



Global Financial Markets

WINSTON & STRAWN

Global Financial Markets Spotlight – People’s Republic of China (PRC)
Summary of Measures Implemented by the PRC Government
(as of January 6, 2009)

	<u>Date</u>	<u>Measures</u>	<u>Description</u>	<u>Qualified Institutions</u>	<u>Deadlines</u>	<u>Sources of Further Information</u>
Government Statements at the Highest Level						
1.	October 17, 2008	State Council, Analyzing the Current Economic Situation	<p>Noted that the current turmoil in the global financial markets had affected the Chinese economy and emphasized that it was crucial to issue specific financial, tax, credit, and foreign trade policies/measures to maintain stable and rapid economic growth.</p> <p>(1) Strengthen favorable agriculture policies. (2) Promote the development of small and medium enterprises (“SMEs”). (3) Maintain the steady growth of imports and exports by increasing rebate for labor-intensive and high-technology value added exports. (4) Strengthen financial supervision and prevent financial risks. (5) Encourage home purchases.</p>	N/A	N/A	Official Web site of the Central People’s Government

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2.	November 5, 2008	State Council, 10 Measures for Increasing Domestic Demand and Increasing Economic Growth	<p>10 measures are as follows:</p> <p>(1) Accelerate construction of housing projects for low-income urban residents.</p> <p>(2) Accelerate infrastructure construction in rural areas.</p> <p>(3) Accelerate construction of railways, highways, airports, and other major infrastructure.</p> <p>(4) Accelerate health, culture, and education development.</p> <p>(5) Enhance the environment.</p> <p>(6) Speed up innovation and structural adjustment.</p> <p>(7) Speed up the reconstruction of the earthquake-stricken areas.</p> <p>(8) Improve the income of urban and rural residents</p> <p>(9) Implement value-added tax (VAT) reform, encourage technological reform, and reduce the burden on companies.</p> <p>(10) Increase financial support for economic growth. It is preliminary estimated that 4 trillion yuan (more than USD580 billion) are needed for the implementation of the above projects by the end of 2010.</p>	N/A	N/A	Official Web site of the Central People’s Government
3.	November 10, 2008	State Council, Implementation of VAT Tax Reform	The meeting promulgated amendments to VAT regulations, consumption tax regulations, and business tax regulations.	N/A	Effective from January 1, 2009	
4.	November 12, 2008	State Council, Four Implementing Measures to Implement the Strategy of Increasing Domestic Demand and Promoting Stable Economic Growth	<p>(1) Approved and examined certain fixed assets investment projects.</p> <p>(2) Decided to increase export rebate rate and adjust the export tariff for some products.</p> <p>(3) Determined the specific plans for post-earthquake central reconstruction funds.</p>	N/A	N/A	Official Web site of the Central People’s Government

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5.	November 28, 2008	Circular of the State Council on the Nationwide Promotion of the Household Appliances to the Countryside	<p>The State Council decided to promote the policy of “household appliances to the countryside” throughout China to stimulate domestic consumption.</p> <p>(1) The policy will be effective in 14 provinces from December 1, 2008 and in the other 22 provinces from February 1, 2009.</p> <p>(2) In relation to sales of designated models of certain household appliances: color TVs, refrigerators, washing machines and mobile phones, a subsidy of 13% of their sales price will be provided to distributors participating in the program (determined by tender).</p>	Distributors participating in the program	December 1, 2008 and February 1, 2009 respectively.	http://www.mof.gov.cn/caizhengbuzhuzhan/zhengwuxinxi/zhengcefabu/200812/t20081205_95028.htm
6.	December 4, 2008	Several Opinions of the Supreme Court on the Provision of Judicial Guarantees and Legal Services in Order to Safeguard the National Financial Safety and Comprehensive Economic Development	Six measures issued by the Supreme People’s Court directing the lower courts to safeguard national financial safety. The measures stress provisions of previously existing law.	Lower courts	N/A	http://www.chinacourt.org/public/detail.php?id=334066
7.	January 3, 2009	The State Council, Two Plans are Being Formulated to Cope with the Financial Crisis	The first is to issue detailed and specific measures relating to the Ten Measures introduced in 2008, the second is to reconstruct and revitalize ten significant industries. Plans for the steel and automobile industry have been completed.			http://news.xinhuanet.com/fortune/2009-01/03/content_10595619.htm

