

USCBC China Economic Reform Scorecard – Marginal Improvement; Impact Still Limited

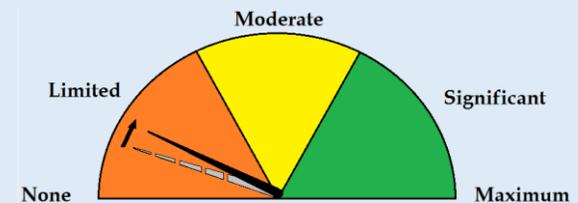
June 2015

Executive Summary

- The latest US-China Business Council (USCBC) assessment of China's economic reform efforts finds signs of more reform activity but continues to show that this activity has a limited impact on the top concerns of American companies doing business in China. Recent months have seen both positive and negative signals in key areas, such as investment openings and equal treatment for foreign products.
- 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 February 2015, several new central government measures have been released that improve, or pledge to make incremental improvement to, the business environment for foreign companies. This progress can be seen in the limited investment openings introduced by updated versions of China's Catalogue Guiding Foreign Investment (CGFI) and free trade zone negative list; new requirements for public disclosure of administrative approval authorities for city governments; and recent pilot measures from the State Council opening certain service sectors to foreign investment for a three-year trial period in Beijing. Financial reform has been active, with a decision to open China's bank card clearing sector to foreign companies; the first public bond default of a state-owned enterprise; greater room for qualified foreign institutional investors to participate in China's debt and securities markets; and the introduction of a deposit insurance system for banks in China.
- At the same time, companies have continued concerns about policies that use "national security" to exclude foreign companies from business opportunities in various sectors, as well as language in new industry development plans (such as "Made in China 2025") that appear to promote Chinese companies over their foreign counterparts, including domestic legal entities with foreign investment. Additionally, even sectors that have seen reform efforts, such as financial services, have yet to address key concerns on foreign ownership restrictions. The lack of movement on such key concerns highlights the mixed signals China is sending on its reform efforts, and underscores the perception that China is prioritizing internal reforms before addressing external (foreign company) concerns.
- Overall, China's reform efforts have yet to comprehensively address core business issues like foreign investment restrictions, licensing, and other market barriers that often benefit domestic companies. China's reform program is in its second full year of a timeline that the leadership has indicated will end in 2020. Near-term opportunities for further progress on economic reform could come at the upcoming US-China Strategic & Economic Dialogue (S&ED), during President Xi Jinping's September 2015 state visit to the United States, or in conjunction with bilateral investment treaty (BIT) negotiations between the United States and China.

Impact of Economic Reform on Foreign Companies

(as of April 30, 2015)



**Slight improvement over February 2015;
new assessment in black*

Since the Xi administration 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 -- a change from previous statements that the market should play a “basic role.” 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 concrete policies have emerged to implement the broad areas laid out for reform, and existing signals about reform have been mixed. 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 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?

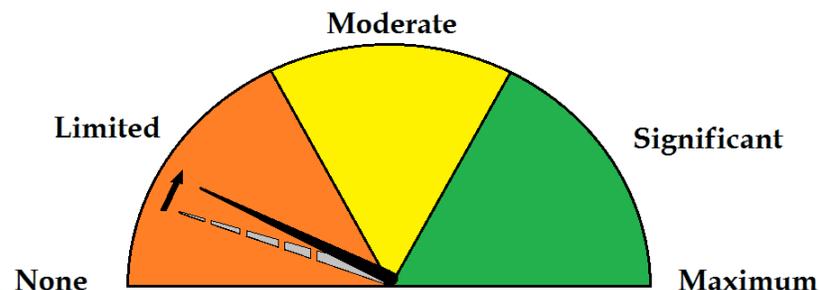
To answer these questions, USCBC has compiled a list of reform-related policies since the start of the Xi administration. The current assessment includes 26 months of data from March 2013 through April 2015. These policies are divided into themes, such as the role of the state and the market, foreign 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 analyzes specific Shanghai FTZ-related policy announcements. USCBC will continue to monitor policies developed for the Shanghai FTZ and the three newly opened free trade zones (Fujian, Guangzhou, Tianjin).

This report assesses the impact of China’s reform efforts on foreign company operations by rating individual policies on their direct and immediate impact on foreign company concerns.

- 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: Slight Improvement, Yet Mixed Signals Persist



USCBC’s latest assessment of China’s economic reform efforts still indicates “limited” progress, though with some improvement since our [February 2015 assessment](#). This assessment is based on a review of both new and existing policies.

Since December 2014, Chinese government agencies have released a few reform-related policies and investment lists detailing responsibilities for government agencies, timelines for action, and specific steps to implement given areas of reform that will positively address certain foreign company concerns. While there continues to be slight progress

on reforms in key sectors important to foreign companies, there have also been a series of policies indicating a lack of desire to include foreign companies in China's reform efforts. This has led to a continuation of the mixed signals China is sending to investors regarding its openness and ability to achieve truly market-oriented reform in the near term.

Among the regulatory documents working to move China's reform needle in the right direction were several investment-related developments. An updated version of China's Catalogue Guiding Foreign Investment (CGFI) released in March 2014 cut back on a large number of sectors with foreign investment restrictions – primarily in the manufacturing and mining sectors. China's FTZ negative list, now applicable to FTZs in Fujian, Guangdong, Shanghai, and Tianjin, canceled or relaxed restrictions in 18 industry sectors, though many investment restrictions in key sectors remained in place. Although some of these reductions were due to the consolidation of negative list items, these documents did create openings in areas such as aviation, shipbuilding, agriculture, and the automotive industry. A State Council decision that, pending robust implementation, opens the bank card clearing industry to foreign participation, and the first public default of a Chinese state-owned enterprise signal further progress in China's market access and financial market reforms.

Additionally, the State Council issued several regulatory documents improving institutional support for reforms to the business environment. These include State Council opinions calling for online publication of formal lists of local government administrative authorities in an effort to better manage and limit arbitrary exercise of authority by local government officials. Other items include State Council provisions restricting government interference in the courts; a State Council decision to further open Beijing's service sectors to foreign investment; and the State Council's introduction of a bank deposit insurance system to encourage competition in the banking sector, along with plans to give banks greater freedom in making investment decisions.

However, many of these items do not comprehensively address [core foreign company issues](#). Furthermore, the concurrent introduction of several regulatory documents that effectively promote domestic companies and technology over their foreign counterparts have raised

concerns. Chief among these are [new rules](#) in the banking sector requiring the use of "secure and controllable" technologies, a category indicating that foreign companies would not be able to qualify for these standards unless they surrender key technologies to Chinese authorities such as source code and encryption algorithms. Although those regulations have been suspended, other policies related to telecommunications, e-commerce, and smart manufacturing appear to use similar language. Additional policies that introduce national security reviews for foreign investment in FTZs and describe new funds and policies to promote domestic manufacturers also raise concerns about the direction of reform. Similarly, the role of foreign companies in the Made in China 2025 plan, China's ten-year roadmap for strengthening its manufacturing competitiveness, remains unclear. The May 2015 release of the State Council's annual reform priorities agenda again highlighted internal issues first, such as addressing reform concerns with SOEs and administrative burdens placed on companies.

From a broad perspective, despite the number of reform policies released by Chinese government agencies (more than 350 by USCBC's latest count), 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.

