

PRC Anti-money Laundering Law 3600/06.10.31

(Promulgated on October 31 2006 and effective as of January 1 2007.)

PRC President's Order (No.56 of the 10th NPC)

PART ONE: GENERAL PROVISIONS

Article 1: This Law has been formulated in order to prevent money laundering activities, safeguard the financial order and inhibit the crime of money laundering and related criminal offences.

Article 2: For the purposes of this Law, the term "anti-money laundering" refers to the act of taking relevant measures in accordance herewith with the aim of preventing money laundering activities involving the use of various means to cover up or conceal the origin and nature of criminal proceeds and benefits derived from narcotics-related crime, gang-type organized crime, crime of terrorism, crime of smuggling, crimes of misappropriation of public property and bribery, crime of undermining financial management order, crime of financial fraud and other crimes.

Article 3: Financial institutions established in the People's Republic of China, and specific non-financial institutions that have an anti-money laundering obligation in accordance with provisions, shall take preventive and monitoring measures in accordance with the law, establish sound systems for authenticating the identities of customers, preserving customer identity information and transaction records and reporting large and suspicious transactions, and perform their anti-money laundering obligations.

Article 4: The State Council's department in charge of anti-money laundering is responsible for the oversight of anti-money laundering activities nationwide. The relevant departments and organizations of the State Council shall perform their duties of overseeing anti-money laundering activities within their respective purviews.

The State Council's department in charge of anti-money laundering, the relevant departments and organizations of the State Council and the judicial authorities shall mutually cooperate in anti-money laundering work.

Article 5: Customer identity information and transaction information obtained when performing anti-money laundering duties or obligations in accordance

with the law shall be kept confidential. Unless required by law, such information may not be offered to any work unit or individual.

Customer identity information and transaction information obtained in the course of performing its anti-money laundering duties by a department in charge of anti-money laundering or other department or organization with a duty to oversee anti-money laundering activities according to law may only be used in administrative anti-money laundering investigations.

Customer identity information and transaction information obtained by a judicial authority in accordance herewith may only be used in anti-money laundering criminal procedures.

Article 6: When an organization performing its anti-money laundering obligations or its working personnel submits reports on large and suspicious transactions in accordance with the law, it/they shall be protected by law.

Article 7: Any work unit or individual that discovers money laundering activities shall have the right to report the same to the department in charge of anti-money laundering or public security authority, and the authority that receives such report shall maintain the confidentiality of the identity of the person who made the report and the contents of his/her report.

PART TWO: ANTI-MONEY LAUNDERING OVERSIGHT

Article 8: The State Council's department in charge of anti-money laundering will organize and coordinate anti-money laundering activities nationwide, be responsible for monitoring funds in connection with anti-money laundering work, formulate anti-money laundering rules and regulations for financial institutions itself or in concert with the relevant finance regulatory organization of the State Council, monitor and inspect financial institutions' performance of anti-money laundering obligations, investigate suspicious transaction activities within its purview and perform other anti-money laundering related duties specified in laws or by the State Council.

The agencies of the State Council's department in charge of anti-money laundering shall monitor and inspect, within the scope authorized by the State Council's department in charge of anti-money laundering, financial institutions' performance of anti-money laundering obligations.

Article 9: The relevant finance regulatory organization of the State Council shall be involved in the formulation of the anti-money laundering rules and regulations for the financial institutions that they regulate, make known to the financial institutions that they regulate their requirements in respect of the establishment of sound internal anti-money laundering control systems in

accordance with provisions and perform other anti-money laundering related duties specified in laws or by the State Council.

Article 10: The State Council's department in charge of anti-money laundering will establish an anti-money laundering information centre responsible for accepting and analyzing reports on large and suspicious transactions, reporting its analytical findings to the State Council's department in charge of anti-money laundering in accordance with regulations and performing other duties specified by the State Council's department in charge of anti-money laundering.

Article 11: The State Council's department in charge of anti-money laundering may, in performing its duty of monitoring funds in connection with anti-money laundering work, obtain necessary information from relevant departments and organizations of the State Council, which information such departments and organizations shall provide.

