

Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions

Order of the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, and China Insurance Regulatory Commission

(No. 2 [2007])

In accordance with the "Law of the People's Republic of China on Anti-money Laundering" and other relevant legal provisions, the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission formulated the "Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions", which are hereby promulgated, and shall come into force August 1, 2007.

Zhou Xiaochuan, president of PBOC

Liu Mingkang, chairman of CBRC

Shang Fulin, chairman of CSRC

Wu Dingfu, chairman of CIRC

June 21, 2007

Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions

Chapter I General Provisions

Article 1 The present Measures are formulated in accordance with the “Law of the People’s Republic of China on Anti-money Laundering” as well as other laws and administrative regulations for the purpose of preventing money laundering and terrorist financing activities, regulating the client identity identification and client materials and transaction recording of financial institutions, and maintaining financial order.

Article 2 The present Measures shall apply to the following financial institutions lawfully established within the territory of the People’s Republic of China:

- (1) Policy banks, commercial banks, rural cooperative banks, urban credit cooperatives, and rural credit cooperatives.
- (2) Securities companies, futures companies, and fund management companies.
- (3) Insurance companies and insurance asset management companies.
- (4) Trust companies, financial asset management companies, finance companies, financial lease companies, automobile financing companies, and monetary brokerage companies. And
- (5) Other financial institutions determined and promulgated by the People’s Bank of China.

The present Measures shall apply to the institutions that are engaged in remittance business, payment and settlement business, or fund sale business when they perform the obligations of client identity identification or client materials and transaction recording.

Article 3 A financial institution shall be diligent and conscientious, establish, improve and implement the client identity identification system, comply with the principle of “knowing your customer”, take corresponding measures toward the clients, business relations or transactions with different money laundering or terrorist financing risk features, know about the clients, their transaction purposes and the transaction natures, as well as know about the natural persons who actually controls clients and the actual beneficiaries of transactions.

A financial institution shall, according to the principles of safety, accuracy, entirety and confidentiality, appropriately preserve client identity materials and transaction records, guarantee that each transaction be reflected, so as to provide information needed in identifying clients’ identities, monitoring and analyzing transactions, investigating

suspicious transaction activities and money laundering cases.

Article 4 A financial institution shall, according to the legal provisions on anti-money laundering and anti-terrorist financing, establish and improve internal working rules in respect of client identity identification, client materials and transaction recording, designate special persons to take charge of the compliance management of anti-money laundering and anti-terrorist financing, reasonably design the work flow and operation norms, make internal audits at regular intervals, evaluate whether the internal operation rules are sound and effective, timely amend and improve relevant bylaws.

Article 5 A financial institution shall supervise and administer its branches' implementation of the client identity identification system and the client materials and transaction recording system.

The headquarters and group headquarters of a financial institution shall make uniform requirements on the work of client identity identification and the work of client materials and transaction recording.

A financial institution shall require each of its overseas branches and subsidiaries to, within the scope permitted by the laws of the country (region) where the branch or subsidiary is stationed, implement the relevant requirements of the present Measures. If the country (region) where the branch or subsidiary is stationed has stricter requirements, the said provisions shall prevail. If the requirements of the present Measures are stricter than the relevant provisions of the country (region) where the branch or subsidiary is stationed, but the laws there prohibit or restrict the overseas branch or subsidiary from implementing the present Measures, the financial institution shall report it to the People's Bank of China.

Article 6 A financial institution shall, when establishing an agent bank relationship or any other similar business relationship with an overseas financial institution, fully collect relevant information on the overseas financial institution's business, prestige, internal control, and acceptance of supervision, etc., evaluate the overseas financial institution's acceptance of anti-money laundering supervision as well as the soundness and effectiveness of its measures on anti-money laundering and anti-terrorist financing, and specify the duties of itself and the overseas financial institution in respect of client identity identification or client materials and transaction recording in writing.

A financial institution shall get approval from the board of directors or other senior management staff if establishing an agency bank relation or any other similar business relation with an overseas financial institution.

