requires companies to publicly disclose shareholders, changes in ownership, and other company information on an annual basis as part of an attempt to increase corporate transparency.	Moderate: The measures increase both available information and information disclosure requirements for companies operating in China, including foreign companies. While the requirements may place an increased burden on foreign companies, many are accustomed to information disclosure requirements in other markets and may ultimately benefit from increased information about their competitors and industries.
11/22/13	Opinions on Further Strengthening the Administrative Law Enforcement for Commerce	MOFCOM	Takes various measures designed to increase transparency in law enforcement and administration.	Limited: Makes recommendations on increasing transparency in commercial law enforcement, but the practical impact of such measures on foreign company operations remains unclear.
8/31/14	Decision on Establishing Intellectual Property (IP) Courts in Beijing, Shanghai, and Guangzhou	National People's Congress Standing Committee	Creates specialized courts on a pilot basis in Beijing, Shanghai and Guangzhou to handle administrative appeals and some civil IP cases.	Limited: Creation of these courts could improve the ability of companies in a range of sectors to better protect their IP. However, the scope of the pilot remains limited to three geographic areas, and key details as to how the court will be created and operated remain vague.
6/8/13	Announcement on Implementing Effective Regulatory Documents and Abolishing Some Regulatory Documents	AQSIQ	Announces an AQSIQ review of more than 1,000 internal regulatory documents -- and the elimination of 58 of these as "unnecessary."	None: Eliminates unnecessary regulatory documents, but only a process-oriented reform for AQSIQ.
5/4/14	Administrative Measures for the Tendering and Bidding of Telecommunication Construction Projects	MIIT	Adopts public bidding for telecommunication construction projects in which a state-owned capital possesses a holding or leading position and must be subject to bid invitation in accordance with the law.	None: No impact on foreign companies, as they are not active in this space.

IX. Taxation and Budget

Taxation

Date	Policy Title	Agency/ Agencies	Summary	Impact
12/9/14	State Council Notice on Cleaning Up and Standardizing Taxes and Beneficial Policies	State Council	Standardizes tax and non-tax business incentives offered to businesses by local governments by requiring central government approval of incentives offered, and creating single lines of reporting to ensure adherence to rules.	Significant: Seeks to create greater consistency and transparency among local government officials by attempting to standardize the types of incentives they can use to attract business and cancel unapproved existing incentives. However, impact on existing business incentives is unclear.
09/24/13	Notice on the Launch of a Nationwide Inspection Campaign on Fees Imposed on Businesses	NDRC	Initiates nationwide inspection campaign to crack down on arbitrary charges by governmental departments and industries.	Moderate: Campaign is supposed to eradicate arbitrary charges and reduce costs for businesses. Follow-up policies have been released to require companies to eliminate unnecessary fees and to cancel or suspend administrative fees.
12/16/14	Import-Export Tax Adjustment Announcement	MOF	Reduces tariff rates for various imported products to levels lower than those offered through most-favored nation status. Impacted products include (but are not limited to) advanced manufacturing equipment for optical communication lasers, camera lenses, and automatic wire welding machines. New tariff rates went into effect as of January 1, 2015.	Moderate: Lowers key tariff rates in various product areas, especially high-tech equipment, in a possible nod to Information Technology Agreement negotiations. However, known impact still limited to products in those categories.
5/24/13	Announcement on Implementing VAT Pilot Projects Nationwide in Transport and some Service Industries	SAT	Expands local value-added tax (VAT) reform pilot covering some transportation and services areas nationwide as of August 1, 2013.	Limited: Promotes some measure of tax reform for the transportation and a few service industries sector.
8/15/13	Extension of the Zhongguancun "1+6" Reform Policies	MOST, MOF, SAT	Extends current preferential tax policies for high-tech, innovative enterprise development.	Limited: Extends existing preferential tax policies that foreign companies have participated in, but does not expand or change the policy.

1/29/14	Notice on Promoting the Healthy Development of Labor-intensive Small- and Medium-sized Enterprises	MOF	Provides additional tax breaks and preferential fiscal policies to boost the development of small- and medium-sized enterprises in the light, textile, machinery, electronics, wholesale and retail, accommodation and catering, residential services, elderly services, modern services, and many other industries.	Limited: Only applies to SMEs and limited participation for foreign multinationals.
3/24/14	Notice on Simplifying Invoice Receipts and Usage Procedures for the Value Added Tax	SAT	Simplifies the tax regime to provide law-abiding taxpayers with more convenient tax methods, including simplifying invoice receipts and usage procedures for the VAT.	Limited: Impact for taxpayers across industry, but only focused on tax issues (and limited to individual taxpayers, not corporate taxpayers).
4/8/14	Notice Regarding Adjustment in Tax Preferential Treatment for Small Businesses	MOF, SAT	Further alleviates the tax burden for small businesses, and promotes employment and economic development.	Limited: Reduces tax burdens on enterprises, but limited impact on multinationals.
4/30/14	Notice on Including the Telecom Sector in VAT Pilots	MOF, SAT	Includes the telecom sector in VAT pilots.	Limited: Promotes some measure of tax reform for the telecom sector.
5/13/14	Notice on Tax Collection Policy for Aircraft Leasing Companies	MOF, GAC, SAT	Reduces the tax rate from 17 percent to 5 percent for companies that import airplanes above 25 tons in order to lease them to domestic airlines; this reduced tax rate paid by domestic airlines.	Limited: Provides a tangible tax reduction, but direct impact is limited to companies leasing aircraft. Indirectly impacts foreign aviation firms as well, as it could spur more purchases/imports of foreign aircraft.
7/30/14	Notice on Expanding the Scope of the Pilot Program for Tax Rebate Policy at Ports of Departure	MOF, GAC, SAT	Expands an export tax rebate pilot for maritime shipping companies from Shanghai to eight additional ports, including Nanjing, Suzhou, Lianyungang, Wuhu, Juicing, Qingdao, Wuhan, and Yueyang. The expanded program goes into effect September 1, 2014.	Limited: The policy allows for process improvements for companies to receive export tax rebates, but remains limited to a specific set of nine pilot ports on and around the Yangtze River.
8/1/14	Announcement on the Exemption from Vehicle Purchase Tax for New Energy Vehicles	MOF, SAT, MIIT	Removes the vehicle purchase tax (which is one of several taxes related to vehicle pricing) for new energy vehicles for a period of three years.	Limited: Potential to positively impact companies that manufacture NEVs, with indirect benefit to suppliers and after-market service providers. This also specifies the same criteria for qualified imported cars as well. However, only vehicles listed in the NEV tax exempt catalogue qualify for the elimination of vehicle purchase tax; only one foreign vehicle currently qualifies.