Senior officials have stated that China's overall economic reform plans will be implemented through 2020. The Shanghai FTZ was launched in 2013 with a three-year timeframe before its reforms would go nationwide, though some of these 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 companies. 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
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.
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.	Moderate: The opinions do not lay out concrete measures for improving domestic trade, but more recent moves on e-commerce indicate that these opinions have begun to be implemented. Less progress in other areas.

1/29/15	Notice on Expanding Reform Trial Experiences out of the China (Shanghai) Pilot Free Trade Zone	State Council	Introduces a mix of 35 openings and administrative procedures from the Shanghai FTZ that are now available on a national scale. Highlights include online tax registration, foreign exchange capital settlement for FIEs, allowing the establishment of FIE credit research companies, and allowing the establishment of FIEs in the form of shareholding companies.	Moderate: A positive step at replicating on a national scale a number of reforms that will affect a broad range of companies across multiple sectors. The list is limited to 35 items that are indirectly related to core issues of equal treatment and market access. The limited potential impact means a moderate instead of significant rating.
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.	Limited: 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 limited.
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.
2/14/15	Several Opinions on Accelerating the Development of Trade in Services	State Council	Lays out seven primary tasks to develop trade in services, including promoting the growth of a handful of large Chinese companies in certain services sectors that are competitive abroad. The Opinions also attach a list announcing the work priorities for 25 service areas, with specific government agencies in charge of the tasks.	Limited: High-level opinions that promote reform and supporting trade with a focus on Chinese companies. There is a lack of any specific measures, so there is no immediate impact until follow-up details are provided.
3/23/15	Several Opinions on Deepening Regime Reform and Accelerating Innovation-Driven Development Strategies	State Council	Proposes to create a policy and legal system by 2020 that is focused on supporting innovation-driven development. Principles to be followed include creating a market based on fair competition that inspires innovation, strengthening financial innovation, and encouraging the commercialization of scientific and technological results.	Limited: Aspirational long-term goals without detail on how to achieve these goals; however, discussions on promoting domestic innovation could have an important impact on companies in many sectors, depending on implementation.
3/28/15	Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road ("One Belt, One Road")	NDRC, MOFCOM	Sets an ambitious economic vision for the development of regions and countries along China's "One Belt, One Road" corridor. Cooperative development priorities will include policy coordination, facilities connectivity, investment and trade cooperation, financial integration, and people-to-people bonding.	Limited: High-level integration of foreign policy and economic goals by developing markets outside of China through infrastructure development and other projects, but immediate impact on foreign companies is likely limited.

4/13/15	Notice on the Development Plan for City Clusters on the Central Yangtze River	NDRC	Introduces a plan for developing China's central, western, northeast, and other inland regions that are currently underdeveloped. The overall goal for the plan is to shrink the development gap between different regions in China. The plan focuses on integrating development of urban and rural areas and connecting infrastructure across regions.	Limited: Broad plans for developing regions in China through joint infrastructure development and urbanization efforts. Potential opportunities for foreign companies involved in supplying infrastructure developers in China, but little detail at this point to suggest specific opportunities for foreign investment.
04/09/15	Implementation Plan on Carrying out the Decisions of the Fourth Plenary Session of the 18th CCP Central Committee to Further Deepen the Judicial System and Social System Reform	CCP General Office, State Council General Office	Identifies 84 judicial and social system reform measures that came out of the Fourth Plenum and divides them into three categories: ensuring the fair administration of justice, promoting societal rule of law, and strengthening team building to enforce rule of law. Each task is also assigned to a specific set of government departments, and includes desired outcomes they will be measured against. However, the list of 84 measures and their agency assignments was not made public.	None: While work to assign specific reform tasks to agencies is a positive step, the list of 84 measures and their assignments is not public – making it impossible to assess the specific tasks and their likely implementation. Without further details, no impact on foreign company concerns can be attributed at this time.

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.	Moderate: 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.	Moderate: 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.	Moderate: Potential to have a deep impact on foreign companies looking to invest in this sector, 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.	Moderate: 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.	Moderate: 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.
4/22/15	Decision to Implement Management of Market Access for Bank Card Clearing Agencies	State Council	Sets new conditions for investment in China's bank card clearing sector to be compliant with commitments made as part of China's WTO accession. To qualify, companies must have at least RMB 1 billion (\$161 million) in registered capital, adhere to national and industrial bank card clearing system standards, and have senior leadership receive CBRC approval for employment credentials.	Moderate: Significant opening in a narrow industry that has been traditionally monopolized by one company. Potential direct benefit to a number of foreign bank card clearing companies, but there still exist several stringent qualification requirements that will make market entry difficult.
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.	Limited: 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.	Limited: 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).

3/13/15	Catalogue Guiding Foreign Investment in Industry (2015 Revision)	NDRC, MOFCOM	Comprehensive catalogue outlining sectors of the Chinese economy where foreign investment is encouraged, restricted, or prohibited.	Limited: Presents new openings in a number of areas, focusing mainly on manufacturing. However, many key concerns raised by foreign companies, such as barriers in agriculture and financial services, were not addressed in the revisions. Discussions with members highlight that the newly opened sectors are not areas foreign companies are looking to invest in.
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.
2/2/15	Notice on the Foreign Investment Statistics System (2015)	MOFCOM	Defines comprehensive rules and requirements for a statistical reporting system for FIEs to report their investment data to all local MOFCOM offices. Information provided includes basic information about the company, investment, operations, and shareholding; companies in banking, insurance, securities, and energy have additional requirements.	None: While a significant document in terms of FIE reporting and operations, the 2015 system is an update of older rules, and does not make major changes that would impact operations.

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.	<u>Moderate</u> : 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.	<u>Moderate</u> : 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.
12/31/14	Notice on Prohibiting Matters Pertaining to the Autonomy of Enterprises as Preconditions for the Approval of Enterprise Investment Projects	NDRC, State Commission Office of Public Sector Reforms	Specifies 18 areas where investment approval pre-conditions can no longer be used. Areas include bank loan commitments, financial letters of credit, feasibility study reviews, and review of rail line issues. This notice follows up on NDRC's previous announcement requiring follow-up work on announcing removal of investment pre-approvals.	<u>Moderate</u> : Removes some investment pre-approval conditions with language forbidding government interference in a company's autonomy. There is also a clear effort to clean up existing rules that create project approval hurdles, and blocking such barriers from re-appearing in any future regulations. However, there continue to be a number of unaddressed procedures that are unique to foreign investment in China, and this reform does little to change the underlying challenges companies face in market access.

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.	<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 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.	<u>Limited</u> : Eliminates a small number of 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.	<u>Limited</u> : 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.	<u>Limited</u> : Marginally reduces administrative fees in certain areas (e.g. trademark application fees were reduced from RMB 1000 to RMB 800).
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.	<u>Limited</u> : 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.
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.	<u>Limited</u> : 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.
1/27/15	Notice on Republishing CIRC's Program for Collecting Administrative and Institutional Fees	MOF, NDRC	Authorizes CIRC to charge institutional supervising fees and business supervising fees in the insurance industry. Provides definitions and standards for how the fees will be determined. Combines various documents outlining rules for determining who must pay administrative fees, clarifying how the fees are calculated, and who is exempted from the administrative fees.	<u>Limited</u> : Announcement requires ministry-specific implementation of items from State Council's institutional reform and functional transformation plan that have yet to be published.
1/27/15	Circular on Republishing CBRC's Program for Collecting Administrative and Institutional Fees	MOF, NDRC	Authorizes CBRC to charge its supervising fees on commercial banks, credit cooperatives, finance companies, trust companies, and financial leasing offices, including institutional supervising fees and business supervising fees. Changes the method for calculating these fees for organizations.	<u>Limited</u> : Announcement requires ministry-specific implementation of items from State Council's institutional reform and functional transformation plan. However, these changes do not appear to mark any significant improvement.