Chapter II Client Identity Identification System

Article 7 Where a financial institution such as a policy bank, a commercial bank, a rural cooperative bank, an urban credit cooperative, or a rural credit cooperatives, etc., or an institution engaged in remittance business establishes a business relationship with a client who opens an account in the institution, or provides a client who has not opened an account in the institution with one-off financial services such as cash remittance, cash exchange, negotiable instrument cashing, etc., and the single sum of transaction amounts to 10,000 Yuan or more or to an equivalent value of USD 1,000 or more in a foreign currency, it shall identify the client's identity, get information about the natural person who actually controls the client and the actual beneficiary of the transaction, check the client's valid identity certificate or other identity certification document, register the client's basic identity information, and preserve a photocopy of the valid identity certificate or other identity certification document.

If the client is a foreign political leader, the financial institution shall get approval from the senior management staff when opening an account for him.

Article 8 Where a financial institution such as a commercial bank, a rural cooperative bank, an urban credit cooperative or a rural credit cooperative, etc. handles a single sum of cash depositing or drawing business for a client who is a natural person, with the amount at 50,000 Yuan or more or at an equivalent value of USD 10,000 or more in a foreign currency, it shall check the client's valid identity certificate or other identity certification document.

Article 9 A financial institution shall, when providing safety deposit box services, have good knowledge about the actual user of the safety deposit box.

Article 10 A financial institution such as a policy bank, a commercial bank, a rural cooperative bank, an urban credit cooperative or a rural credit cooperative, etc. or an institution engaged in the remittance business shall, when remitting funds abroad for a client, register the information such as the remitter's name, account number and domicile as well as the payee's name and domicile, etc., preserve the aforesaid information on the remittance vouchers or in the relevant information system, and provide the overseas remittance recipient institution with the information including the remitter's name, account number and domicile. If the remitter has not yet opened an account in the financial institution, and thus the financial institution is unable to register the remitter's account number, the financial institution may register the overseas remittance recipient institution and provide it with other relevant information, so as to guarantee that the audit of the sum of transaction may be followed up. If the overseas payee's domicile is unclear, the financial institution may register the name of the locality of the overseas remittance recipient institution.

A financial institution that receives remittance from abroad shall, if finding the remitter's name, account number or domicile is missing, require the overseas institution to make it up. If the remitter has not yet opened an account in the overseas institution handling the remittance business, and thus the domestic remittance recipient financial institution is

unable to register the remitter's account number, it may register other relevant information so as to guarantee that the audit of the sum of transaction may be followed up. If the overseas remitter's domicile is unclear, the domestic financial institution may register the name of the locality where the funds are remitted out.

Article 11 A securities company, futures company, fund management company or any other institution engaged in fund sale business shall, when handling the following businesses, identify the client's identity, gain knowledge about the natural person who actually controls the client and the actual beneficiary of the transaction, check the client's valid identity certificate or other identity certification document, register the client's basic identity information, and preserve a photocopy of the valid identity certificate or other identity certification document:

- (1) Opening, canceling or modifying a fund account, or handling deposit or withdrawal of funds.
- (2) Opening a fund account.
- (3) Undertaking the opening, report of loss of, or cancellation of a securities account, or the application for, report of loss of, or cancellation of a futures client transaction code.
- (4) Concluding a futures brokerage contract with a client.
- (5) Handling or canceling authorization for a client.
- (6) Handling custody transfer, designating a transaction, or canceling a designated transaction.
- (7) Undertaking confirmation of shares.
- (8) Handling the report of loss of a transaction password.
- (9) Amending the client's basic identity information, etc.
- (10) Starting to use on-line transaction, telephone transaction or other non-on-counter transaction methods.
- (11) Concluding a credit transaction contract on financing or securities lending, etc. with a client. And
- (12) Handling other business as determined by the People's Bank of China or China Securities Regulatory Commission.