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Measures Announced at a Ministerial Level

Measures Directed at Individuals: Residential Real Estate, Initiatives for First-Time Home Buyers

8.	October 22, 2008	Ministry of Finance, Reduction of Taxes in Housing Transactions	(1) Deed tax temporarily reduced to 1% for individuals who purchase moderate housing for the first time. (2) Stamp duty is temporarily waived for individuals selling and purchasing housing. (3) Land VAT is temporarily waived for individuals selling housing.	Individuals	Effective from November 1, 2008	http://cfi.net.cn/p20081101000473.html
9.	October 22, 2008	People’s Bank of China (PBOC), Notice with Regard to the Minimum Down Payment for First-Time Home Buyers	Minimum down payment for first time home buyers who purchase ordinary or upgraded housing is reduced to 20%.	Individuals	Effective from October 27, 2008	http://cfi.net.cn/p20081101000473.html

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Measures Directed at Individuals						
10.	October 26, 2008	Ministry of Finance and the State Administration of Foreign Exchange of PRC (<i>SAFE</i>) Circular with Regard to Policies on the Personal Income Tax for Individual Investors	The personal income tax on interest coming from the stock exchange settlement funds for individual investors in stock markets is waived.	Individuals	Effective from October 9, 2008	Official Web site of State Administration of Taxation http://www.chinatax.gov.cn/n480462/n480513/n480902/8185787.html
11.	October 9, 2008	Ministry of Finance and the State Administration of Taxation	Personal income tax on interest on savings deposits is temporarily waived.	All citizens	Effective from October 9, 2008	http://szs.mof.gov.cn/shuizhengsi/shengwuxinxi/zhengcefabu/200810/t2008100980990.html
Measures Directed at Financial Institutions						
12.	October 16, 2008	SAFE, Circular Regarding Chinese-Invested Financial Institutions and their Foreign Exchange Balance Sheets	SAFE now requires Chinese-invested financial institutions to report their foreign exchange balance sheets monthly.	Chinese-invested financial institutions	From late October 2008	
13.	November 17, 2008	CBRC, Eight Measures to Maintain Financial Stability	CBRC will take eight measures to maintain financial stability, among them: (1) Improve evaluation of bank credit policy and to limit loans to industries with overcapacity. (2) Improve risk notification for large banks, joint-stock banks, and foreign banks. (3) Investigate foreign-invested banks to assess risk exposure of those foreign banks heavily affected by the financial crisis.	N/A	N/A	China Banking Association

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			(4) Establish emergency liquidity plans; CBRC and other authorities should adopt some measures to aid foreign banks encountering heavy liquidity pressure.			
14.	November 17, 2008	PBOC, Six Measures to Increase Financial Support	The measures include the following: (1) Draft response plan to maintain steady economic growth and cope with the uncertain impact of financial crisis. (2) Ensure sufficient liquidity of the financial system and to provide timely support to financial institutions. (3) Strengthen the supervision and analysis of the international economic and financial situation and capital flows.	N/A	N/A	The official Web site of PBOC. http://www.pbc.gov.cn/detail.asp?col=100&id=2924
15.	November 24, 2008	Notice of Ministry of Finance Regarding the Implementation of the Tasks of Expanding Domestic Demand, Promoting Economic Growth, and Strengthening Financial Supervision	An urgent circular was issued to deal with the adverse effect of the international financial crisis on China’s economic development, which includes strengthening management liability and the supervision of investment of state funds (per the program of November 5, 2008). Financial bureaus at all levels must make sure the funds are invested in suitable projects and according to the <i>“Circular of the NDRC and Ministry of Finance on the Urgent Implementation of the Central Government’s New 100 billion Yuan’s Investment Project Program.”</i>	Local financial authorities	N/A	
16.	December 1, 2008	Guidance Opinion of CBRC on the Establishment of Franchise Organization of Financial Services for Small Businesses	To prevent large-scale bankruptcies and unemployment and help small businesses to overcome difficulties, CBRC issued the <i>“Guidance Opinion for Banks on the Establishment of Franchise Organization of Financial Services for Small Businesses”</i> (hereinafter <i>“Guidance Opinion”</i>) in order to better support the development of small businesses. [The background is that the state-owned banks have generally lent to state-owned enterprises	Bank regulatory bureaus at all levels, state policy banks, state-owned commercial banks, and joint-stock commercial banks		Official Web site of CBRC