1/27/15	Notice on Republishing CSRC's Program for Collecting Administrative and Institutional Fees	MOF, NDRC	Authorizes CSRC to charge institutional supervising fees on securities companies, and companies whose bonds and securities are traded on Chinese exchanges. Combines various documents outlining rules for determining who must pay administrative fees, clarifying how the fees are calculated, and who is exempted from the administrative fees.	<u>Limited</u> : Announcement requires ministry-specific implementation of items from State Council's institutional reform and functional transformation plan. A positive step towards transparency, but limited impact on foreign companies as they have limited business in this area.
2/28/15	Notice on Further Simplifying and Improving Foreign Exchange Administration for Direct Investment	SAFE	Cancels direct investment foreign exchange registration approvals, and simplifies the capital expenditure registration procedures for foreign investors.	<u>Limited</u> : Positive step at removing administrative barriers to controls on capital. Impact likely limited until broader reform measures remove controls from foreign capital exchange.
3/13/15	Decision on Cancelling and Adjusting a Batch of Administrative Approval Items	State Council	Cancels a batch of administrative approvals and/or delegates approval authority to lower-level government bodies, and provides a list of business pre-requisite approvals that are being maintained. Sample approvals include software and integrated circuit design company accreditation and product registrations.	<u>Limited</u> : Improvements in removing administrative barriers in some areas, but statements that certain approvals such as FIE establishment approvals should not be removed indicate continued barriers.
3/16/15	Announcement Issuing the 2015 Catalogue of Construction Projects Subject to MEP Environmental Impact Assessment (EIA) Approval Documents	MEP	Delegates part of MEP's EIA administrative approval to provincial-level authorities, including approval on construction of thermal power stations, heat power stations, iron making and steel making, nonferrous metals smelting, national highways, and major theme parks.	<u>Limited</u> : The delegation of approval authority to lower-level agencies is likely a welcome result of the 2015 revision of China's Environmental Protection Law. Only EIAs in certain sectors require central-level MEP approval. This announcement is a further relegation of central MEP approvals to lower-level authorities, such as coal-to-natural gas manufacturing facilities, but is limited to only the projects in the 2015 EIA construction catalogue.

03/23/15	Work Plan for Decoupling Environmental Impact Assessment (EIA) Institutions from the National Environmental Protection System	MEP	Requires all entities under the environmental protection system with EIA qualifications to be decoupled from construction projects by 2016. EIA-certified entities are forbidden from any form of ownership in companies that are being assessed.	<u>Limited</u> : Positive effort at addressing corruption in the environmental protection system, with potential to help address nationwide pollution problems. The work plan is part of high-level MEP goals to standardize EIAs and make the system more accountable to public environmental concerns. Many companies use independent EIAs that fall outside the purview of this work plan, and thus the impact is limited.
3/31/15	Notice on Cancelling and Adjusting a Batch of Administrative Approval items	CIRC	Cancels administrative approvals on seven items, including changing company ownership structure in excess of 5 percent of ownership shares for insurance companies.	<u>Limited</u> : Reduces administrative burdens on companies, but scope of changes is limited.
4/17/15	Several Opinions on Improving Port Work to Support Foreign Trade Development	State Council	Calls for improving and increasing the efficiency of Chinese ports to facilitate international trade, including immediate measures such as cleaning up unnecessary port fees and cancelling or streamlining administrative approvals involved with customs clearance.	<u>Limited</u> : Increased efficiency in customs clearance and removal of unnecessary administrative approvals would be welcome changes for foreign companies. However, true impact will be determined when follow-up implementation details from industry regulators are released.
4/29/15	Notice on Cleaning up and Regulating Intermediary Services for Administrative Approvals by State Council Departments	State Council	Prohibits departments in the State Council responsible for administrative approvals from requiring any applicant to use intermediary services (middlemen), with the exception of licensing requirements found in laws, administrative regulations, State Council decisions, and normative documents that conform to the Administrative Licensing Law.	<u>Limited</u> : Follows previous notices from State Council regulating intermediary services across all ministries and local governments. This notice is a welcome relief from administrative burdens, but it is limited to one government agency.
11/14/13	Administrative Approval Rules for Domestic Commercial Banks	CBRC	Eliminates some approval items, and delegates authority for others to lower-level authorities.	<u>None</u> : 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.	<u>None</u> : List is not yet publicly released, so no indication of any impact.

3/19/15	Several Opinions on Building Joint Regulatory Mechanisms for Innovative Investment Management	State Council	Calls for jointly administering investment approval responsibilities between relevant authorities. Recommends building an online platform for investment approvals that also increases transparency.	None: High-level recommendations for improving the investment management and supervision regime, but no immediate changes to the business environment are made. Goals are aspirational in nature, and pending follow-up regulations for specifics on how to carry out the opinions.
4/6/15	Notice on Improving Administrative Approval and Reviews in Dealing with Solid Waste	MEP	Requires provincial-level environmental protection authorities to initiate internal inspections to improve interagency regulatory transparency, address ineffective supervisory mechanisms, and boost staff technical capabilities related to supervision and approval of solid waste treatment. Inspection results and plans for improvement to be submitted to MEP by the end of June 2015.	None: An intra-government improvement in addressing bureaucratic issues and regulatory capabilities, but no immediate impact on foreign company concerns.

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.

4/21/15	Notice on Establishing the State Council Coordination Group for Promoting Transformation of Government Functions	State Council General Office	Announces the head (Zhang Gaoli) and other eight members of the State Council Coordinating Small Group for Promoting Functional Transformation, and also identifies six reform-focused sub-groups (such as one focused on administrative approval reform) and four functional sub-groups.	Limited: The reform group is set to tackle issues of importance to domestic and external reforms. The Small Group is likely to have a positive impact on improving inefficiencies in China's government functions over time, but much will depend on the group's decisions and implementation.
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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.
2/5/15	Guiding Opinions on Promoting the Socialization of Environmental Monitoring Services	MEP	Calls for increased societal participation in environmental monitoring of business activities.	Limited: Encouraging increased private participation in monitoring environmental issues, and reducing the role of MEP in the process is likely to have a positive impact on ability of foreign companies to provide services. It is not clear if participation includes foreign companies, but no specific language excluding them exists in the document.
3/16/15	Guiding Opinions on Integrating Inspection and Certification Institutions under the National Quality Inspection System	AQSIQ	Plans to divide existing quality inspection institutions into non-profit and for-profit entities, and lists administrative goals such as separating public service entities from administrative entities, regulators from operators, and transforming governmental entities into enterprises.	Limited: Reforming the customs inspection process and its relevant authorities are likely welcome reforms. These opinions do not contain implementing details and will require follow-up implementation plans in order to have meaningful impact on foreign companies.