Article 12 With respect to a property insurance contract under which the insurance premium amounts to 10,000 Yuan or more or to an equivalent value of USD 1,000 or more in a foreign currency and is paid in cash, a life insurance contract under which the

insurance premium of a single insured amounts to 20,000 Yuan or more or to an equivalent value of USD 2,000 or more in a foreign currency and is paid in cash, or an insurance contract under which the insurance premium amounts to 200,000 Yuan or more or to an equivalent value of USD 20,000 or more in a foreign currency and is paid by way of account transfer, the insurance company shall, when concluding the insurance contract, confirm the relationship between the policy holder and the insured, check the valid identity certificate or other identity certification document of the designated beneficiary other than the policy holder, the insured and statutory successors of the life insurance, register the basic identity information of the designated beneficiary other than the policy holder, the insured and the statutory successors, and preserve a photocopy of the valid identity certificate or other identity certification document.

Article 13 If, when a client applies for rescinding an insurance contract, the refunded insurance premium or the cash value of the returned insurance policy amounts to 10,000 Yuan or more or to an equivalent value of USD 1,000 or more in a foreign currency, the insurance company shall require the applicant to show the original copy of the insurance contract or insurance voucher, check the applicant's valid identity certificate or other identity certification document, and confirm the applicant's identity.

Article 14 If, when an insured or beneficiary requests the insurance company to compensate or pay the insurance money, the amount is 10,000 Yuan or more or an equivalent value of USD 1,000 or more in a foreign currency, the insurance company shall check the valid identity certificate or other identity certification document of the insured or beneficiary, confirm the relationships between the insured, the beneficiary and the policy holder, register the basic identity information of the insured and the beneficiary, and preserve photocopies of the valid identity certificate or other identity certification document.

Article 15 A trust company shall, when establishing a trusteeship, check the trustor's valid identity certificate or other identity certification document, gain knowledge about the sources of the trust property, register the basic identity information of the trustor and the beneficiary, and preserve a photocopy of the trustor's valid identity certificate or other identity certification document.

Article 16 A financial asset management company, finance company, financial lease company, automobile financing company, currency brokerage company, insurance asset management company or any other financial institution determined by the People's Bank of China shall, when concluding a financial business contract with a client, check the client's valid identity certificate or other identity certification document, register the client's basic identity information, and preserve a photocopy of the valid identity certificate or other identity certification document.

Article 17 A financial institution shall, when providing clients with non-on-counter services by making use of telephone, network, automatic teller machine or by other means, apply strict identity certification measures, adopt corresponding technical guarantee means,

intensify internal management procedures, and identify the clients' identities.

Article 18 A financial institution shall classify risk grades according to the characters of clients or the attributes of accounts, and in view of such factors as territory, business, industry, and whether the clients are foreign political leaders. It shall also, on the basis of continuing attention, adjust the risk grade at proper times. On equal conditions, the risk grade of the clients coming from the countries (regions) with weak supervision over anti-money laundering and anti-terrorist financing shall be higher than that of the clients coming from other countries (regions).

A financial institution shall, according to the risk grade of the clients or accounts, check its basic client information at regular intervals. The check of the clients or accounts at higher risk grades shall be stricter than those at lower risk grades. The financial institution's clients or accounts at the highest risk grade shall be checked at least once every half a year.

A financial institution's risk classification standards shall be submitted to the People's Bank of China.

Article 19 During the existence of the business relation with a client, a financial institution shall take continuing client identity identification measures, pay attention to the client, his daily business activities and financial transactions, and timely remind the client to update information.

With respect to a high-risk client or high-risk account holder, a financial institution shall have good knowledge about the information on his fund sources, fund uses, economic conditions or business conditions, etc., strengthen its monitoring and analysis of the financial transaction activity. If the client is a foreign political leader, the financial institution shall take reasonable measures to know about his fund sources and uses.

Where the identity certificate or identity certification document submitted by a client before has exceeded the valid term, and the client has not, within a reasonable time, renewed it or put forward any reasonable explanation, the financial institution shall suspend handling the said transaction for the client.

Article 20 A financial institution shall confirm, in a reasonable method, the existence of the agency relationship if any, and shall, when taking client identity identification measures against the principal according to relevant requirements of the present Measures, check his valid identity certificate or identity certification document, and register his name, way of contact, and the type and number of his identity certificate or identity certification document.