8/27/14	Administrative Measures for Value-added Tax Exemptions on Cross-border Services (for Trial Implementation)	SAT	Revises previous standards for the types of cross-border services to include in China's efforts to transition from a business tax to a VAT, clarifying that reforms include postal, delivery services, and telecom services.	Limited: This revision clarifies the tax situation for a range of companies providing specific cross-border services, but is primarily an extension of an existing reform effort.
9/10/14	Notice on the Nationwide Implementation of the Pilot Export Rebate Policy for Financial Leasing Goods	MOF, GAC, SAT	Expands the pilot program for a VAT and consumption tax rebates on exported leased products with a lease term of five years or greater nationwide, previously limited to Tianjin's Dongjiang Free Trade Port Zone.	Limited: The rebates are most likely aimed at domestic companies as the service eligible for exemption is "exported" products.
10/8/14	Notice on the Adjustment of Coal Import Tariffs	State Council	Removes a provisional zero percent tariff rate on various types of imported coal.	Limited: Impact limited to the energy sector and does not have a major impact on operations.
10/9/14	Notice on Implementing the Coal Resource Tax Reform	MOF, SAT	Lays out plans for implementing and administering the new tax reform plan for imported coal, including tax calculation and collection.	Limited: Impact limited to the energy sector.
9/9/14	Notice on Policies concerning the Adjustment to Resource Tax on Crude Oil and Natural Gas	MOF	Adjusts subsidies and tax rates for 27 oil, natural gas, and mineral extraction companies in China.	Limited: Impact limited to the energy sector.
10/10/14	Notice on Issues Relating to Disposing of Payment Funds Concerning Coal, Crude Oil, and Natural Gas	MOF, NDRC	Removes several forms of subsidy and benefits to coal, oil, and natural gas producers – including removing a subsidy that brought their tax rate to zero percent.	Limited: Impact limited to the energy sector.
11/14/14	Notice on Issues concerning the Temporary Exemption of Corporate Income Tax on Income from the Transfer of Stock or Other Equity Investment Assets Gained by Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors	CSRC, SAT, MOF	Removes the corporate income tax for capital gains from stock purchased in mainland China for qualified foreign institutional investors (QFII) and Renminbi qualified foreign institutional investors (RQFII).	Limited: Encourages more foreign capital in China's stock market, creating additional investor opportunities while also strengthening China's stock market. However, the announcement does not address market access issues.
11/25/14	Notice on the Increase of Oil Consumption Tax	MOF	Raises the consumption tax on various types of refined oil used in transportation (i.e. gasoline, aviation kerosene).	Limited: Largely aimed at reducing oil consumption in an effort to reduce pollution, while promoting the use and development of new energy vehicles. Energy is an important input for all businesses, but resulting impact from this announcement yet to be seen.

11/25/14	Notice on the Adjustment of Consumption Tax	MOF, SAT	Adjusts consumption tax on various products including removal of consumption tax on automobile tires, low-displacement motorcycles, and alcoholic spirits.	Limited: A limited impact on prices for a small range of products.
12/23/14	Notice on Exempting Small and Micro Enterprises from Contributing to Certain Government Funds	MOF, SAT	Exempts qualifying small and micro-sized enterprises from contributing to certain government tax funds (such as education funding, the water construction fund, and the cultural industry construction fund) between January 1, 2015 and December 31, 2017.	Limited: An effort to promote small businesses in China. Will have little impact on the majority of foreign companies operating in China due to RMB 30,000 monthly revenue cap to qualify for exemption.
12/23/14	Notice on the Cancellation, Suspension and Exemption of a Batch of Administrative Fees	NDRC, MOF	Cancels or suspends for all enterprises a batch of 12 central-government level administrative fees (such as land management fees and business registration fees), and for small and micro-sized enterprises an additional batch of 42 administrative fees (such as fees for software copyright registration and drug development assessment). The notice was in effect as of January 1, 2015.	Limited: Positive step at promoting small business development and reducing bureaucracy, but impact on foreign companies likely will be limited as this notice cancels or suspends a limited number of fees that would impact them.
12/25/14	Notices on Issues Concerning the Enterprise Income Tax Treatment for the Promotion of Enterprise Restructurings	MOF, SAT	Expands the number of M&A deals that could be eligible for "special tax treatment."	Limited: Creates greater room – and incentives – for companies across a range of sectors to pursue M&A as a means of growth, but scope of improvement is fairly limited.
4/27/13	Announcement on Tax Exemption of Interests of Local Government Bonds	MOF, SAT	Eliminates two taxes on interest paid on local government bonds to make the bonds more attractive to domestic investors.	None: Focused on individual domestic investors with minimal changes.
4/29/14	Notice on Extending the Preferential Tax Policy in Support of Entrepreneurship and Employment	SAT	Grants tax breaks to startups and employers that hire those currently unemployed, new graduates, and other categories of unemployed and underemployed workers.	None: Applies to new companies and will not provide incentives for multinational companies.
9/25/14	Notice on Value-added Tax (VAT) and Business Tax (BT) Policy for Further Supporting Small- and Micro-Sized Businesses	MOF, SAT	Eliminates value-added taxes for companies with RMB 20,000-30,000 in monthly sales and business tax for companies with monthly turnover of RMB 20,000-30,000.	None: Very limited direct or indirect impact on foreign companies investing in China. The relatively low cap for companies benefiting from this policy indicates the domestic focus. Also, no market access openings created.

10/24/14	Notice on Stamp Tax Exemption for Loan Contracts Between Financial Institutions and SMEs	MOF, SAT	Exempts loan contracts between financial institutions and small and micro-sized enterprises from paying the stamp tax.	None: A helpful effort for reducing administrative burdens to small companies in order to spur domestic growth, but little impact on foreign companies doing business in China.
11/3/14	State Council Executive Meeting Decision	State Council	Expands six trial policies from the Zhongguancun High-Tech Zone nationwide and calls for the creation of a new batch of high-tech zones. Policies to be expanded include reforming scientific research fund management, equity financing tools for non-publicly listed SMEs, and tax deductions for staff education expenses, etc.	None: Tax benefits for companies and individuals participating in the high-tech zone, but largely aimed at domestic SMEs. No clear impact on foreign companies, especially in regards to market access.
12/3/14	State Council Executive Meeting Decision	State Council	Extends agricultural tax preferences, including removing income tax earned by financial companies on loans of less than 50,000 RMB to farmers.	None: Largely an effort at promoting the development of small rural farming areas, not targeted at foreign investors.