4/12/15	Approval of the Reform Implementation Plan of China's Export-Import Bank	State Council	Approves PBOC's reform implementation plan for China's Export-Import Bank, and calls for the plan to strengthen China Ex-Im Bank's policy positions, reasonably define its scope of operations, and to identify risk compensation mechanisms. The notice does not, however, include the full text of the plan.	None: Internal (and as-yet unpublished) governmental reform measure to provide more clarity on the role of China's Ex-Im Bank in international trade financing. No direct impact on foreign companies as this reform is to support reform of a bank that finances Chinese products being sold abroad.
4/12/15	Approval of the Reform Implementation Plan of China Development Bank	State Council	Approves PBOC's reform implementation plan for China Development Bank, and calls for PBOC's reform plan to adhere to China Development Bank's position as a developmental financial institution, and to improve organizational structure and governance.	None: Internal (and as-yet unpublished) governmental reform measure to provide additional reform goals pertaining to PBOC's reform plan for China Development Bank. Likely no direct impact on foreign companies.
4/12/15	Approval of the Reform Implementation Plan for Agriculture Development Bank of China	State Council	Approves PBOC's reform implementation plan for the Agriculture Development Bank of China, and calls for PBOC's reform plan to improve account management, accounting classification, and define its responsibilities and risk compensation mechanisms.	None: Internal (and as-yet unpublished) governmental reform measure to provide additional reform goals pertaining to PBOC's reform plan for Agriculture Development Bank of China. Likely no direct impact on foreign companies.

Other

Date	Title	Agency/ Agencies	Summary	Impact
3/23/15	Guiding Opinions on Promoting an "Authority List" for Local Government Working Departments	CCP Central Committee, State Council Information Office	Requires local governments to accept public supervision and publicize their administrative powers and responsibilities in catalogues, along with the legal basis for all of their administrative powers. Provincial governments are to complete their reports by the end of 2015, and city and county-level authorities are to complete their reports by the end of 2016.	Moderate: Positive move towards transparency at all levels of government, and falls in line with a recent trend of unifying tax incentives and removing administrative barriers on companies' autonomy to make investment decisions.

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.
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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
04/24/15	Administrative Measures for the Franchising of Infrastructure and Public Utilities	NDRC, MOF, MOHURD, MOT, MWR, PBOC	Encourages social capital to invest in franchising projects involving energy, water conservancy, environmental protection, municipal engineering, and other infrastructure and public utilities. The measures aim to improve the quality and efficiency of public services, as well as enhancing cooperation between government and social capital organizations. One goal is to streamline the process for private-public partnerships (PPP).	Moderate: Broad agreement from several key ministries involved in the implementation of PPP projects in China. Previously, many individual ministries released their own specific PPP regulatory documents, which created confusion, but these administrative measures could potentially streamline processes and improve implementation of PPP projects. Foreign entities with Chinese legal person status (such as Chinese subsidiaries of foreign companies) are allowed to participate in these projects.
9/26/13	Guiding Opinions on Government Procurement of Services from Social Organizations	State Council	Allows further market access in the public service sector for eligible social organizations and enterprises.	Limited: 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 1,000 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.
1/12/15	Guiding Opinions on Encouraging Private Capital to Invest in Hydropower Stations	NEA	Outlines the processes and goals for developing new energy development in China. These opinions focus on the private market playing an important role in the development of hydropower stations as a means of developing clean energy.	<u>Limited</u> : Allows private capital investment in an area dominated by state capital – but openings for private capital are unlikely to be extended to foreign investment, based on other statements about private vs. foreign capital.

3/17/15	Notice on Promoting the Support of Development Financing for Public-Private Partnerships (PPPs)	NDRC, China Development Bank	Encourages adopting various financial tools to provide funding support for PPP projects. Instructs China Development Bank to provide preferential policies for PPP projects, such as giving priority to PPP financing needs, and setting up green channels to expedite the loan approval process.	<u>Limited</u> : Encouraging private capital in infrastructure building through public-private partnerships is not necessarily a new concept. It is not yet clear whether foreign companies will be active participants in PPPs.
3/30/15	Implementing Opinions for Encouraging and Instructing Social Capital to Participate in the Construction of Major Water Conservancy Projects	MOF, NDRC, Ministry of Water Resources	Encourages social capital, including SOEs, private enterprises, and foreign-invested enterprises, to participate in major water conservancy projects. Preferential and supporting measures for social capital investment are also addressed, for instance, financial subsidies, market-driven price mechanisms, policy-based finance, and preferential tax policies.	<u>Limited</u> : Encouraging foreign capital in infrastructure building through public-private partnerships could provide openings. Immediate impact of this policy is limited in scope and detail, however.
4/9/15	Guidelines for Issuing Bonds in the Elder Care Industry	NDRC	Encourages companies to finance debt for investment in the elder care industry by issuing bonds, and calls for increased efficiency in NDRC approval of company applications to issue debt.	<u>Limited</u> : Easing debt issuance policies would help investment in this industry but impact is limited to this sector.
4/9/15	Guidelines for Issuing Bonds for the Construction of Urban Parking Lots	NDRC	Encourages companies to finance debt for investment in urban parking lot construction by issuing bonds, and calls for increased efficiency in NDRC approval of company applications to issue debt.	<u>Limited</u> : Easing debt issuance policies would help investment in this industry but impact is primarily limited to this sector. Some potential direct impact for foreign company suppliers to the construction industry.
4/9/15	Guidelines for Issuing Bonds for Urban Underground Pipeline Networks	NDRC	Encourages companies to finance debt for investment in underground pipeline construction projects by issuing bonds, and calls for increased efficiency in NDRC approval of company applications to issue debt.	<u>Limited</u> : Easing debt issuance policies would help investment in this sector, but impact is limited to this sector. Some potential direct impact for foreign company suppliers to the construction industry.

4/9/15	Implementing Opinions on Promoting Public-Private Partnerships (PPPs) for the Prevention and Control of Water Pollution	MOF, MEP	Encourages social capital to participate and invest in PPP projects related to the prevention and control of water pollution. The opinions instruct local governments to create preferential policies for PPP projects, such as providing funding support, and other financial incentives and subsidies.	Limited: The opinions set high-level goals for promoting improvement in critical infrastructure projects such as water pollution. These opinions do not explicitly address foreign company participation in PPP projects, so direct impact on foreign company access to quasi-government projects is limited at this time.
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 encourages social capital to invest in railway construction.	None: 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.	None: 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 opens energy market to private capital.	None: 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.	None: 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.	None: 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.	None: Encouraging to see the gradual liberalization of the traditionally entrenched telecom services market, but "private capital" does not likely include foreign investment.
2/25/15	Implementing Opinions on Encouraging the Participation of Private Capital in the Development of Elder Care Services	MCA, MHRSS, NDRC, MOE, MOF, NHFPC, MLR, CBRC, CIRC, MOHURD,	Encourages private capital to participate in developing the elder care market by recommending preferential tax policies, utilizing public-private partnerships, and developing educational programs targeted at improving the talent pool.	None: The opinions lack implementing details, and only apply to a small scope of businesses. The opinions also don't mention foreign capital as a component of private capital.

