



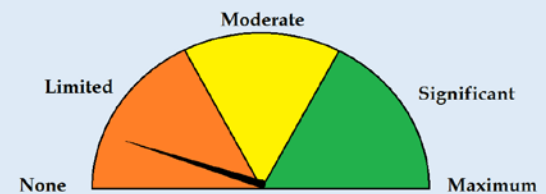
USCBC Economic Reform Scorecard

June 2014

Executive Summary

- President Xi Jinping assumed leadership in China in November 2012 as a strong proponent for a new wave of economic reforms.
- Top-line reform rhetoric has been consistently pro-reform since that date, but domestic debate continues over the specific scope, speed, and implementation of economic reform in China. In particular, significant questions remain about how economic reform will impact foreign company operations in China.
- USCBC is rolling out a Reform Scorecard to assess the actual impact of China's reforms on foreign company concerns. The scorecard is divided into categories based on key themes for reform, such as the role of the state and the market, foreign investment, institutional reform, and others. The report assesses the impact of reform policies, both individually and as a whole.
- In this first assessment, China's economic reform policies to date have had a limited impact on foreign company operations.
- USCBC will update this Reform Scorecard quarterly to assess new policy and regulatory developments, and the impact of reform implementation on foreign company operations in China. Key areas that could signal progress include revisions to China's foreign investment laws, future reductions in the SFTZ negative list, and stronger efforts to ease administrative approval burdens that impact foreign companies.

Impact of Economic Reform on Foreign Companies
(as of June 2014)



China remains in the midst of an active process of promoting and implementing economic reform. This process first began to advance in late 2011, more than a year before China's 2012-2013 leadership transition. That transition ultimately resulted in the ascension of Xi Jinping as president and the head of the Chinese Communist Party (CCP) and Li Keqiang as premier and head of China's powerful State Council. Xi came to power as a strong proponent of economic reform, fueling speculation about its scope, scale, and speed.

In 2013, government agencies began to release official regulations, statements, and editorials supporting reform goals and hinting at the evolving internal discussions about reform implementation. These releases covered an array of reform issues, including financial liberalization, the role of state-owned enterprises (SOEs) in the economy, administrative licensing, and tax reform. Two major developments reflecting this debate were:

- **September 2013:** The Shanghai government announced the launch of the China (Shanghai) Pilot Free Trade Zone (SFTZ), a pilot area for broader economic reforms in areas such as

investment approvals, trade facilitation, financial innovation, risk management, and administrative licensing.

- **November 2013:** The Third Plenum of the CCP's 18th Party Congress served as a platform for the broader reform agenda, through both high-level statements and a set of post-plenum documents that provided more detail on the direction of reform. These documents included key indicators of priorities, including setting a "decisive" role for the market in the economy, reforming China's tax and finance regime, and improving foreign investment. However, they gave few concrete details on how such objectives would be implemented.

Since 2011, USCBC has closely monitored developments related to the current wave of economic reform to track its progress and answer two specific questions:

- What tangible progress have Chinese government agencies made towards implementing economic reform?
- What impact will reforms have on US companies and their operations in China?

To answer these questions, USCBC has compiled a list of policy developments related to economic reform since the start of the Xi administration. Such policies are divided into key reform themes, such as the role of the state and the market, foreign investment, institutional reform, and others. Given the stated role of the SFTZ as the "test lab" for potential reforms nationwide, this report pulls out the specific policy announcements and changes that relate directly to the SFTZ into a separate appendix. The current assessment includes data from March 2013 through mid-May 2014.

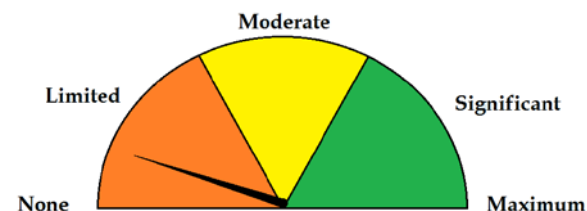
This report also aims to assess the impact on foreign company operations of China's reform efforts by rating both individual policies as well as an overall score for Chinese government's efforts to promote economic reform. In each case, an assessment is made specifically on how well the policy (or policies) addresses top foreign company concerns and the level of impact on foreign companies across sectors.

USCBC's overall assessment uses a three-color dashboard, rating China's reform policies as either limited, moderate, or significant based on their tangible impact on foreign companies.

USCBC also assesses the significance of each policy for foreign company operations in China, categorizing that impact into one of four categories: "significant impact" (marked as green in the list of policies) a "moderate impact" (orange), a "limited impact" (yellow), or "no impact" (red).

For more information about USCBC's methodology, see Appendix 1.