Budget/Debt Issues

Date	Policy Title	Agency/Agencies	Summary	Impact
1/10/14	Announcement on 2012 Central Budget Implementation and the Rectification of Other Issues Concerning Financial Revenue and Expenditure Audits Problem	National Audit Office	Lays out direction of reform in several areas, including the government fund budget management, regional tax incentives adjustment, the state capital operating budget management, transfer payments management, etc.	Moderate: Clarifies that MOF will explicitly decouple regional development from tax incentives, a step towards addressing discriminatory tax policies.
6/13/14	Guiding Opinions on Credit Rating of Local Government Bond Issuance in Pilot Zones in 2014	MOF	Introduces credit rating systems for local government bond-issuance pilots with multiple tiers for credit ratings (AAA to C) and varying lengths (five, seven, or 10 years). 2014 pilot areas include Shanghai, Zhejiang, Guangdong, Jiangsu, Shandong, Beijing, Jiangxi, Ningxia, and Qingdao.	Moderate: Represents a relatively significant step towards marketization of the financial system, and a key measure to implement broader issuance and use of local government bonds as a financing channel. This could have important implications for transparency, market reform, and government spending/procurement. While systemic impact is important, direct impact for foreign companies remains limited.

5/19/14	Measures for the Pilot Program of Issuing and Repaying Local Government Bonds in 2014	MOF	Allows 10 provinces and cities (including Beijing, Shanghai, Jiangsu, and Guangdong) to issue and repay their own local government bonds on a trial basis in 2014.	Limited: Test platforms for reforms that aim to increase financing channels for local governments. While increased use of such debt issuance could help fund infrastructure and construction projects that could benefit foreign companies, direct impact on foreign companies limited. Additionally, this program is still in a pilot phase.
6/13/14	Guiding Opinions on Information Disclosure of Pilot Local Government Bonds in 2014	MOF	Clarifies information disclosure requirements for local government debt issuance, requiring local finance bureaus in pilot areas to disclose certain information no later than five business days prior to the issuing date of local bonds via a specific website. Required disclosures includes basic information about the bonds, the quantity of bonds being issued, issuing date, issuing method, credit rating, and corresponding rating report.	Limited: While these regulations are an important step in defining transparency standards and promoting local government bond issuance in a more market-oriented fashion, the impact for foreign companies is primarily indirect.
12/5/14	Notice on Issues Concerning the Improvement of Government Budget Systems	MOF	Requires local governments to improve their budgeting systems and to ensure that sufficient attention is given to maintaining governmental funds and funds for public services. All local governments are required to comply as of January 1, 2015.	Limited: Promotes better financial management practices in place for local governments, which could have a positive systemic impact by reducing corruption and increasing government solvency, but does not create market-oriented reforms.
1/24/14	Notice on Promoting Government Procurement of Services Related to Budget Management	MOF	Promotes government procurement of services related budget management.	None: Internal process related policy that does not directly impact foreign companies.

Other

Date	Policy Title	Agency/ Agencies	Summary	Impact
11/27/14	Notice on Continuing to Implement Tax Policies for the Transformation of Publicly Funded Institutions to Private Enterprises	MOF, SAT, Central Propaganda Department	Extends tax incentives for enterprises that have been converted from publicly (government) funded institutions to for-profit cultural institutions through the end of 2018.	None: Primarily targeted at Chinese companies, as it is rare that a foreign company would be formed out of a previously publicly funded institution. No new market access foreign companies granted and no new positive treatment for foreign companies.

X. Corruption, Bribery and Party Discipline

Date	Title	Agency/ Agencies	Summary	Impact
8/13/13	Notice on Banning Extravagant Official Galas	CCP Propaganda Department, MOF, MOC, NAO, SAPPRFT	Prohibits extravagant official galas and punishes those who organize such events. It restricts the use of government funds to hold commercial celebrations or pay for expensive entertainment.	Moderate: While policy would standardize government behavior in line with foreign company international best practices, immediate impact has created uncertainty among local officials that has delayed many economic decisions by local governments.
12/13/13	Implementation Opinions on Rectifying Improper Practices in Procurement and Sales of Medicines and Medical Services	NHFPC, NDRC, MIIT, MOF	Enacts campaign against untoward practices in pharmaceutical sales and medical service.	Moderate: Improves transparency in hospital procurement process, but will have a negative impact for companies with drug prescription incentive programs at hospitals.
1/23/14	Notice on Implementing Opinion to Further Combat Corruption in Pharmaceutical Sales and Purchasing and Illegal Medical Practices	NHFPC, NDRC and MOF	Tackles corruption in pharmaceutical sales and medical services practices in an effort reduce artificially high prices of some drugs.	Moderate: Could have an important impact, both positive and negative, for companies in the healthcare sector and their operating practices.

11/25/13	Regulations on Reducing and Addressing Waste by Party and Government Agencies	CCP, State Council	Requires agencies to reduce unnecessary government expenditures.	<u>Limited</u> : Promotes the central government's efforts to better standardize local budgets, but does not have much direct impact for foreign companies.
12/25/13	Provisions on Establishing a Commercial Bribery Blacklist in the Pharmaceutical Industry	NHFPC	Creates new mechanisms to expose companies in the pharmaceutical industry that engage in commercial bribery. All public medical institutions in China will be prohibited for a period of two years from purchasing drugs, medical equipment and medical supplies from enterprises included on the "black list" for more than two within five years.	<u>Limited</u> : Blacklist -- when created -- would limit corruption in the industry in line with international best practices, but have an impact, both positive and negative, for companies in the healthcare sector and their operating practices.
12/31/13	Administrative Measures on Central and State Organs Travel	MOF	Requires government agencies to cut down on waste from business travel expenses of government branches.	<u>Limited</u> : Pushes forward government efforts to reduce corruption and excessive spending.
3/18/14	Opinions on Reducing and Addressing Waste by Party and Government Agencies	State Council	Reduces food and other types of waste for official activities.	<u>Limited</u> : No direct impact for foreign companies, though could have an indirect impact for restaurant and hospitality companies.
4/1/14	Implementation Measures for the Anti-Corruption Punishment and Prevention Work Plan (2013-17)	SASAC	Lays out implementation measures for SASAC's anti-corruption work.	<u>Limited</u> : Addresses both anti-corruption efforts and reforms promoting more accountability by China's SOEs, but only an indirect impact for foreign companies.
4/28/14	Guidance on Anti-money-Laundering of Securities Companies	SAC	Requires securities companies to establish and improve an internal anti-money laundering control system, which shall include but not be limited to a client identification and risk grading system, a block trade and suspicious transaction reporting system, a client identity materials and trade records retention system, a confidentiality system, a publicity and training system.	<u>Limited</u> : Applies only to securities companies in China, but addresses corruption in the financial services sector.
8/29/14	Implementation of the Proposal for Deepening Reform of the Party's Establishment System	CPC Politburo	Proposes reforms to four aspects of the structure of the CPC: the organizational system, the cadre personnel (HR) system, the basic level system, and the talent development system.	<u>None</u> : One of four party-reform announcements released at CPC Politburo meeting, with no direct impact on foreign companies or market access issues.