Other

Date	Policy Title	Agency/ Agencies	Summary	Impact
4/22/15	Notice on Financial Support Policies for the Promotion and Application of New Energy Vehicles (NEVs) from 2016-2020	MOF, NDRC, MOST, MIIT	Extends promotional policies that favor NEVs (originally introduced in 2014 by the State Council) through 2020. The policies and subsidies are only available to consumer purchases of NEVs listed in a government NEV promotion catalogue.	None: A February 2015 NEV catalogue for cars qualifying for subsidies includes 18 car brands, but among those 18 brands, none are foreign company brands. Foreign companies are shut out from being included in the subsidies offered.

VI. Financial Reforms

Banking/Interest Rates

Date	Policy Title	Agency/ Agencies	Summary	Impact
3/31/15	Deposit Insurance Provisions	State Council	Requires all financial institutions within China that collect deposits to pay insurance premiums into a fund that will be managed by an agency of the State Council. This agency shall pay back to depositors their insured amount within seven days if the financial institution enters into bankruptcy procedures, or is approved to apply for bankruptcy. Maximum insurance compensation per account is 500,000 RMB.	Moderate: Increases consumer confidence in the banking system, and is a positive step toward eliminating controls on interest rates. Limited impact on top issues facing foreign companies in the banking sector; foreign banks in China are not covered by the deposit insurance provisions.
7/26/13	Guiding Opinions on Strengthening Financing Services to Support Small and Micro-Sized Enterprises	NDRC	Requires government agencies at all levels to promote greater financing channels for small and micro-sized enterprises (SMEs).	Limited: Efforts primarily aimed at domestic enterprises, 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 small and micro-sized enterprises.	Limited: Very few foreign companies qualify as small and micro-sized 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 \$3 million) in line with market conditions.	Limited: 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.	Limited: 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 banks, designating Tencent, Zhengtai Group, and Tianjin Huabei Group as the largest shareholders in their respective banks. These institutions are 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. 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 private banks, 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. 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.
2/12/15	Notice on Issues Concerning the Scope of Medium and Long-Term Foreign Debt for Foreign Banks in China in 2015	NDRC	Allows foreign banks to apply to increase their foreign debt holdings as part of broader regulation of the amount of foreign debt that foreign banks can hold in 2015.	Limited: Allowing FIE banks to apply to increase their holdings of foreign debt is likely a welcome liberalization, but still represents just a slight opening in an industry with significant government controls.
2/12/15	Notice on Administration of Special RMB Accounts Foreign Exchange Settlement and Sales by Foreign Banks	SAFE	Specifies that a foreign bank that has opened an RMB services account and an RMB foreign exchange account can freely transfer RMB funds between these two accounts.	Limited: Allows companies more control over their transfer of capital, but represents a limited process improvement.

3/12/15	Guidelines on Risk Management for Commercial Bank Merger and Acquisition (M&A) Loans	CIRC	Revises existing M&A loan guidelines in certain areas, such as extending the maximum term of an M&A loan from 5 years to 7 years, and increasing the maximum amount of a loan in relation to the total acquisition price from 50 percent to 60 percent.	Limited: Allows commercial banks greater space to finance M&A transactions, which could include foreign-related transactions in China, but does not address larger issues of foreign bank participation in the banking sector.
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.

04/08/15	Notice on Reforming FIE Foreign Capital Settlement Management	SAFE	Introduces foreign exchange capital settlement measures for FIEs based on similar pilot measures in the Shanghai FTZ. Allows FIEs to exchange or settle up to 100 percent of their foreign capital, starting June 1, 2015.	Moderate: Important liberalization that directly affects how companies will hold their capital. The notice will have an impact on how companies manage their capital for tax purposes, among others, across all sectors.
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.	Limited: This notice – effective immediately – 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 to 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.

1/29/15	Guiding Opinions on Cross-Border Foreign Exchange Payment Services Pilots for Payment Service Companies	SAFE	Launches nationwide pilots allowing payment institutions to receive and send cross-border payments in foreign currencies, as well as foreign exchange settlement for both parties in cross-border e-commerce transactions.	Limited: While the opening would appear to create opportunities for foreign companies and minor financial liberalization, the pilots are likely aimed at domestic firms. Payment institutions must possess a "payment business license" to participate in the pilot. While the rules for domestic companies to apply for such a license are laid out in 2010 PBOC rules, it is unclear if there is a way for foreign companies to apply for a license.
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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 issue such bonds.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: Will have some impact on foreign companies in the insurance industry, but no impact on others.

1/26/15	Insurance Industry Foreign Exchange Management Guidelines	SAFE	Defines the rules for the permitted scope of business, foreign bank account management rules, foreign exchange expenditure and payment receipt, and government oversight of insurance companies that utilize foreign currency exchange as part of their business.	Limited: The management guidelines provide insight into how companies can comply with rules regarding foreign exchange issues when offering insurance services, providing some benefit for foreign companies – but does not change rules governing foreign company access to participate in the insurance industry.
2/3/15	Opinions on Further Administrative System Reform for Commercial Auto Insurance Clauses and Premiums	CIRC	Calls for a mechanism to ensure market-based development of commercial auto insurance premiums.	Limited: High-level opinions calling for marketization of commercial auto insurance premiums with no specifics. Though market-oriented reforms in determining prices are welcome, the impact is limited until implementing details are available – and impact even then will be limited to one sector.
2/17/15	Regulatory Rules Numbers 1-17 on Solvency of Insurance Companies	CIRC	Proposes to establish a new “China risk-based solvency system” that requires insurance companies to submit two separate solvency reports quarterly.	Limited: Promotes greater transparency for businesses and consumers, but does not address market access or operational issues.
2/26/15	Plan for Building a Credit System in China's Insurance Industry (2015-2020)	CIRC, NDRC	Proposes to establish a credit system complete with basic credit rating rules and criteria for the insurance industry. Calls for establishing a unified, publicly available credit information system, as well as a credit reporting system covering the whole industry, by 2020.	Limited: The outline is aspirational and requires detailed implementation procedures in order to determine how impactful the announcement will be on industrial development and on foreign companies.
3/24/15	Work Plan for Deepening Pilot Reform in Commercial Automobile Insurance Terms and Premium Rates	CIRC	Identifies Heilongjiang, Shandong, Qingdao, Guangxi, Shaanxi, and Chongqing as pilot regions for commercial auto insurance reform. The companies in these regions will be responsible for developing insurance terms at their own discretion, including determining insurance premiums.	Limited: Potentially beneficial industry reform allowing the market to play a determining role in pricing and competition. The plan is limited to a select business sector and geographic regions, thus limiting its potential impact.
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.	None: 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.	None: 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.	None: 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.	None: 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.	Moderate: 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.	Moderate: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.	Limited: 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.
1/4/15	State Releases Price Controls on 24 Items	NDRC	Rescinds state price controls on 24 goods and services, including tobacco leaves, express railway shipping services, civil aviation product shipping, shipping container handling services, etc.	Limited: A positive step at allowing the market to play a role in allocation of some state resources and services. Some impact for American companies involved in these sectors.
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.	None: 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.	<u>Moderate</u> : Scope of changes cuts across industry sectors and provides important clarifications helpful to companies governing their communication with MOFCOM during the merger review process.
4/13/15	Provisions on the Prohibition of Conduct that Eliminates or Restricts Competition through Abuse of Intellectual Property Rights (IPR)	SAIC	Defines IPR-related monopolistic behavior under the Antimonopoly Law, such as IPR abuse and actions to eliminate or restrict competition; provisions go into effect starting August 1, 2015.	<u>Moderate</u> : This is an important policy – finally completed after several years – that provides some clarifying detail on how Chinese government agencies may regulate on two priority issues for many foreign companies (IPR and competition). However, definitions of some actions are still quite broad, meaning that further explanation is needed.
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.	<u>Limited</u> : 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.	<u>Limited</u> : 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
10/30/13	12th National People's Congress Legislative Plan	NPC	Lays out 68 central government legislative priorities for the next five years.	Moderate: 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.	Moderate: 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.