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			<p>and small private business have found it difficult to obtain bank loans and have had to resort to “underground banks.]</p> <p>The CBRC opinion includes the following:</p> <p>(1) Banks can establish small business financial services franchise organizations (hereinafter Small business finance centers) to provide credit services to small businesses. The SME finance centers will be separately licensed and should include “small business” in their names.”</p> <p>(2) The business scope of the small business finance centers is limited to certain credit services : various types of loans, trade financing, discounting, loan commitments, letter of credit, bill acceptance, etc.</p> <p>(3) The small business finance centers must have effective loan approval systems.</p> <p>(4) The small business finance centers should have independent profit and cost mechanisms.</p>			
17.	December 11, 2008	Opinion of PBOC on the Work of Financial Services for Farmland Water Conservancy Construction Projects	Simplify loan verification procedures and appropriately extend the term of loans for farmland and water conservancy construction and other agricultural infrastructure projects.	Financial Institutions in Banking Industry	December 11, 2008	http://www.pbc.gov.cn/detail.asp?col=340&ID=730

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Measures Directed at Businesses Other Than Financial Institutions						
18.	November 13, 2008	Tariff Commission	China will cancel and reduce the scope and rate of export tariff on over 100 products.	Exporting Enterprises	From December 1, 2008	
19.	November 17, 2008	Human Resource and Social Security Ministry of PRC	According to the current economic situation and actual situation in enterprises, adjustment of the minimum salary standard will be postponed.	All enterprises	N/A	
20.	November 17, 2008	NDRC and the Ministry of Finance	100 administrative charges will be cancelled or stopped.	Individuals and enterprises	From January 1, 2009	http://news.xinhuanet.com/fortune/2008-11/14/content_10359754.htm
21.	November 26, 2008	Central Finance Issued 20 Billion Yuan’s Post-Earthquake Reconstruction Fund Budget of 2009 in Advance	In accordance with the task of the State Council on further expanding domestic demand to promote stable economic growth, the central finance authorities issued post-disaster reconstruction fund budget of 20 billion yuan to three provinces (Sichuan, Gansu, and Shaanxi) in advance in order to speed up urban housing, schools, hospitals, cultural, ecological environment, industrial, and agricultural production.	Three provinces (Sichuan, Gansu and Shaanxi)	N/A	Official web site of Ministry of Finance http://www.mof.gov.cn/caizhengbuzhuzhan/zhengwuxinxi/caizhengxinwen/200811/t20081126_92550.html
22.	November 26, 2008	Beijing Introduced Policies to Encourage Enterprises to Recruit the Unemployed	To cope with the international financial crisis, Beijing introduced preferential policies for re-employment. Employers can enjoy the social security and salary subsidies up to 10,000 yuan per annum provided by the government for every unemployed person they hire. It is reported that Beijing has increased unemployment subsidies, enterprises can enjoy a maximum 10,000 yuan of subsidies if employing five types of people for more than 3 years. The five	Beijing	N/A	Ministry of Human Resources and Social Security of PRC