8/21/14	Notice on Further Improving the Public Disclosure Mechanism for a Directory of Administrative Charges	MOF, NDRC	Requires that all administrative charges for publicly funded projects must be recorded in a public directory, and the administrative charges must conform to pre-defined cost standards.	None: While this is a positive transparency step for information disclosure of publicly-funded project expenditures, it does not directly eliminate or change administrative charges that foreign companies face.
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XI. Urban/Rural Issues

Urbanization

Date	Title	Agency/ Agencies	Summary	Impact
3/16/14	New National Urbanization Plan (2014-2020)	State Council	Improves regulation of the migration of rural residents into urban areas, with a focus on sustainable infrastructure development and raising living standards.	Significant: Allows rural citizens broader access to urban social services and thus could lead to increased domestic consumption--a step toward rebalancing China's economy and creating market opportunities. Could also encourage controlled migration and provide access to new human resources for a range of foreign companies.
8/4/14	Notices on Further Strengthening the Remaking of Poor Urban Residential Areas	State Council	Provides high-level direction for how Chinese government agencies and stakeholders (such as state-owned enterprises) should promote better infrastructure and conditions in poor urban residential areas.	None: No direct impact on foreign companies or market access conditions, and company participation is focused on domestic companies. There is possibly a limited, indirect impact for companies that support urbanization processes.

Hukou/Household Registration Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
7/30/14	State Council Opinions on Further Promoting Household Registration System Reform	State Council	Overhauls China's residency system, establishes a unified household registration system that aligns rural and urban resident benefits based on location of residency instead of location of birth.	Moderate: This reform has the potential to boost consumer spending, increase labor mobility, and open new investment opportunities in urban infrastructure – which could benefit foreign companies. Follow-up implementation details needed for impact to be felt broadly.
11/20/14	Notice on Adjusting the Criteria for the Classification of City Sizes	State Council	Creates new standards for defining city-level classifications based on number of permanent residents, likely in reference to ongoing hukou reforms.	None: Likely aimed at follow-up legislation for clarifying hukou reform efforts, including where and how people can obtain social services in different jurisdictions. This policy itself does not create any new market openings, but serves to clarify definitions for follow-up policies.

Other Urban/Rural Policies

Date	Title	Agency/ Agencies	Summary	Impact
3/10/14	Opinions on Comprehensively Deepening Rural Reforms and Accelerating the Modernization of the Agricultural Industry	State Council	Assigns specific ministries and agencies responsibility to various aspects of rural reform, including food security, surveys of agricultural land and activities, better utilization of investment and financial capital, and promotion of agriculture-related services such as insurance.	Limited: No direct impact for foreign companies as the main target is government agencies, but some indirect impact depending on how projects and goals are implemented.
4/21/14	Pilot Project to Promote the Comprehensive Rural Reform	SAC, MOFCOM	Establishes a set of standards for dealing with asset allocation, infrastructure projects, and services in rural areas	Limited: Reforms limited to rural areas, with no indication of private or foreign participation.
9/10/13	Notice on Conducting New Rural Medical Cooperative Work in 2013	NHFPC, MOF	Expands pilot areas to allow urban and rural residents to use new rural cooperative fund to buy catastrophic insurance on the basis of the previous reforms.	None: Focused squarely on domestic-driven goals of improving China's government-run social security system.

9/13/13	Opinions on Accelerating the Development of the Pension Services Industry	State Council	Establishes a government-supported, comprehensive pension service industry to cover urban and rural residents before 2020.	None: Focused squarely on domestic-driven goals of improving China's government-run social security system.
8/11/14	Notice on Accelerating the Promotion of Issuing Certification for Residential and Collective Land Use	MLR, MOF, MOHURD, MOA, State Forestry Administration	Provides detailed instructions for how government departments should issue rural land ownership and land usage certification, including instructions for surveying the land in order.	None: No direct impact for foreign companies, though it is an initial step toward granting rural residents land ownership rights.

XII. Other

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/28/13	Opinions on Promoting the Development of Healthcare Services	State Council	Opens investment to private capital and promote market-based pricing in the healthcare industry.	Limited: Opens some healthcare services to private investment by applying a "negative list" for private investment in these areas -- but private capital does not likely include foreign investment. Some indirect impact from more market-oriented pricing for companies in this space.
11/22/13	Notices on Launching Pilot Carbon Emissions Trade	Beijing Municipal Development and Reform Commission	Launches a pilot carbon trading platform in Beijing.	Limited: Promotes market-based emissions trading programs, but geographic impact limited, and details of how the regime would work are not yet released.
1/3/14	Administrative Measures on Non-Bidding Government Procurement Methods	MOF	Clarifies the circumstances that apply to three different kinds of non-bidding government procurement methods: competitive negotiation, single-source procurement and price inquiry.	Limited: Advances efforts to promote a more open, fair government procurement system, but minimal in terms of actual change.
3/12/14	Guiding Opinions on Promoting the Pension Agency Liability Insurance Work	MCA, CIRC and National Office on Aging	Promotes the establishment of the pension agency liability insurance system	Limited: Impact is limited to the insurance industry, with no clear market openings for foreign companies.
3/21/14	Opinions on Undertaking Further Work on Constructing the Agricultural Product Market System	MOFCOM	Promotes diversified development of retail market and strengthens the market's ability to cultivate modern circulation enterprises.	Limited: Increases the market role in China's agricultural sector, but limited to that sector.