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.	Moderate: Creation of these courts could improve the ability of companies in a range of sectors to better protect their IP, and courts are now beginning to hear cases and engage with the public. However, the scope of the pilot remains limited to three geographic areas.
3/30/15	Provisions on the Record-Keeping, Reporting and Accountability for Interventions in Judicial Activities and Meddling in Specific Cases by Leading Cadres	CCP Central Committee, State Council Information Office	Aims to restrict any party interference in judicial cases and promote adherence to the Constitution. Notes that judicial offices that record interference from outside parties will be protected by the law.	Moderate: Positive legislation that will be beneficial to China's transparency and judicial reform efforts; however, true impact and effectiveness will depend on the ability to enforce the provisions.
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.	Limited: 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.
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.
2/26/15	Supreme People's Court Opinions on Deepening Reform of People's Courts	SPC	Lays out seven priorities for reforming the courts system over the next five years, including setting up independent jurisdictions separate from administrative zones, establishing a trial-based procedural system by 2016, and improving the professional level of judicial personnel.	Limited: Potentially positive steps at reforming the judicial system by fostering greater judicial independence, among other measures, but the recommendations do not yet provide implementing details.

03/17/2015	Implementing Opinions on the CCP Central Committee Decision Concerning Major Issues in Comprehensively Promoting the Rule of Law	MOJ	Identifies several areas for judicial administration reform, such as deepening reform of the penal system, continuing reforms for lawyers, improving the community correction system, expanding the scope of legal aid, and ensuring support for legal expenses.	Limited: Potentially positive broad reforms to the legal system, which aid in transparency and rule of law. However, the document is still considered an opinion, and will require detailed follow-up implementation guidelines.
04/04/15	Opinions on Improving Standardization Work for Energy Conservation	State Council General Office	Encourages relevant ministries and authorities to design and enforce energy efficiency standards. Establishes a goal of having an advanced system of energy efficiency standards by 2020, with 80 percent of energy efficiency standards matching international levels.	Limited: Strong signal from State Council to improve standards and enforcement in energy conservation, and increased harmonization with international standards is a positive development. Impact on foreign companies is challenging to assess until draft energy efficiency standards are released.
4/9/15	Notice of Key Points in the 2015 Campaign against IPR Infringement and Counterfeiting	State Council General Office	Outlines a six-point work plan for addressing intellectual property infringement and counterfeit products in 2015, including improving the regulatory system, strengthening enforcement, and deepening cooperative discussions such as the US-China S&ED and JCCT. Key work priorities are broken down into 24 sub-sections with government agencies assigned responsibility for carrying them out.	Limited: The work plan is broad and high-level, leaving room for detailed implementation specifics, and largely in line with priorities in previous years. The work plan's current impact is limited due to lack of details and the limited timeframe (one year).
4/15/15	Opinions on Promoting Reform of the Courts' Lawsuit Filing Registration System	SPC	Proposes reforms to the court case-filing system by identifying five qualifications that a plaintiff must meet to file a lawsuit (such as having a direct stake in the case), and describes a four-step procedure for filing a lawsuit.	Limited: The opinions, if implemented, could improve the process for getting cases heard by the courts. Previously, court officials would have to conduct substantive examinations of litigation documents before determining if the case would be heard by a judge. These opinions make it easier for people without knowledge of the legal system to bring cases to court, and should ease the problem of understaffed courts stopping cases that should be heard by judges. Until adopted as formal procedure the impact on foreign companies is limited at this time.

4/24/15	Decision of the National People's Congress Standing Committee on Revising the Drug Administration Law	NPC Standing Committee	Revises the existing law to remove requirements for drug manufacturers and distributors to have their "drug manufacturing license" before registering with local administrations of industry and commerce. The revision also removes fixed pricing and pricing guidance by the government. The updated law comes into effect immediately.	Limited: These minor revisions do not address industry concerns with the drug supervisory system, legal liabilities, and administrative penalties for violations currently found in the law. It is an incremental step forward in reducing the government's role and letting market determinants be a bigger factor in the industry. Overall, the impact is limited to one industry, and is limited by the small scope of revisions made.
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 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.

9/24/13	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.	<u>Moderate</u> : 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.
3/10/15	Announcement on Corporate Income Tax Issues Concerning the Implementation of the Catalogue of Encouraged Industries in Western China	SAT	Reduces the corporate income tax rate to 15 percent for companies in western China involved in a sector included in the Catalogue of Encouraged Industries in western China. Revenues generated from activities in the encouraged sector must account for greater than 70 percent of overall revenue.	<u>Moderate</u> : Helpful tax relief for companies engaged in these sectors; geographic scope limited to western China.
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.	<u>Limited</u> : 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, given that ITA negotiations are still ongoing.
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.	<u>Limited</u> : Promotes some measure of tax reform for the transportation and a few service industries.
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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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).	<u>Limited</u> : 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).	<u>Limited</u> : 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.	<u>Limited</u> : 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.
12/25/14	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.
2/3/15	Announcement on Issues Concerning Income Tax on Indirect Property Transfers by Non-Resident Enterprises	SAT	Addresses foreign enterprise offshore tax avoidance efforts by determining that indirect transfer of taxable assets by non-resident enterprises that results in avoidance of corporate income tax shall be deemed as direct transfer of China taxable assets and thus subject to tax in China.	Limited: A concerted effort by Chinese authorities to ensure collection of taxes and restrict offshoring of capital for tax-avoidance purposes. Likely impacts a broad range of foreign companies across different sectors.
2/4/15	Announcement on the Follow-up Administrative Issues Related to the Cancellation of the Administrative Approval Process for Certain Tax Matters	SAT	Provides details on tax implementation following the cancellation of administrative approval requirements in certain tax matters.	Limited: Clarifies follow-up procedures for questions regarding the cancellation of several tax approvals and procedures. Limited material impact for foreign companies.
2/12/15	Notice of Cancellation and Exemption of a Batch of Administrative Charges	MOA	Cancels and/or exempts a batch of 14 administrative fees for small and micro enterprises. Fees being addressed include phytosanitary fees, quarantine fees for animals and animal products, and personnel relations and archives preservation fees.	Limited: A minor step at reducing unnecessary administrative burdens on companies, but largely aimed at domestic companies.
3/13/15	Notice on Preferential Corporate Income Tax Policies for Small Low-Profit Enterprises	MOF, SAT	Reduces the corporate income tax on small companies making less than RMB 200,000 (\$31,922) annually for a period of three years.	Limited: Helpful tax relief for small companies but likely will not have a significant impact on a broad range of foreign companies operating in China.

