Anti-Money Laundering Law of the People's Republic of China

Adopted at the 24th Session of the Standing Committee of the 10th National People's Congress on 31 October 2006

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Chapter I General Principles

Article 1. This law is formulated to prevent money laundering activities, safeguard financial order, and check on money laundering crimes and related crimes.

Article 2. Anti-money laundering mentioned in this law refers to acts of taking related measures in line with the provisions of this law to prevent the laundering of money through various means or in disguised forms that are earned through drug trafficking, organized crimes of mafia nature, crimes of terrorism nature, smuggling crimes, crimes of corruption and bribery, crimes of harming the order of financial administration, crimes of financial fraud, and others.

Article 3. Financial institutions set up inside the People's Republic of China and specific non-financial institutions that are requested to perform obligations of anti-money laundering shall take precaution and monitoring measures according to law, develop and improve the system for client identity identification, system to keep the materials of client identity and trading record, and system to report large amount trading and suspicious trading, and implement their duties of anti-money laundering.

Article 4. The anti-money laundering authority under the State Council is responsible for the supervision and administration of nationwide anti-money laundering, and the related departments and institutions of the State Council shall perform duties of anti-money laundering within their respective administrative spheres.

The anti-money laundering authority under the State Council, related departments and institutions of the State Council, and judicial authorities shall provide cooperation to each other in their anti-money laundering endeavours.

Article 5. Documents of client identity and trading information obtained as a result of performing anti-money laundering duties or functions according to law shall be kept confidential, and not be provided to any unit or individual unless specified by law.

The anti-money laundering authority under the State Council and other departments and agencies bearing anti-money laundering duties according to law shall only use the documents of client identity and trading information obtained as a result of performing anti-money laundering duties or functions according to law for the purpose of anti-money laundering purposes.

Documents of client identity and trading information obtained by judicial authorities according to this law can only be used for criminal lawsuits of anti-money laundering.

Article 6. Institutions and their staff performing the obligations of anti-money laundering by submitting reports of large transactions and suspicious transactions according to law shall be protected by law.

Article 7. Any unit or individual knowing the existence of money laundering activities has the right to report to the anti-money laundering administration or administration of public security. Agencies receiving such reports shall keep information about the informant and the content of the report confidential.

Chapter II Supervision and Administration of Anti-money Laundering

Article 8. The anti-money laundering authority under the State Council is responsible for the organisation and coordination of the anti-money laundering work of the country, capital monitoring for the purpose of anti-money laundering, drafting individually or collectively with the related financial regulatory agencies of the State Council rules governing the anti-money laundering of financial institutions, supervising and inspecting the performance of duties of anti-money laundering of financial institutions, investigating suspicious trading activities within its administrative jurisdiction, and performing other duties regarding anti-money laundering as specified in laws and the regulations of the State Council.

The agencies dispatched by the anti-money laundering authority under the State Council shall conduct supervision and inspection over the performance of duties of anti-money laundering by financial institutions within the scope authorised by the anti-money laundering authority under the State Council.

Article 9. The related financial regulatory agencies of the State Council shall participate in the drafting of anti-money laundering rules for financial institutions that are under their supervision and regulation, put forward requirements to financial institutions under their administration for developing and improving an internal control system for anti-money laundering per related regulations, and perform other duties on anti-money laundering as

specified in laws or the regulations of the State Council.

Article 10. The anti-money laundering authority under the State Council shall set up an anti-money laundering information centre, responsible for receiving and analysing reports of large transactions and suspicious transactions, reporting to the anti-money laundering authority under the State Council the result of analysis per regulations, and performing other duties as specified by the anti-money laundering authority under the State Council.

Article 11. The anti-money laundering authority under the State Council may obtain necessary information from related departments and agencies of the State Council for the purpose of implementing duties of monitoring capital for anti-money laundering, and the related departments and agencies of the State Council shall provide such information as requested.

The anti-money laundering authority under the State Council shall update the related departments and agencies of the State Council regarding the work of anti-money laundering regularly.

Article 12. When customs authorities discover that individuals are carrying with them cash or securities payable to bearers beyond the allowed amount, they shall report without undue delay to the anti-money laundering authorities.

The amount that triggers report as mentioned in the above mentioned paragraph shall be jointly specified by the anti-money laundering authority under the State Council and the Customs General Administration.

Article 13. Anti-money laundering authorities and other departments or agencies that are responsible according to law for the regulation and administration of anti-money laundering shall report promptly to the investigation authority.

Article 14. When the related financial regulatory agency of the State Council examines or approves the setup of a new financial institution or the setup of a branch of an existing financial institution, it shall examine the plan of the internal control system on anti-money laundering of the new institution or branch to be established. No approval shall be given to setup applications that do that conform with the requirements of this law.

Chapter III Anti-money Laundering Obligations of Financial Institutions

Article 15. Financial institutions shall, in line with the provisions of this law, develop and improve their internal control system regarding anti-money laundering, and the persons responsible for the financial institutions shall be held responsible for the effective implementation of the internal control system regarding anti-money laundering.