4/8/14	Opinion on Comprehensive Reform to County-level Public Hospitals	MOF	Encourages cross-provincial drug tendering, ensuring drug safety, and lowering drug prices.	<u>Limited</u> : Step forward in applying more transparent procurement practices, but does not directly provide new market access opportunities for foreign companies.
4/9/14	Notice on Issues Concerning the Implementations of Non-public Health Care Sector Market Price	NDRC, NHFPC, MOHRSS	Encourages private capital to enter the health care sector, expands the supply of medical services, improves the efficiency of medical services, and promotes development of medical services and orderly competition of the health care sector.	<u>Limited</u> : Promotes the role of private capital in the healthcare sector -- but private capital does not likely include foreign investment. Some indirect impact of market-oriented pricing for companies in this sector.
4/29/14	Notice on Extending the Preferential Tax Policy in Support of Entrepreneurship and Employment	MOF, SAT, MHRSS	Grants business startups and employers that are willing to hire the jobless tax breaks as the Chinese central government looks to encourage employment amid the economic slowdown.	<u>Limited</u> : Scope only applies to small businesses, impact limited on MNCs.
5/23/14	Measures to Support the Stable Development of Foreign Trade	GAC	Encourages the establishment of reforms focused on streamlining the customs process, improving the trading environment, improving innovation in services, promoting outbound investment and trade, and establishing a consolidation customs area pilot program in Shanghai. This announcement follows a May 4 announcement from the State Council requiring government agencies to set reform measures to promote stable growth in foreign trade.	<u>Limited</u> : Measures will not cause immediate impact, but will lay out goals to promote increased trade and development of China's services sector by simplifying administrative procedures. The plan includes a plan to develop a consolidated customs area in the Shanghai Yangshan Bonded Zone.
5/28/14	Guiding Opinions to Support Enterprises and Promote the Stable Growth of Foreign Trade	AQSIQ	Promotes stable growth in foreign trade by easing some inspection controls on exports, promoting imports of key technologies and improving regional cooperation. This announcement follows a May 4 announcement from the State Council requiring government agencies to set reform measures to promote stable growth in foreign trade.	<u>Limited</u> : Although the document covers several cross-cutting reform categories like simplification of inspection and quarantine systems and promoting imports of goods and services, it is vague and generic on prescriptions for achieving reform.
8/23/14	Interim Regulations on Enterprise Information Disclosure	State Council	Creates an online reporting mechanism that companies must use to disclose information such as registration information, ownership changes, equity pledges, and administrative penalties.	<u>Limited</u> : While increased information disclosure does improve some transparency in the market, this regulation does not address market access issues – or core transparency concerns – for foreign companies.

9/9/14	Notice on Implementation for the 2014 Annual Healthcare Reform Key Tasks for Improving Drug Distribution	MOFCOM, MOF, NDRC, MOHRSS, NHFPC, CFDA	Establishes general goals for promoting healthcare reform and drug distribution in China, including encouraged development of independent pharmacies.	Limited: While encouraging the growth of independent pharmacies outside of hospitals could spur significant change in drug distribution channels, the policy remains aspirational in setting goals as opposed to specific policies.
11/20/14	Opinions on Supporting the Healthy Development of Small and Micro Sized Enterprises	State Council	Provides high-level guidance for development of small and micro-sized enterprises engaged in “encouraged” investment projects, including exemption from tariffs SMEs that import advanced equipment used that cannot be produced by domestic producers.	Limited: While it could create some opportunities for foreign companies to sell advanced equipment to SMEs, it doesn’t address market access openings for foreign companies in any specific industry.
8/6/14	Guiding Opinions on Accelerating the Development of Productive Service Industry to Promote Industrial Restructuring and Upgrading	State Council	Lays out a range of policies designed to promote and support companies in high-tech service industries, including allowing such companies to qualify for HNTE and thus receive a 15 percent tax rate.	None: Not clear if, or how, existing market access barriers for foreign companies will be changed – and how the criteria by which companies can qualify for this status might work. Implementing details are vague.

Appendix 3: Policy Announcements Related to the Shanghai Free Trade Zone

I. Overall Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/18/13	State Council's Notice on the General Plan for the China (Shanghai) Pilot Free Trade Zone	State Council	Outlines the general provisions for the Shanghai FTZ and highlights sectors opened to foreign investment.	<u>Limited</u> : Opens some areas to foreign investment in financial services, logistics, and other professional services. While this policy made few major changes, follow-up policies in operational areas such as customs clearance and capital flow have implemented some of the zone's plans, and other zones were created using this model. To date, however, the Shanghai FTZ (and other FTZs) have only led to a limited range of openings. These factors have limited the positive impact of this policy.
9/17/14	Interim Measures for Administration of Regulatory Information Sharing in Shanghai Free Trade Zone	Shanghai Municipal People's Government	Creates an information-sharing platform for all administrative authorities and organizations with public administration duties in the Shanghai FTZ.	<u>Limited</u> : Measures create a mechanism for improving government transparency and communication that members report has had some impact on the time it takes for some government agencies to make decisions.

II. Foreign Investment

Date	Policy Title	Agency/ Agencies	Summary	Impact
12/21/13	Decision to Temporarily Adjust Relevant Administrative Regulations and Documents in the China (Shanghai) Free Trade Zone	State Council	Reforms foreign investment management models, expand the opening up of service sector, and temporarily adjust provisions relating to administrative approvals.	Moderate: Reduces administrative requirements for foreign companies establishing in the Shanghai FTZ and eases approval requirements for services companies. Impact limited to the Shanghai FTZ.
1/6/14	Decision on the China (Shanghai) Pilot Free-Trade Zone Interim Adjustments Regarding Administrative Regulations and the Administrative Examination and Approval and Special Management Measures	State Council	Adjusts regulations on foreign investment models, and promotes expansion of the services sector.	Moderate: Temporarily suspends approval requirements for companies registered in the Shanghai FTZ. Impact limited to the Shanghai FTZ.
4/9/14	Arbitration Rules for the China (Shanghai) Pilot Free Trade Zone (FTZ)	Shanghai International Economic and Trade Arbitration Commission	Specifies arbitration rules for dispute settlements in the Shanghai FTZ.	Moderate: Allows companies across sectors more freedom to select dispute settlement channels, but limited to Shanghai FTZ.
9/29/13	China (Shanghai) Free Trade Zone Foreign Investment Access Special Management Measures (Negative List) (2013)	Shanghai Municipal Government	Defines specific industry categories restricted to foreign investment in the Shanghai FTZ.	Limited: List is a clear transition to a negative list approach in the Shanghai FTZ, with coverage of a broad range of industries. However, the negative list itself largely restates existing restrictions, and thus represents no major openings to date. In addition, the scope is limited to Shanghai only. Follow-up lists have created some additional openings, but results to date have not achieved the openings desired by foreign industry.