3/20/15	Announcement on Issues Concerning Corporate Income Tax on Payments Made by Enterprises to Related Parties Overseas	SAT	Specifies that an enterprise, when making payments to related parties overseas, shall abide by the "arm's length principle" and provide, if required by the tax authority, the contract and other materials to prove the transaction is independent and fair. The announcement lists four payment scenarios that do not conform to the arm's length principle, and thus cannot be deducted when calculating enterprise income.	Limited: Follows a trend of policy announcements addressing tax collection in China, with a focus on internal capital controls and potentially transfer pricing between entities. Represents a positive development for China's tax collection intentions and capabilities, but may result in more intrusive government control on companies' ability to manage their finances.
4/3/15	Notice on the 2015 Plan for Tax-Free Imports of Seeds and Stock for Breeding of Poultry, Fish, Wildlife, and Wild Animal and Plant Species	MOF, GAC, SAT	Exempts the import of certain seeds, poultry breeding stock, fish breeding eggs, and wild animal and plant species breeding seeds during the Twelfth Five-Year Plan period from import taxes.	Limited: Potential benefit to foreign companies exporting such goods to China, but does not address limitations on these products put in place by the Catalogue Guiding Foreign Investment – and sector scope is very 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.
2/2/15	Announcement on Follow-Up Administrative Issues Related to the Cancellation of the Administrative Approval Process for Three Corporate Income Tax Items	SAT	Cancels three SAT administrative approvals (for preferential corporate income tax rules for small enterprises with micro-level profits, companies with revenue that falls under central government enterprises (tier two and below), and changes to combined corporate tax structures), and clarifies management rules for companies that previously abided by those canceled administrative approvals.	None: Clarification on cancellations for certain administrative approval procedures. Scope is limited to a batch of cancellations and appears to be largely directed at domestic companies.

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 include 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 to 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.
03/24/15	Provisions on Self-Discipline and Prohibition of Interference in Environmental Impact Assessment (EIA) Approvals	MEP	Prohibits government officials and their relatives from influencing EIA approval processes, and prohibits them from engaging in private business (third-party) EIA projects.	<u>Limited</u> : Positive movement in addressing corruption as an effort to improve environmental protection in ways that could impact foreign companies, but it remains to be seen how strictly these provisions are enforced at different levels of government.

8/29/14	Implementation of the Proposal for Deepening Reform of the Party's Establishment System	CCP Politburo	Proposes reforms to four aspects of the structure of the CCP: the organizational system, the cadre personnel (HR) system, the basic level system, and the talent development system.	None: 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.
1/22/15	Several Opinions on Building and Improving Grain Security by Establishing an Accountability System for Provincial Governors	State Council	Proposes a potential mechanism that assigns responsibility for developing and maintaining a safe, productive, consistent, and capable grain industry to provincial governors.	None: Likely an effort to improve good governance in a critical industry in China by ensuring clear lines of responsibility and reporting. However, this is aimed at government actors, not companies.

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.

2/4/15	Proposal for the Comprehensive Performance of National Pilot Projects for the New Type of Urbanization	NDRC, SCOPSR, MPS, MCA, MOF, MOHRSS, MOHURD, MOA, PBOC, CBRC, SAC	Provides an outline of goals and objectives for a pilot system in 2 provinces (Jiangsu and Anhui) and 62 cities to test different plans for urbanization and hukou reform.	Limited: The proposals right now are aspirational and do not provide concrete implementation plans for how to achieve urbanization and reform targets. In addition, while welcome reforms, they have limited impact on key FIE concerns regarding market access and fair treatment.
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.
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Other Urban/Rural Policies

Date	Title	Agency/ Agencies	Summary	Impact
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.
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.	None: 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.
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.

1/20/15	Notice on Relaxing Conditions for Withdrawals from the Housing Provident Fund for Rent Payments	MOHURD, MOF and PBOC	Relaxes the conditions and amounts individuals can withdraw from the housing provident fund.	None: A social issue related to access to rental housing. No direct impact on foreign companies.
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XII. Other

Date	Policy Title	Agency/ Agencies	Summary	Impact
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.	Moderate: 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.
2/27/15	Government Procurement Law Implementing Regulations	State Council	Regulates government procurement by setting up specific rules for purchasing goods and services, the process for making purchases, the appropriate format for contracts, procedures for complaints, procurement supervision, and legal responsibilities.	Moderate: Clearly states for the first time that products produced in China – even by foreign companies – are domestic. The regulations, however, do not provide more specific details on the definition of "domestic products," including clarifications on inputs and handling IT products.
3/26/15	Reform Plan for Further Improving Standardization Work	State Council	Lays out goals for reform to China's standards system, as well as specific tasks to take place over the next five years in three phases: 2015-2016, 2017-2018, and 2019-2020. The plan streamlines current standards into four categories, with clearer definitions of the type of standards that fall into each category and a required "clean-up" of existing standards to adjust to the new definitions.	Moderate: Includes positive transparency-related language saying that all mandatory national standards must be made available to the public. However, the plan also calls for coordination of standard-setting activities with efforts to promote Chinese companies "going out" and promoting Chinese brands.

9/28/13	Opinions on Promoting the Development of Healthcare Services	State Council	Opens investment to private capital and promotes market-based pricing in the healthcare industry.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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 healthcare sector, expands the supply of medical services, improves the efficiency of medical services, and promotes development of medical services and orderly competition of the healthcare sector.	Limited: 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.	Limited: Scope only applies to small businesses, impact limited on MNCs.
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.	Limited: 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.	Limited: 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 for small and micro-sized enterprises 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.

2/3/15	Notices on Implementing the "Three Mutuals" to Promote Significant Customs Clearance Reforms	State Council	Aims to build an integrated customs clearance system built on the "three mutuals" – mutual information exchange between customs and related ministries, mutually recognized regulations across regions, and mutual aid for law enforcement activities.	<u>Limited</u> : A streamlined port management system would be welcomed by foreign companies, but the notice does not give specifics for implementation. The notice is aspirational in nature.
3/11/15	Administrative Measures for Food Recalls	CFDA	Regulates food safety production stoppages and recalls, and supervision of recalls on unsafe food.	<u>Limited</u> : Significant impact for a specific sector, with roughly six months to prepare for compliance – effective date starting September 1, 2015.
3/30/15	Announcement of Customs Clearance Integration Reform in the Silk Road Economic Belt	GAC	Indicates that GAC will start integrated customs clearance procedures across nine provinces along the Silk Road Economic Belt starting May 1. The enterprises in these regions may choose to go through the process of customs declaration, tax payment, and goods examination in the place where the business operators are registered, or where the goods actually enter and exit China.	<u>Limited</u> : Positive integration of and streamlining of customs work, but likely targeted at Chinese companies hoping to take advantage of China's international economic development policy. Geographic scope also limited.
3/30/15	Announcement of Customs Clearance Integration Reform in Northeast China	GAC	Indicates that four provinces in northeast China will collaborate on customs clearance procedures starting May 1. All imported and exported goods from companies within the regions will enjoy simplified procedures through a regional integrated clearance system, which will require only one customs declaration.	<u>Limited</u> : Positive integration of and streamlining of customs work, but likely targeted at Chinese companies hoping to take advantage of China's international economic development policy. Geographic scope also limited.
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.	<u>None</u> : 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.
1/14/15	Notice on Raising the Minimum Standard for Basic Pensions under the National Basic Pension Insurance for Urban and Rural Residents	MOHRSS, MOF	Raises the minimum standard for contribution to basic pensions to RMB 70 (\$11.29) per person per month from the original standard of RMB 55 (\$8.87) per person per month.	<u>None</u> : No new impact on foreign companies.