Article 21 Where a financial institution other than trust companies knows or ought to know that the client's funds or property belongs to trust property, it shall identify the identities of the parties to the trusteeship, register the names and ways of contact of the trustor and

the beneficiary.

Article 22 In case any of the following circumstances arises, the financial institution concerned shall re-identify the client:

(1) The client requests to modify its name, type of identity certificate or identity certification document, identity certificate number, registered capital, scope of business, legal representative or person-in-charge.

(2) The client's acts or the transaction is abnormal.

(3) The client's name is identical to the name of the criminal suspect, money laundering offender or financing terrorist to whom the relevant department or institution of the State Council or the judicial organ lawfully requires the financial institution to assist in investigation or to pay attention.

(4) The client is suspected to have committed any money laundering or terrorist financing activity.

(5) The client information obtained by the financial institution is inconsistent with or contradictory to the relevant previously grasped information.

(6) The authenticity, validity or entirety of the previously obtained client identity materials is doubtful. And

(7) Other circumstances under which the financial institution believes that the client's identity shall be re-identified.

Article 23 A financial institution may, in addition to checking the valid identity certificate or other identity certification document, take the following one or several measures, identify or re-identify the client's identity:

(1) Requiring the client to supplement other identity materials or identity certification documents.

(2) Paying a return visit to the client.

(3) Paying on-site visits.

(4) Verifying the facts by inquiring the public security organ or the industrial and commercial administration. And

(5) Other measures which may be taken according to law.

Where a banking financial institution needs to, when performing the obligation of client identity identification, check the relevant natural person's resident identity card according

to laws, administrative regulations or departmental rules, it shall do so through the on-line citizens' identity information check system built up by the People's Bank of China. A financial institution of other type may, when checking a natural person's citizen identity information, do so through the on-line citizens' identity information check system built up by the People's Bank of China.

Article 24 A financial institution shall, when entrusting another financial institution to sell financial products to clients, specify in the entrustment agreement both parties' duties in respect of identifying clients' identities, provide necessary assistances to each other, and take effective client identity identification measures accordingly.

When the following conditions are met, the financial institution may rely on the client identity identification result provided by the financial institution that sells financial products, and needs no longer repeat the completed client identity identification procedures, but shall still bear the liabilities for failing to perform the obligation of client identity identification:

- (1) The client identity identification measures taken by the financial institution selling financial products meet the requirements of anti-money laundering laws and administrative regulations as well as the present Measures.
- (2) The financial institution is able to effectively obtain and preserve the client identity materials information.

Article 25 Where a financial institution entrusts a non-financial-institution third party to identify clients' identities, it shall meet the following requirements:

- (1) It can prove that the third party has taken necessary measures for preservation of client identity identification and identity materials according to the anti-money laundering laws and administrative regulations as well as the present Measures.
- (2) There is no legal or technical barrier for the third party to provide the financial institution with client information.
- (3) The financial institution is able to, when handling the business, immediately obtain the client information obtained by the third party, and may, when necessary, obtain the original copy and photocopy of the client's valid identity certificate or identity certification document from the third party.

Where the financial institution entrusts a third party to identify the client's identity on its behalf, it shall bear the liabilities for failing to perform the obligation of client identity identification.

Article 26 A financial institution shall, when performing the obligation of client identity identification, report the following suspicious acts to China Anti-Money Laundering

Monitoring and Analyzing Center and the local branch of the People's Bank of China:

- (1) Any client refuses to provide a valid identity certificate or any other identity certification document.
- (2) After it requires the overseas institution that remits funds into China, it is still unable to entirely obtain the remitter's name, account number, domicile or other relevant substitutive information.
- (3) The client has no justifiable reason to refuse to update its basic information.
- (4) After taking necessary measures, it still doubts the authenticity, validity or entirety of the previously obtained client identity materials. And
- (5) Other suspicious acts found in its performance of the obligation of client identity identification.

Financial institutions shall report the above-mentioned suspicious acts with reference to the "Measures on the Administration of Financial Institutions' Report of Large-sum Transactions and Suspicious Transactions" (promulgated by the People's Bank of China by Order No. 2 [2006]) and relevant provisions.