Financial institutions shall set up a special unit for anti-money laundering or appoint an internal unit to be responsible for anti-money laundering.

Article 16. Financial institutions shall develop a system for identification of client identities as requested.

Financial institutions shall request clients to produce authentic and valid personal identification certificates or other personal identification documents, conduct verification and registration when developing business relations with clients or provide one-off financial services to clients, including cash remittance, cash conversion, cashing of bills, and others, the value of which is above the specified amount.

In cases where a client entrusts others to handle on his or her behalf, the financial institutions shall conduct verification and registration of the personal identification certificate of the agent and the entrusting party or other personal identification documents.

In the case of developing life insurance, trust and other business relations with a client, and the beneficiary of the contract signed is not the client himself or herself, the financial institution shall conduct verification and registration of the ID or other personal identification documents of the beneficiary.

Financial institutions shall not provide services to or conduct transactions for clients the identity of whom is not clear. Nor shall they open an anonymous account or account with fake names for the client.

In cases where financial institutions have questions regarding the authenticity, validity or completeness of the ID of clients obtained previously, they shall re-run the identification of clients' ID.

Any unit or individual developing business relations with financial institutions or requesting financial institutions to provide one-off financial services shall provide authentic and valid ID or other identification documents.

Article 17. Financial institutions shall, in the case of identifying the ID of clients through a third party, ensure that the third party has taken measures to identify the ID of the client in conformity with the requirements of this law. In cases where the third party fails to adopt measures to identify the ID of the client in conformity with the requirements of this law, the financial institutions shall bear the liability of failing to perform the duties of I identification of clients.

Article 18. Financial institutions in the course of identifying the ID of clients may verify with the public security, administration of industry and commerce and other agencies regarding the related ID information of the clients in cases where they deem it necessary.

Article 19. Financial institutions shall develop a system to keep the information of client ID and trading records as requested.

During the existence of business relations, when changes have been made to the information of client ID, update shall be completed without delay.

Upon the completion of business relations, or conclusion of trading, the client ID information and the trading record shall be kept for at least five years.

When financial institutions go bankrupt and are dissolved, they shall transfer the information of client ID and trading record of clients to the agencies designated by the related department of the State Council.

Article 20. Financial institutions shall implement the system of reporting large amount trading and suspicious trading as requested.

In cases where the value of a single transaction or accumulated value of transactions within a specified period of time exceeds the specified amount or suspicious transactions are spotted by financial institutions, the financial institutions shall report to the information centre of the anti-money laundering without delay.

Article 21. Detailed measures regarding the development of the system for client ID identification and system to keep the materials of client identity and trading record by financial institutions shall be jointly formulated by the anti-money laundering authority under the State Council with the related financial regulatory agencies of the State Council. Detailed measures regarding the system to report large amount trading and suspicious trading by financial institutions shall be formulated by the anti-money laundering authority under the State Council.

Article 22. Financial institutions shall conduct anti-money laundering training and publicity in line with the requirements of prevention and monitoring of anti-money laundering.

Chapter IV Anti-money Laundering Investigation

Article 23. In cases where the anti-money laundering authority under the State Council or agencies dispatched by it to the provincial level discover suspicious trading and need to investigate for verification, they may ask financial institutions concerned for cooperation, which shall provide their cooperation as requested, and provide related documents and information according to the facts.

When investigating suspicious trading activities, there shall be no fewer than 2 investigators, who shall produce their lawful certificate and letter of notice for investigation issued by the anti-money laundering authority under the State Council or the provincial agency dispatched by it. In cases where there are fewer than 2 investigators

or the investigators fail to produce their lawful certificates and letter of notice for investigation, financial institutions have the right to reject such investigation.

Article 24. When investigating into suspicious trading activities, the investigators may consult related staff of the financial institutions and ask them to give explanations.

The inquiry shall be done in writing, which shall be presented to the persons that are being consulted for verification. In the case of omission or mistakes, the persons that are being consulted may ask for supplementation or correction. Upon verification, the persons that are consulted shall sign or stamp on the record, and the investigators shall sign on the record as well.

Article 25. In cases where further verification is needed in investigation, upon the approval by the persons responsible of the anti-money laundering authority under the State Council or agencies dispatched by it to the provincial level, the account information, trading record and other related information of the parties under investigation may be consulted or duplicated. Documents and information that are likely to be transferred, concealed, altered or damaged shall be sealed and kept safely.

In the case of sealing and keeping documents and information by investigators, the working staff of the financial institution involved shall be present, do the check-up together with the investigator, and prepare a list in duplicate, which shall be signed or stamped by the investigators and working staff of the financial institution present. One copy of the list shall be kept at the financial institution and the other one shall accompany the files for future reference.

Article 26. In cases where suspected money laundering can not be cleared through investigation, the investigators shall immediately file to the investigation authority that has corresponding jurisdiction. In cases where clients request to transfer capital from accounts that are involved in investigation, upon the approval of the persons responsible of the anti-money laundering authority under the State Council, temporary freezing measures regarding the accounts may be taken.