The State Council's department in charge of anti-money laundering shall report on anti-money laundering work to the relevant departments and organizations of the State Council on a regular basis.

Article 12: If Customs discovers an individual bringing or taking cash or bearer negotiable securities exceeding the specified amount into or out of the country, it shall report the same to the department in charge of anti-money laundering in a timely manner.

The amounts requiring reporting as specified in the preceding paragraph shall be specified by the State Council's department in charge of anti-money laundering in concert with the General Administration of Customs.

Article 13: If the department in charge of anti-money laundering or other department or organization with a duty to oversee anti-money laundering activities according to law uncovers transaction activities suspected of involving money laundering crime, it shall promptly report the same to the investigative authority.

Article 14: When the relevant finance regulatory organization of the State Council examines the establishment of a new financial institution or the establishment of a (sub-)branch by a financial institution for approval purposes, it shall review the new institution's plans for its internal anti-money laundering control systems. It shall not grant approval for establishment applications that do not comply herewith.

PART THREE: ANTI- MONEY LAUNDERING OBLIGATIONS OF FINANCIAL INSTITUTIONS

Article 15: A financial institution shall establish sound internal anti-money laundering control systems in accordance herewith, and its person in charge shall be responsible for the effective implementation of such systems.

A financial institution shall establish a dedicated anti-money laundering department or designate an internal organization responsible for anti-money laundering work.

Article 16: A financial institution shall, in accordance with provisions, establish a system for authenticating the identities of customers.

When establishing a business relationship with a customer, or providing the customer a one-time financial service, such as a cash remittance, cash conversion, cashing of a note, etc., that is above the specified amount, a financial institution shall require the customer to present a true and valid proof of identity or other identification document, and shall verify and record the same.

If another person is handling a matter on behalf of a customer, the financial institution shall verify and record the proof of identity or other identification document of both the agent and the principal.

When establishing a personal insurance, trust or other such business relationship with a customer, and the beneficiary under the contract is not the customer himself/herself, the financial institution shall additionally verify and record the proof of identity or other identification document of the beneficiary.

A financial institution may not provide services to, or conduct transactions with, customers whose identity is unknown, or open anonymous or fake name accounts for them.

If a financial institution has suspicions as to the truthfulness, validity or completeness of the identity information previously obtained from a customer, it shall authenticate such customer's identity anew.

Whenever a work unit or individual establishes a business relationship with a financial institution or requests that a financial institution provide it/him/her a one-time service, it/he/she shall provide a true and valid proof of identity or other identification document.

Article 17: If a financial institution authenticates the identity of a customer through a third party, it shall ensure that the third party has taken measures to authenticate the identity of the customer that satisfy the requirements hereof. If the third party failed to adopt measures to authenticate the identity of the customer that satisfy the requirements hereof, the financial institution shall

bear the liability for failing to perform its obligation of authenticating the customer's identity.

Article 18: When authenticating the identity of a customer, if a financial institution deems it necessary, it may verify the relevant identity information of such customer with the public security, industry and commerce, or other such department.

Article 19: A financial institution shall, in accordance with provisions, establish a system to preserve the identity information and transaction records of customers.

If a change in the identity information of a customer occurs while the business relationship with such customer persists, the customer's identity information shall be updated in a timely manner.

Customer identity information and customer transaction information shall be preserved for a minimum of five years after the conclusion of the business relationship or completion of the transaction, respectively.

When a financial institution goes bankrupt and is dissolved, its customer identity information and customer transaction information shall be transferred to the institution designated by the relevant department of the State Council.

Article 20: A financial institution shall implement a large and suspicious transaction reporting system in accordance with provisions.

If a single transaction or the aggregate of transactions carried out within a specified period of time handled by a financial institution exceed(s) the specified amount, or if the financial institution discovers suspicious transactions, it shall report the same to the anti-money laundering information center in a timely manner.