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			categories of persons include women over 40 years of age and men over 50 years of age registered in the urban unemployed, disabled person with moderate to severe injury, zero-employment families, etc.			
23.	December 3, 2008	Shanghai Issued Six Measures to Stabilize the Employment Situation	<p>Given the effect of international financial crisis on the employment situation in Shanghai, the Shanghai Human Resources and Social Securities Bureau issued six measures, including:</p> <p>(1) Analyze employment by companies and monitor employment stability in small and medium enterprises.</p> <p>(2) Work to improve employment opportunities by creating ventures.</p> <p>(3) Actively implement employment assistance to people in difficulties.</p>	Shanghai province	N/A	
24.	December 4, 2008	Guangdong Province Issued Eight Measures to Help Migrant Workers to Secure Employment	<p>The eight measures include:</p> <p>Establish and improve the monitoring system for the employment of migrant workers; encourage migrant workers to start their own businesses or return home to start their own business; further improve the social security system for farm workers, etc.</p>	Guangdong province		
25.	December 4, 2008	Jilin Province Built the Reporting System to Monitor the People Becoming Unemployed and the Returned Migrant Workers (Beijing has issued a similar notice)	Starting from December 2008, for enterprises in Jilin province that lay off more than 20 employees or more than 10% of the total number of employees at one time are required to report to the relevant labor authority; also, the labor authorities need to monitor the employment status of local migrant workers who work outside the region, as well as the returned migrant workers.	Jilin province		http://www.mohrss.gov.cn/mohrss/Desktop.aspx?path=mohrss/mohrss/InfoView&gid=49ac962c-a003-4ee3-b208-bee0a487138b&tid=Cms_Info

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26.	December 15, 2008	20 Measures were Issued by Shanghai Customs	20 measures include custom supervision, tax collection management, enterprise management to help enterprises through the financial crisis.	Foreign Trade Enterprises	December 15, 2008	http://news.stockstar.com/info/Darticle.aspx?id=SS,20081215,30334585&columnid=1221
27.	December 19, 2008	Ministry of Commerce, Ministry of Foreign Affairs, Ministry of Public Security and Ministry of Justice Jointly Issued a Guidance on Cross-Boarder Litigation and Claims for Chasing the Foreign Entities Leaving China without Properly Settling its Debts.	The cases in which foreign invested enterprises (“FIEs”) are closed down improperly or foreign investors simply walk away from their investments are increasing during the current financial crisis. This guidance was issued to provide legal support to affected Chinese parties in pursuing the liability of foreign investors leaving China without properly settling their debts.	Foreign Invested Enterprises	December 19, 2008	http://www.gov.cn/gzdt/2008-12/20/content_1183152.htm
28.	January 1, 2009	Ministry of Industry and Information Technology of PRC, Circular on Alleviating the Current Difficulties in Production and Operation of Small and Medium-sized Enterprise (“SMEs”) and Maintaining their Stable Development	<ul style="list-style-type: none"> •Increase the size of loans to SMEs, simplify loan procedures, and help those SMEs having export strength go through the difficulty. •Help and guide SMEs to expand their markets. •Take effective measures to actively coordinate with relevant departments to strengthen the guidance and services for SMEs. Except those SMEs which must be closed down in accordance with national industrial policies, all possible efforts need to be made to prevent the closure and bankruptcy of SMEs. 	All local economic and trade bureaus; mall and medium-sized enterprise bureau; certain local development and reform commission; Hainan Industrial Economy and Information Technology bureau	January 1, 2009	http://www.gov.cn/gzdt/2009-01/05/content_1196256.htm
29.	January 1, 2009	Four Major Commercial Banks in China Should Continue Implement their Relaxed Monetary Policy. The New Policy of 30% Discount on Interest Rate of Unrepaid	China Construction Bank, Industrial and Commercial Bank, Bank of China, and Agricultural Bank issued new measures on interest rate of unrepaid mortgage loans.	Qualified parties	January 1, 2009.	http://finance.qq.com/a/20090104/000038.htm

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		Mortgage Loans for Certain Qualified Parties	Qualified parties can apply for 30% discount on the interest rate for unrepaid mortgage loans. Detailed rules vary for different banks.			
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