1/6/14	Opinion on Further Opening up Value-added Telecommunications Services in China (Shanghai) Pilot Free Trade Zone	MIIT, Shanghai Municipal Government	Further opens seven pilot value-added telecommunications business areas to foreign investors.	Limited: Step forward in increasing market access for foreign telecom companies, but the sectors and areas for openings do not address top company concerns.
4/30/14	Notice on Supporting Accounting Firms Setting up Branches and Launching Pilot Work in Shanghai Free Trade Zone (FTZ)	MOF	Supports qualified partnership and limited liability partnership (LLP) accounting firms to establish branch offices in the Shanghai FTZ and allows them to use "Shanghai FTZ" in the names of their branch offices.	Limited: Defines government organizational structure and approval processes for accounting companies in the zone, including handling of applications from major accounting firms and others, but does not create new market opportunities.
6/30/14	China (Shanghai) Free Trade Zone Foreign Investment Access Special Management Measures (Negative List) (2014)	Shanghai Municipal Government	Revises the list of sectors in which foreign investment is prohibited, reducing the number. These revisions are an incremental step forward in China's broad economic reforms, but of limited practical use to foreign companies due to the limited number and geographic scope of the openings.	Limited: The new negative list contains only a limited number of substantive reductions on issues that matter to foreign companies.
9/28/14	Decision on Temporary Adjustment and Implementation of Special Administrative Measures on Access Required by Relevant Administrative Provisions and Department Regulations Approved by the State Council in China (Shanghai) Pilot Free Trade Zone	State Council	Announces 27 new foreign investment openings for sectors that are covered by six industry-specific investment regulations, but the new openings are only applicable to the Shanghai FTZ.	None: The 27 investment openings in the Decision are already open to foreign investors via the 2014 revised-Shanghai FTZ negative list.

III. Administrative Licensing and Approval Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
10/1/13	Decision on Temporarily Adjusting Relevant Local Laws and Regulations in the China (Shanghai) Free Trade Zone	Shanghai People's Congress	Suspends local regulations on foreign investment in the Shanghai Free Trade Zone for three years.	Moderate: Suspends local regulations on foreign investment in the Shanghai Free Trade Zone. Impact is broad and touches on a top foreign company issue -- but is limited only to Shanghai.

10/21/13	China (Shanghai) Pilot Free Trade Zone Enterprises Registration and Management Provisions	Shanghai Industry and Commerce Bureau	Specifies the registration procedures for foreign companies in the FTZ.	Moderate: Simplifies and shortens approval process for foreign companies -- but only in the Shanghai FTZ.
4/30/14	Measures on the Commitment Mechanism for the Inspection Agency Validation and on the Commitment Mechanism for the Measurement Certification	Shanghai Administration of Quality and Technology Supervision	Simplifies the administration approval process for inspection agencies.	Limited: Eases the approval process for companies but in a very limited sector.
6/30/14	Notices on Implementing Enterprise Registration Reform in Shanghai Free Trade Zone	Shanghai Customs	Removes administrative approvals for registration of certain types of customs-relevant enterprises (declaration agencies and dual-identity enterprises) and eliminates recordation for remote branch offices.	Limited: Impact is limited to a very narrow group of companies.
7/18/14	Provisional Measures for the Shanghai Commercial Financing Pilot Program	Shanghai Municipal Commission of Commerce, Shanghai Administration of Industry and Commerce	Specifies the conditions and procedures that must be met to establish a commercial financing (non-banking) company.	Limited: While the procedures ease the restrictions for foreign and domestic companies in this space, the scope is limited to Shanghai FTZ currently, and this liberalization effort is specific to only commercial financing companies.
7/24/14	Development Opportunity for Foreign-invested Certification Bodies in Shanghai FTZ	Shanghai Entry-Exit Inspection and Quarantine Bureau	Eliminates several restrictions for foreign certification bodies in the Shanghai FTZ, including eliminating policy restrictions, recordation requirements for foreign certification body representative offices, and approvals for the establishment of non-legal person branch offices.	Limited: The policy represents market openings for foreign certification bodies, but the impact is limited to one sector, and the scope of opening is limited to the Shanghai FTZ.
9/16/14	Announcement on Copying and Expanding the Second Batch of Customs Regulatory Service Innovative Mechanisms in Shanghai Free Trade Zone	Shanghai Customs	Expands eight customs pilot regulatory mechanisms from Shanghai FTZ – including reforms to promote paperless customs documentation and promote enterprise information disclosure – to the entire municipality of Shanghai.	Limited: Limited geographic scope, but some process improvements to simplify customs approvals.

IV. Institutional Reforms

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/29/14	Shanghai Free Trade Zone establishes a "Public Participation Commission"	Shanghai FTZ Administrative Committee	Establishes a "public participation commission" as a new mechanism for creating a market regulator and administrator with a clear delineation of the role of government and industry.	None: Little detail on this currently and the commission is limited to the Shanghai FTZ. One FIE bank is listed as a member of the commission.

V. Role of the State and the Market

SOE Reform

None

Private Capital

Date	Title	Agency/ Agencies	Summary	Impact
8/21/13	Implementing Plans for the Guiding Opinions on Financial Support for Adjusting and Upgrading the Economic Structure	Shanghai Municipal Government	Promotes various aspects of financial reform in Shanghai.	None: Encourages innovation and participation of private capital in the financial sector. No direct opening for foreign investment, and private capital does not likely include foreign investment.