3/12/15	State Council Approval for Setting up the Cross-Border E-commerce Pilot Zone in Hangzhou	State Council	Establishes Hangzhou as the first pilot zone in China for cross-border e-commerce. The zone will be used to test technical standards and business processes for cross-border payment, logistics, customs, and tax rebates pertaining to e-commerce.	None: The pilot zone is still in the planning stage and awaits follow-up details from the Zhejiang provincial government. It is unclear how this zone will benefit foreign companies – since foreign companies often do not have the ability to conduct this type of operation in China given the licensing requirements for e-commerce and e-payments, this appears to benefit only domestic companies.
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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.
12/29/14	Notice on Expanding Shanghai FTZ to Other Areas in Shanghai	Shanghai Municipal Government	Expands the Shanghai FTZ outside its original territory to include the Lujiazui Financial District, the Jinqiao Development Zone, and the Zhangjiang Hi-tech Zone.	<u>Limited</u> : A positive step at introducing Shanghai FTZ reforms more broadly, but the geographic scope remains limited – and as the scope of reforms in the Shanghai FTZ has yet to represent significant progress on core market access issues, the impact remains limited.

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, expands the opening up of service sectors, and temporarily adjusts 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.
04/20/15	Notice on Special Administrative Measures for Foreign Investment Access in Free Trade Zones (Negative List)	State Council General Office	Revises China's list of industries off-limits to foreign investment in its four free trade zones. The list does provide additional clarity on 49 industries where foreign companies are not allowed to compete, including banking and natural gas development. The 2015 negative list adds more specific definitions of the restricted industry sectors not included in the 2014 list, helping provide clarity for foreign investors in areas where investment is discouraged.	Moderate: The revisions mirror – but further solidify – a number of existing and approved revisions to national investment catalogues and a proposed new investment law. While this negative list does not break significant new ground, it does cement incremental improvements in several market sectors.

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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : 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.	<u>Limited</u> : The new negative list contains only a limited number of substantive reductions on issues that matter to foreign companies.
2/12/15	Provisional Implementing Details for Prudent Macroeconomic Management of Separate Accounting Services for Overseas Financing and Cross-Border Capital Flows in the China (Shanghai) Free Trade Zone	PBOC	Allows companies within the Shanghai FTZ to raise financing both domestically and from overseas by utilizing special Shanghai FTZ-related bank accounts.	<u>Limited</u> : Positive movement towards allowing companies freer management and better access to capital, regardless of its origin. Geographic scope is limited to Shanghai FTZ.

4/20/15	Plan for Promoting Further Reform and Opening in the China (Shanghai) Free Trade Zone	State Council	Identifies 25 concrete tasks and measures for Shanghai FTZ administrative authorities to better manage investment in the zone, including promoting reform in the foreign investment management system, improving the efficiency of customs management, and improving legal protections.	<u>Limited:</u> While developments in the free trade zones continue to be of interest to foreign companies, this work plan is very high-level and lacks specific details on how the 25 tasks will be achieved. This plan does not address the concerns with the lack of substantive openings in the free trade zone negative list.
4/20/15	Notice of the Overall Plan for the China (Fujian) Free Trade Zone	State Council	Calls for the Fujian FTZ to take the lead in developing free trade with Taiwan, and identifies 16 priority tasks for development of the Fujian FTZ—including promoting openness in the financial sector and improving investment ties with Taiwan in regards to telecom, transportation services, and engineering technology services.	<u>Limited:</u> While developments in the free trade zones continue to be of interest to foreign companies, this work plan is very high-level and lacks specific details on how the 16 tasks will be completed. This plan does not address the concerns with the lack of substantive openings in the free trade zone negative list. The focus of the Fujian FTZ is slotted to promote attracting "foreign" investment from Taiwan, similar to Guangdong province's free trade agreement with Taiwan.
4/20/15	Notice of the Overall Plan for the China (Tianjin) Free Trade Zone	State Council	Calls for the Tianjin FTZ to set an example for development of the greater Beijing-Tianjin-Hebei region, and identifies 16 high-level priority tasks for development of the Tianjin FTZ. These tasks include lowering investment access barriers, strengthening international trade service ability, and improving government efficiency in administrative management.	<u>Limited:</u> While developments in the free trade zones continue to be of interest to foreign companies, this work plan is very high-level and lacks specific details on how the 16 tasks will be completed. This plan does not address the concerns with the lack of substantive openings in the free trade zone negative list.

4/20/15	Notice of the Overall Plan for the China (Guangdong) Free Trade Zone	State Council	Identifies 15 high-level priority tasks for development in the Guangdong FTZ. These tasks include strengthening international shipping services, and leading economic transformation in the Pearl River Delta region. The plan also has a stated target of deepening cooperation with Hong Kong and Macau.	Limited: While developments in the free trade zones continue to be of interest to foreign companies, this work plan is very high-level and lacks specific details on how the 16 tasks will be completed. This plan does not address the concerns with the lack of substantive openings in the free trade zone negative list.
4/22/15	Notice on Launching Foreign Currency Services for Free Trade Accounts	PBOC Shanghai	Announces that financial institutions in Shanghai that have free trade zone bank accounts can engage in foreign currency services such as collecting deposits in foreign currencies, originating foreign currency loans, and using foreign currency to make payments directly through their free trade zone account. It also aims to reduce financing costs by allowing companies to raise capital in foreign currency and leave that currency in their free trade zone RMB bank account instead of exchanging it into RMB.	Limited: Represents a step in liberalizing capital controls for companies that have qualified free trade zone bank accounts, but the rules are limited in scope to a small subset of companies providing a small subset of services.
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.
04/20/15	Pilot Measures for National Security Reviews of Foreign Investment in the Free Trade Zones	State Council General Office	Establishes a mechanism to monitor foreign investment in “sensitive” sectors in the free trade zones. The new model follows the review mechanism outlined in the draft foreign investment law released in early 2015. The measures outline sectors subject to review, agencies responsible for the reviews, procedures for the review, and what factors will be considered in a review.	Negative: The measures increase transparency in a sensitive area but raise a number of concerns for foreign companies, due to a broad scope of review and windows for inputs from third parties, and the lack of an appeals process to allow for reconsideration.

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.
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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 capital 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.	<u>Moderate</u> : 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.	<u>Limited</u> : 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.
1/30/15	Organization Code Fee Exemption for Small- and Micro-Sized Enterprises (SMEs) in the Shanghai FTZ	Shanghai Government	Exempts SMEs in the Shanghai FTZ from a RMB 120 (\$19.35) handling fee for organization code certification.	<u>Limited</u> : Likely aimed at supporting domestic companies, with limited impact for small foreign companies that do business 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 (includes 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.

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
NHFPC	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