

Foreign Exchange Administrative Measures Governing Overseas Direct Investment by Domestic Institutions (For August)

July 13th, 2009

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In order to encourage and regulate the overseas investment by domestic institutions, the State Administration of Foreign Exchange (SAFE) has issued the provisions, which will be effective on August 1st, 2009.

The main points of the provisions are as follows :

- The provisions expand the sources of foreign exchange by means of adding foreign exchange obtained in PRC, currency loans, payments in kind, intangible assets and others approved by SAFE for overseas investment.
- Institutions can keep the profits obtained from investments abroad for further direct investment or remit them back to China. For the latter way, institutions have an option to keep them in currency accounts or convert into RMB.
- Domestic transfer of shares in overseas investments should be operated in RMB.

Provisions will allow foreign exchange management for foreign direct investment in a more standardized and systematic manner, in favor of domestic institutions grasping the opportunity to improve the efficiency of foreign direct investment. At the same time, these new regulations are also conducive to improve the statistical monitoring and promoting China's basic balance of international payments.