The investigation authority shall, upon receiving the report of the case, decide in a timely fashion whether or not to continue the temporary freezing of the accounts mentioned in the previous paragraph. In the case of the need to continue, the investigation authority shall take freezing measures according to the provisions of the criminal law. In cases where it does not deem it necessary, it shall immediately notify the anti-money laundering authority under the State Council, which shall immediately inform the financial institutions concerned to remove the freezing measures.

Temporary freezing shall not be longer than 48 hours. For financial institutions that have adopted temporary freezing measures as requested by the anti-money laundering authority under the State Council for 48 hours and have not received notice from the anti-money laundering authority under the State Council for continuing to do so, they shall immediately remove the freezing measures.

Chapter V International Cooperation for Anti-money Laundering

Article 27. The People's Republic of China conducts international cooperation on anti-money laundering according to the international treaty to which China is a signatory or participates, or according to the principles of equality and mutually beneficial.

Article 28. The anti-money laundering authority under the State Council shall, according to the mandate from the State Council, represent the Chinese government in the cooperation of anti-money laundering with foreign governments and related international organisations, and exchange information and materials with overseas anti-money laundering agencies regarding anti-money laundering according to law.

Article 29. In the case of request for judicial assistance for investigating into money laundering crimes, the judicial authorities shall be responsible for requesting such assistance according to the provisions of related laws.

Chapter VI Legal Liabilities

Article 30. In cases where the staff of the anti-money laundering authority and other departments and agencies that are responsible for regulating anti-money laundering are found to have committed any of the following acts, they shall be subject to administrative sanctions:

1. investigating, inspecting or taking temporary freezing measures in violation of regulations,

2. disclosing national or commercial secrets or personal privacy known to them in the course of anti-money laundering,

3. imposing administrative sanctions onto related institutions and individuals in violation of regulations,

4. other acts of violation of regulations.

Article 31. In cases where financial institutions are found to be guilty of any of the following acts, the anti-money laundering authority under the State Council or agencies dispatched by it to cities that have districts under their administration shall request the said financial institutions to rectify within a specified period of time. In cases where the violations are serious, recommendations will be given to the related financial regulatory

authorities for requesting the said financial institutions to impose disciplinary punishments to directors and senior managers that are directly responsible and other staff that are directly involved:

1. failing to set up an internal control system for anti-money laundering as requested,

2. failing to set up a special unit for anti-money laundering or appoint an internal unit to be responsible for anti-money laundering as requested,

3. failing to conduct anti-money laundering training for their employees.

Article 32. In cases where financial institutions are found to be guilty of any of the following acts, the anti-money laundering authority under the State Council or agencies dispatched by it to cities that have districts under their administration shall request the said financial institutions to rectify within a specified period of time. In cases where the wrongdoings are serious, a fine between RMB200,000 and RMB 500,000 shall be imposed, and the directors and senior managers that are directly responsible, and other working staff that are directly involved shall be imposed a fine between RMB10,000 and RMB50,000:

1. failing to implement the duties of client ID identification as requested,

2. failing to keep the client ID information and trading record as requested,

3. failing to report large amount trading or suspicious trading as requested,

4. conducting trading for clients whose ID are not clear or opening an anonymous account or account with fake names for clients,

5. disclosing related information in violation of the regulations on confidentiality,

6. refusing or hindering anti-money laundering investigation or inspections,

7. refusing to provide investigation materials or providing false documents intentionally.

In cases where the above mentioned acts by financial institutions have resulted in money laundering occurring, a fine between RMB500,000 and RMB5 million shall be imposed on the financial institutions and the directors and senior managers that are directly responsible, and other working staff that are directly involved will be fined between RMB50,000 and RMB500,000. In cases where the violation and consequences are serious, the anti-money laundering authority may recommend to the related financial regulatory bodies to request the financial institutions involved to stop business and undergo re-consolidation or suspend their licenses to conduct financial business.

For directors and senior managers that are directly responsible, and other working staff that are directly involved of financial institutions mentioned in the previous two

paragraphs, the anti-money laundering authority may recommend to the related financial regulatory bodies to request the financial institutions concerned to impose on them disciplinary punishments or recommend the cancellation of their post-assumption qualifications according to law, or prevent them from engaging in related financial business.

Article 33. Violations of the provisions of this law and constituting crimes shall be subject to criminal liability investigation according to law.

Chapter VII Supplementary Articles

Article 34. Financial institutions mentioned in this law refer to policy banks, commercial banks, credit cooperatives, postal savings agencies, trust and investment firms, securities companies, futures brokers, and insurance firms that are established according to law to conduct financial operations, as well as other institutions identified and published by the anti-money laundering authority under the State Council to conduct financial business.

Article 35. Detailed measures regarding the scope of specific non-financial institutions that are required to implement anti-money laundering duties, their implementation of obligations in anti-money laundering, and supervision and regulation, to which they are subject, shall be jointly drafted by the anti-money laundering authority under the State Council and other related departments of the State Council.

Article 36. This law shall be applicable to the monitoring of capital suspected to be involved in terrorism activities. In cases where other laws have such specific provisions, such provisions shall prevail.

Article 37. This law shall enter into force as of January 1, 2007.