Article 21: The specific measures for the establishment of a customer identity authentication system and a customer identity information and transaction record preservation system by financial institutions shall be formulated by the State Council's department in charge of anti-money laundering in concert with the relevant finance regulatory organization of the State Council. The specific measures for the reporting of large and suspicious transactions by financial institutions shall be formulated by the State Council's department in charge of anti-money laundering.

Article 22: A financial institution shall carry out anti-money laundering training and publicity in accordance with the requirements of the anti-money laundering prevention and monitoring system.

PART FOUR: ANTI-MONEY LAUNDERING INVESTIGATIONS

Article 23: If the State Council's department in charge of anti-money laundering or a provincial agency at the first level thereof discovers suspicious transaction activities and needs to investigate and verify the same, it may investigate relevant financial institutions. The financial institutions shall cooperate with such investigation and duly provide relevant documents and information.

When an investigation of suspicious transaction activities is conducted, there may not be less than two investigators, and they shall present their lawful credentials and the investigation warrant issued by the State Council's department in charge of anti-money laundering or the provincial agency at the first level thereof. If there are less than two investigators or if they fail to present their lawful credentials and the investigation warrant, the financial institution shall have the right to refuse the investigation.

Article 24: When suspicious transaction activities are being investigated, relevant personnel of the financial institution may be questioned and required to give explanations of relevant circumstances.

A written record shall be made of the interview and given to the person questioned for review. The person questioned may request that any omissions or errors in the record be supplemented or corrected. Once the person questioned has confirmed the record to be error free, he/she shall sign or stamp the same. The investigators shall also sign such record.

Article 25: If, during an investigation, further verification is required, with the approval of the person in charge of the State Council's department in charge of anti-money laundering or the provincial level agency thereof, the account information, transaction records and other relevant information of the target of the investigation may be reviewed and copies taken thereof; and documents and information that could be removed, hidden, altered or destroyed may be placed under seal.

When investigators place documents and information under seal, they shall review and count such documents and information together with the working personnel of the financial institution who are present and draw up a list thereof in two copies on the spot. After each copy has been signed or stamped by the investigators and the working personnel of the financial institution who are present, one copy shall be given to the financial institution and one copy shall be placed on file for future reference.

Article 26: If the suspicion of money laundering remains after the investigation, the case shall be reported to the competent investigative authority promptly. If

the customer asks to transfer overseas the funds in the account involved in the investigation, with the approval of the person in charge of the State Council's department in charge of anti-money laundering, measures may be taken to temporarily freeze such funds.

The investigative authority shall promptly decide whether or not to continue the freeze on the funds temporarily frozen pursuant to the preceding paragraph once it receives the case. If it deems it necessary to continue the freeze, it shall take freezing measures in accordance with the Criminal Procedure Law. If it deems it unnecessary to continue the freeze, it shall notify the State Council's department in charge of anti-money laundering immediately, which shall promptly notify the financial institution to lift the freeze.

A temporary freeze may not exceed 48 hours. If, within 48 hours after imposing the temporary freeze measures at the request of the State Council's department in charge of anti-money laundering, the financial institution has not received notice from the investigative authority to continue the freeze, it shall promptly lift such freeze.

PART FIVE: INTERNATIONAL ANTI-MONEY LAUNDERING COOPERATION

Article 27: The People's Republic of China shall participate in international anti-money laundering cooperation in accordance with the international treaties that it has concluded or acceded to, or in accordance with the principle of reciprocity.

Article 28: The State Council's department in charge of anti-money laundering shall, as authorized by the State Council, represent the Chinese government in anti-money laundering cooperation with foreign governments and international organizations and exchange anti-money laundering related information and data with overseas anti-money laundering authorities in accordance with the law.

Article 29: Judicial authorities shall handle requests for judicial assistance in pursuing money laundering crimes in accordance with relevant laws.