VI. Financial Reforms

Banking/Interest Rates

Date	Title	Agency/ Agencies	Summary	Impact
9/29/13	Notice on Banking Supervision Issues in China (Shanghai) Pilot Free Trade Area	CBRC	Supports the establishment of non-banking finance companies in FTZ; allows foreign-invested banks to carry out business in the FTZ; encourages private capitals to participate in the banking industry of the FTZ; encourages cross-border service and financing in the FTZ.	Moderate: Permits foreign-invested banks to carry out business in the FTZ, but direct impact limited to the banking sector.
9/29/13	Circular on Regulation of the Banking Sector in China (Shanghai) Pilot Free Trade Zone	CBRC	Allows qualified private investors to set up private banks, financial leasing companies, consumer finance companies and other financial institutions in Shanghai Pilot Free Trade Zone.	Moderate: Provides market openings for foreign banks to operate in the Shanghai FTZ, and encourages cross-border investment in financial services and offshore business. Direct impact for the banking sector; indirect impact for others.
2/26/14	Announcement Lifting Foreign Currency Deposit Rates Caps in the Shanghai FTZ	PBOC	Removes small amount foreign currency deposit interest rate cap in Shanghai FTZ.	Moderate: Allows the market to play a greater role in China's financial system, but the mechanism is narrowly focused.

Exchange Rate/Foreign Exchange

Date	Policy Title	Agency/ Agencies	Summary	Impact
2/18/14	Implementation Opinions on Shanghai Payment Agencies Carrying Out Cross-border RMB Payment Services in Shanghai	PBOC	Allows offshore RMB borrowing in the Shanghai FTZ.	Moderate: Important reform allowing companies registered in the Shanghai FTZ to use RMB in cross-border transactions, and eases the review process for RMB settlement.
2/21/14	Opinions on Promoting Cross-Border RMB Business in the Shanghai FTZ	PBOC	Clarifies operational details for conducting cross-border business in RMB through the Shanghai FTZ.	Moderate: Promotes internationalization of the RMB and eliminates approvals for lenders operating within the Shanghai FTZ.

2/28/14	Notice on the Issuance of Foreign Exchange Management Implementation Details to Support the Construction of China (Shanghai) Free Trade Zone	SAFE	Simplifies settlement of current accounts, simplify direct investment foreign exchange registration, relax foreign credit and debt management.	Moderate: Reduces regulatory checkpoints for foreign exchange settlements.
5/21/14	Implementing Rules of the Shanghai Pilot Free Trade Zone for Separate Accounting Business (for Trial Implementation) and the Rules of the Shanghai Pilot Free Trade Zone for the Prudential Management of Risks Relating to Separate Accounting Business	PBOC	Specifies that domestic and foreign currency free trade accounts will be subject to uniform rules and can be opened in separate accounting units in the Shanghai FTZ, while also laying out guidance for managing foreign exchange in the Shanghai FTZ.	Limited: Clarifies that foreign and domestic companies will be subject to equal treatment in setting up foreign currency accounts, but no major change to Shanghai FTZ policies that directly impact foreign firms opening foreign exchange accounts.

Insurance

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/29/13	Notice to Support the Construction of the China (Shanghai) Free Trade Zone	CIRC	Strengthens insurance in China by encouraging foreign-invested specialized health insurance institutions, the development of cross-border RMB-denominated insurance business, outbound investment by health insurance institutions in the FTZ, development of shipping insurance, fostering of social organizations, and innovation in insurance products.	Limited: Moderate importance for insurance industry, with specific mention of openings for foreign-invested specialized health insurance institutions setting up in the FTZ. Impact, however, limited to that sector - and to the FTZ.
5/19/14	Notice on Further Simplifying Administrative Approval to Support the Development of the Shanghai Pilot Free Trade Zone	CIRC	Allows shipping insurance company operations centers to establish branches in the Shanghai FTZ, and eliminates prior approval requirements for establishing shipping insurance operation centers and reinsurance companies.	Limited: Benefits foreign companies that provide shipping insurance to shipping companies, but impact is limited to the one particular industry.

Securities and Private Equity

Date	Policy Title	Agency/ Agencies	Summary	Impact
9/29/13	Measures to Support the Shanghai FTZ	CSRC	Allows the founding of an energy trading center in Shanghai; permits qualified individuals and entities in Shanghai FTZ to invest in domestic and foreign securities and future markets from the Shanghai FTZ; allows foreign parent companies invested in the Shanghai FTZ to issue RMB bonds in the domestic market; permits securities and futures institutions to set up specialized subsidiaries in the Shanghai FTZ; and allows securities and futures institutions to carry out OTC transactions.	Moderate: Creates market openings for companies in various sectors to participate financially in the Shanghai FTZ. Though the opportunities are only offered in Shanghai, many of these services (such as participating in bond markets) can be done nationwide from Shanghai, broadening the impact.
9/15/14	Notice on Implementing Opinions for Further Promoting the Healthy Development of Capital Markets	Shanghai Municipal People's Government	Sets broad development goals for Shanghai FTZ capital markets, including increasing foreign equity ownership limits for securities JVs and fund management companies.	Limited: The notice might benefit foreign-invested finance firms, but it lacks implementing details.

VII. Pricing Reform and Competition Policy

None

VIII. Rule of Law/Legal and Judicial Reform

Date	Policy Title	Agency/ Agencies	Summary	Impact
7/7/14	Announcement on Allowing Companies in the China (Shanghai) Pilot Free Trade Zone (Shanghai FTZ) to Conduct Autonomous Supervision	Shanghai Customs	Establishes authority and reporting mechanisms for companies registered within the Shanghai FTZ to self-report legal violations that are discovered by the company. Self-reporting will result in lighter punishment.	Limited: This policy encourages companies to adopt more market-oriented regulatory procedures and contributes to broader legal reforms by establishing leniency rules for companies that self-report. Geographic scope of these reforms, however, is still limited to the Shanghai FTZ.

7/25/14	Provisions on China (Shanghai) Free Trade Pilot Zone (revised)	Shanghai People's Congress Standing Committee	Sets rules for managing the Shanghai FTZ, replacing a similar set of September 2013 administrative measures. While much of the content is identical, these regulations do include new content on tax reform and creates a transparent, rule-of-law-based legal environment in the zone.	<u>Limited:</u> These provisions appear designed to further codify Shanghai FTZ policies, but do not create new openings for companies and do not have an impact on the "negative list" and market access discussions.
8/7/14	Shanghai FTZ Administrative Commission Notice of a Standardized Document for Legal Examination Rules	Shanghai Municipal People's Government	Provides a standard document to be used for requesting a legal review if a party feels the Shanghai FTZ Administrative Commission violated their legitimate rights and interests, or is acting in an incompatible manner with the requirements of the Shanghai FTZ.	<u>Limited:</u> While it does not create new market opportunities, it does represent a small positive step for improving rule of law and judicial reform in the Shanghai FTZ.
8/7/14	Implementation Measures for Concentration of Administrative Reconsideration Rights	Shanghai Municipal People's Government	Provides a legal basis for parties that feel the Shanghai FTZ Administrative Commission has violated their legitimate rights and interests to pursue legal action against the government.	<u>Limited:</u> While it does not create new market opportunities, it does represent a small positive step for improving rule of law and judicial reform in the Shanghai FTZ.
9/26/14	Shanghai FTZ Administrative Committee Establishes New IP Bureau	Shanghai FTZ Administrative Committee	Establishes IP Bureau in Shanghai FTZ to unify and strengthen protection over patents, trademarks, and copyrights.	<u>Limited:</u> While this creates a new mechanism that could strengthen IP protection, the bureau has not taken any actions as of yet.