Chapter III Client Materials and Transaction Recording

Article 27 The client identity materials which a financial institution ought to preserve shall include the various records and materials on the client's identity information as well as reflecting the financial institution's client identity identification work.

The transaction records which a financial institution ought to preserve shall include the data information, business vouchers and account books on each sum of transaction, as well as the contracts, business vouchers, documents, business letters and other materials as required by relevant provisions to reflect the true facts of the transaction.

Article 28 A financial institution shall take necessary management measures and technical measures to prevent client identity materials and transaction records from being lost or damaged, and to prevent clients' identity information and transaction information from being divulged.

A financial institution shall take effective and feasible measures to preserve client identity materials and transaction records, so as to facilitate anti-money laundering investigation, supervision and administration.

Article 29 A financial institution shall preserve client identity materials and transaction records according to the following terms:

(1) The client identity materials shall be preserved for at least 5 years as of the year when the business relationship was ended or the year when the one-off transaction was recorded on the account.

(2) The transaction records shall be preserved for at least 5 years as of the year when the transaction was recorded on the account.

Where any client identity materials or transaction records are involved in a suspicious transaction activity under an anti-money laundering investigation, and the anti-money laundering investigation work has not yet been finished at the expiry of the minimum preservation term prescribed in the preceding paragraph, the financial institution shall preserve them until the anti-money laundering investigation work has been finished.

Where there are client identity materials or transaction records of different preservation terms on the same medium, they shall be preserved for the longest term. If the same group of client identity materials or transaction records are preserved on different media, the client identity materials or transaction records shall at least be preserved on one medium in light of the aforesaid requirements on the preservation term.

Where any law, administrative regulation or other rule requires a longer preservation term on the client identity materials or transaction records, such a requirement shall be abided by.

Article 30 When a financial institution goes bankrupt or dissolved, it shall hand over the client identity materials and transaction records to the institution designated by China Banking Regulatory Commission, China Securities Regulatory Commission or China Insurance Regulatory Commission.

Chapter IV Legal Liabilities

Article 31 Where a financial institution violates the present Measures, the People's Bank of China shall give penalties in accordance with Articles 31 and 32 of the "Law of the People's Republic of China on Anti-money Laundering"; and shall, if it so requires, propose to China Banking Regulatory Commission, China Securities Regulatory Commission or China Insurance Regulatory Commission to take the following measures:

(1) Ordering the financial institution to stop business for rectification, or revoking its business permit.

(2) Disqualifying the director or senior manager directly in charge of the financial institution and other persons held directly liable, and prohibiting them from being engaged

in relevant work in the financial industry.

(3) Ordering the financial institution to give disciplinary sanctions upon the director or senior manager directly in charge and other persons held directly liable.

Where a county (city) sub-branch of the People's Bank of China finds any financial institution violates the present Measures, it shall report it to the PBOC's branch at the next higher level, and the branch at the next higher level shall give penalties or propose suggestions according to the preceding paragraph.

Chapter V Supplementary Provisions

Article 32 When an insurance company handles re-insurance business and performs the obligation of client identity identification, the present Measures shall not apply.

Article 33 The following terms in the present Measures shall be defined as follows:

The “basic identity information” of a natural person client shall include the client’s name, gender, nationality, occupation, domicile, or address of his employer, the way of contact, the type, number and valid term of his identity certificate or identity certification document. If the client’s domicile is inconsistent with his habitual abode, the client’s habitual abode shall be registered.

The “basic identity information” of a client who is a legal person, other organization or individual industrial and commercial household shall include the name, domicile, scope of business, organizational code, and tax registration certificate number; the name, number and valid term of the license, certificate or document which may prove that the client is lawfully established or lawfully carries out the business operation or social activities; the names of the controlling shareholder or actual controller, legal representative, person-in-charge and authorized working persons, the types, numbers and valid terms of their identity certificates or identity certification documents.

Article 34 The power and responsibility to interpret the present Measures shall remain with the People's Bank of China jointly with China Banking Regulatory Commission, China Securities Regulatory Commission, and China Insurance Regulatory Commission.

Article 35 The present Measures shall come into force on August 1, 2007.