PART SIX: LEGAL LIABILITY

Article 30: If a member of the personnel involved in anti-money laundering work of a department in charge of anti-money laundering or other department or organization with a duty to oversee anti-money laundering work according to law commits any of the acts set forth below, he/she shall be subjected to administrative penalties in accordance with the law:

(1) he/she violates provisions when conducting an inspection or investigation or when taking temporary freezing measures;

(2) he/she divulges state secrets, trade secrets or an individual's private information learned in the course of anti-money laundering work;

(3) he/she violates provisions when imposing administrative penalties on relevant institutions and personnel; or

(4) he/she otherwise fails to perform his/her duties in accordance with the law.

Article 31: If a financial institution commits any of the acts set forth below, the State Council's department in charge of anti-money laundering or its authorized agency at the first level or higher of the relevant city that is divided into districts shall order it to rectify the matter within a specified time limit; if the circumstances are serious, it shall recommend to the relevant finance regulatory organization that it order, in accordance with the law, the financial institution to impose disciplinary sanctions on the directors and senior management personnel directly responsible and other directly responsible persons:

(1) it fails to establish an internal anti-money laundering control system in accordance with provisions;

(2) it fails to establish a dedicated anti-money laundering organization or designate an internal organization with responsibility for anti-money laundering work in accordance with provisions; or

(3) it fails to give its employees anti-money laundering training in accordance with provisions.

Article 32: If a financial institution commits any of the acts set forth below, the State Council's department in charge of anti-money laundering or its authorized agency at the first level or higher of the relevant city that is divided into districts shall order it to rectify the matter within a specified time limit. If the circumstances are serious, it shall impose a fine between Rmb200,000 (inclusive) and Rmb500,000, and fine the directors and senior management personnel directly responsible and other directly responsible persons between Rmb10,000 (inclusive) and Rmb50,000:

(1) it fails to perform its obligation of authenticating the identity of customers in accordance with provisions;

(2) it fails to preserve customer identity information and transaction records in accordance with provisions;

(3) it fails to submit reports on large or suspicious transactions in accordance with regulations;

(4) it conducts transactions with customers whose identity is unknown or opens anonymous or fake name accounts for them;

(5) it violates confidentiality provisions by divulging relevant information;

(6) it refuses or interferes with an anti-money laundering inspection or investigation; or

(7) it refuses to provide materials for an investigation or deliberately provides fraudulent materials.

If a financial institution commits any of the foregoing acts, causing money laundering consequences, it shall be fined between Rmb500,000 (inclusive) and Rmb5 million and its directors and senior management personnel directly responsible and other directly responsible persons shall be fined between Rmb50,000 (inclusive) and Rmb500,000. If the circumstances are especially serious, the department in charge of anti-money laundering may recommend to the relevant finance regulatory organization that it order a suspension of business for rectification or revoke the financial institution's business permit.

If a financial institution is characterized by the circumstances specified in the preceding two paragraphs, the department in charge of anti-money laundering may recommend to the relevant finance regulatory organization that it order, in accordance with the law, the financial institution to subject the directors and senior management personnel directly responsible and other directly responsible persons to disciplinary sanctions or recommend the revocation in accordance with the law of their professional qualifications and the imposition of a ban prohibiting them from working in the relevant financial profession.

Article 33: If a criminal offence is established from a violation of this Law, criminal liability shall be pursued in accordance with the law.

PART SEVEN: SUPPLEMENTARY PROVISIONS

Article 34: For the purposes of this Law, the term "financial institutions" means policy banks, commercial banks, credit cooperatives, postal savings institutions, trust and investment corporations, securities companies, futures brokerages and insurance companies established in accordance with the law and engaged in finance business, as well as other institutions engaged in finance business as determined and published by the State Council's department in charge of anti-money laundering.

Article 35: The scope of specific non-financial institutions that have anti-money laundering obligations, and the specific measures governing the performance of their anti-money laundering obligations and the oversight thereof will be formulated by the State Council's department in charge of anti-money laundering in concert with the relevant departments of the State Council.

Article 36: This Law shall govern the monitoring of funds suspected of being destined for use in terrorist activities, unless otherwise specified in other laws, in which case such laws shall prevail.

Article 37: This Law shall be effective as of January 1 2007.