IX. Taxation and Budget

Taxation

Date	Policy Title	Agency/ Agencies	Summary	Impact
12/2/13	Circulars on Issues Concerning Policies for Enterprise Income Tax on Outbound Investment with Non-monetary Assets or Asset Restructuring Transactions in the China (Shanghai) Pilot Free Trade Zone (FTZ)	MOF, SAT	Allows enterprises registered in Shanghai FTZ to pay enterprise income tax (EIT) in installments over five years dating from confirmation of gains from the transfer of non-monetary assets.	Moderate: Broad sector impact on companies, but limited only to one area of operations and applicable only to companies registered to the Shanghai FTZ.
10/24/13	Notice on Tariff Policy for Imports in the China (Shanghai) Pilot Free Trade Zone	MOF, GAC, SAT	Exempts producers in the FTZ from import duties when they import required machinery, equipment and other goods. However, the imported goods of consumer service enterprises and other enterprises, as well as goods that legal and administrative regulations and relevant provisions explicitly exclude are not included in this duty-exempt category.	Limited: Provides tax exemptions for a subset of companies, but does not apply to all industries -- and only applies to companies producing in the Shanghai FTZ.

Budget/Debt Issues

None

X. Corruption, Bribery and Party Discipline

None

XI. Urban/Rural Issues

None

XII. Other

Date	Policy Title	Agency/ Agencies	Summary	Impact
3/6/14	Measures on Corporate Annual Reporting Public Disclosure (Trial) and the Business Abnormal Operation Directory Management (Trial)	Shanghai Administration of Industry and Commerce	Sets rules to ease the annual corporate reporting process, as well as rules to govern companies with “abnormal operations” – those that have previously failed to meet reporting requirements.	Limited: Measures allow foreign and domestic companies to file reports online and increase overall transparency, but it only applies to companies in the Shanghai FTZ.
6/30/14	Notices on Including Enterprise Customs Registration into the "Single Window" of Enterprise Access in Shanghai Free Trade Zone	Shanghai Customs	Streamlines enterprise customs registration into the "single window" of enterprise access where all authorities (include authorities of administration of industry and commerce, taxation, quality inspection, commission of commerce, and customs) work jointly.	Limited: While these efforts are important for streamlining administrative approvals, creating a unified window doesn't itself ease administrative burdens that companies face in customs clearance.
6/30/14	Notices on Enterprise Credit Information Disclosure in Shanghai Free Trade Zone	Shanghai Customs	Specifies information disclosure content, channel, and related issues regarding the application of credit certificate.	Limited: This is purely a process improvement in the customs process.
12/4/14	Administrative Measures for Customs Clearance Bank Accounts in Shanghai FTZ	GAC, Shanghai Municipal Government	Allows enterprises established in Shanghai FTZ to create a customs clearance payment debit account. The account can be automatically debited for tariffs owed post-delivery of products.	Limited: Has the potential to impact companies in a wide variety of industries that import products, whether for assembly, final use, or resale. A positive step at streamlining the customs clearance process, but is limited only to the Shanghai FTZ.
6/30/14	Notice on Implementing a Pilot for Company Coordination in Shanghai Free Trade Zone	Shanghai Customs	Requires pilot companies to appoint executives who are responsible for customs-related affairs to handle daily contact with customs' industry coordinator.	None: This policy does not have any real positive benefit for top company concerns with customs.
6/30/14	Notices on Promoting the Customs "Certified Operators" Mutual Recognition in Shanghai Free Trade Zone	Shanghai Customs	Specifies policies to facilitate customs procedures for enterprises from Singapore, North Korea, and Hong Kong.	None: Impact of these policies is purely limited to foreign companies from those regions, which do not include the United States.

8/12/14	Pilot Opinions on Comprehensive Land Use Planning and Land Management in the Shanghai Free Trade Zone	Shanghai City Planning Land Resource Bureau, Shanghai Free Trade Zone Administrative Committee	Allows for reserved industrial-use land in Shanghai FTZ to be purchased by companies and developed for commercial purposes, such as creating office space.	None: The opinions are intended to create more available office space in the Shanghai FTZ, where the majority of the limited land available was reserved for industrial purposes. Shanghai FTZ negative list restricts foreign investment in high-class office buildings, so no impact for FIEs.
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Appendix 4: Abbreviations for Chinese Government Agencies

This list includes the full names for the Chinese official ministries, agencies, and organizations listed in Appendices 2 and 3.

AQSIQ	General Administration of Quality Supervision, Inspection, and Quarantine
CBRC	China Banking Regulatory Commission
CCP	Chinese Communist Party
CFDA	China Food and Drug Administration
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
GAC	General Administration of Customs
MCA	Ministry of Civil Affairs
MEP	Ministry of Environmental Protection
MHRSS	Ministry of Human Resources and Social Security
MIIT	Ministry of Industry and Information Technology
MLR	Ministry of Land Resources
MOC	Ministry of Culture
MOF	Ministry of Finance
MOFCOM	Ministry of Commerce
MOHURD	Ministry of Housing and Urban-Rural Development
MOST	Ministry of Science and Technology
NAO	National Audit Office
NDRC	National Development and Reform Commission
NEA	National Energy Administration
NHFPCC	National Health and Family Planning Commission
NPC	National People's Congress
PBOC	People's Bank of China
SAC	Standardization Administration of China
SAFE	State Administration of Foreign Exchange
SAIC	State Administration of Industry and Commerce
SAPPRFT	State Administration of Press, Publication, Radio, Film and Television
SASAC	State-Owned Assets Supervision and Administration Commission
SAT	State Administration of Taxation