USCBC Assessment



Chinese government authorities have laid the groundwork for broad economic reforms with high-level reform plans. Yet few concrete policies have been finalized and released since then, and even fewer have made significant progress on foreign company issues. Many address minor operational issues, are limited to particular sectors, or are unclear as to whether they apply to foreign companies. While China's economic reform plans have the *potential* to promote reform in ways that address market access barriers and operational challenges of concern to foreign companies, these reforms have had only a limited impact to date.

Key areas to monitor for progress include revisions to China's foreign investment laws, future reductions in the SFTZ negative list, and stronger efforts to ease administrative approval burdens that impact foreign companies.

Appendix 1: Methodology

Researching and Compiling Policies

For the purposes of this report, USCBC compiled a database of policy developments and announcements related to economic reform. These policies include:

- National-level policies that direct and implement reforms in broad areas;
- National-level policies that promote reform in a specific priority area; and
- Policies related to the Shanghai Free Trade Zone (SFTZ), given that zone's importance as a mechanism to test and promote for economic reform.

This report does not attempt to include every policy change that has been made since China's March 2013 leadership transition. Instead, this report focuses on concrete policies that may have an impact on business operations and are either explicitly tied to economic reform goals or whose drafting is clearly spurred by the broader push for economic reform. This report also includes landmark reform documents such as the Third Plenum Decision that set clear, high-level direction for broad economic reforms, though the impact of these is assessed based both on their strategic significance and the implementing policies they have spurred. This report excludes other speeches and pronouncements made by Chinese leaders about *intended* reforms unless they include specific policy announcements, as such plans cannot and do not promote change until they are implemented.

USCBC's research is focused at the central government level for several reasons. First, reforms are being most directly driven by the central government leadership. Second, it is extremely challenging to track and assess policies released by governments at all levels, making it difficult to provide a comprehensive picture of implementation at that level. Thus, this report excludes reform policies by provincial and local governments are not included unless they have national implications, such as those related to the SFTZ.

To compile data for this report, USCBC staff conducted detailed reviews of relevant government webpages on a fixed schedule. USCBC also monitored other government websites, media sources, and a broad mix of information channels to identify concrete policies related to economic reform.

Assessing Individual Policies

Each policy was first categorized based on a preset list of key themes for reform, with some themes further tagged with specific subthemes.

USCBC used the following themes and subthemes to categorize policies:

- Overall Reform
- Foreign Investment
- Administrative Licensing and Approvals
- Institutional Reforms (*Subthemes: Reform-Related Agencies and Groups; Government Restructuring & Other Institutional Reforms*)
- Role of the State and the Market (*Subthemes: SOE Reform; Private Capital*)
- Financial Reforms (*Subthemes: Banking/Interest Rates; Exchange Rate/Foreign Exchange; Insurance; Securities*)
- Pricing Reform and Competition Policy (*Subthemes: Pricing Reforms; Competition Policy*)
- Rule of Law/Legal and Judicial Reform
- Taxation and Budget (*Subthemes: Taxation; Budget/Debt Issues*)
- Corruption, Bribery and Party Discipline
- Urban/Rural Issues (*Subthemes: Urbanization; Hukou/Household Registration Reform; Land Rights*)
- Other

Each policy was then assessed based on its impact on foreign company operations in China, with consideration given to the breadth of impact across industries, the geographic scope impacted by the policy, and the level of foreign company concern addressed. The policy impact is rated into one of four categories:

- **Significant** (marked in green): The policy has an impact on a wide variety of industries with foreign investment in China, and has the potential to have significant impact on companies' ability to operate in those sectors nationwide. For these policies, implementation is completed or seems likely. This category may also include State Council or National People's Congress directives that indicate a significant shift in policy direction across multiple areas of reform.
- **Moderate** (yellow): The policy has: (1) the potential to have an important impact on companies in a wide variety of industries with foreign investment in China, but there are significant questions about the speed or ability to implement; (2) a moderate impact on a wide variety of industries with foreign investment in China; or (3) a significant positive impact for companies in only one sector or a narrow range of sectors with foreign investment in China.
- **Limited** (orange): The policy has either: (1) a limited impact on one sector or a narrow range of sectors with foreign investment in China; or (2) only an indirect impact/benefit for foreign companies investing in China.
- **None** (red): The policy will have no clear direct or indirect impact for foreign companies.

The database includes a handful of broad policy documents that set high-level strategic direction for economic reform but do not implement those reforms, such as the November 2013 Decision on Major Issues Concerning Comprehensive and Far-Reaching Reforms. In these cases,

the assessment is made based on how well the scope of reform is relevant to top foreign company issues – but these policies are marked with specific text indicating that the impact of these policies is aspirational.

Providing an Overall Assessment

Based on an overall review of the importance and impact of individual policies, this reports assesses the Chinese government's overall efforts to promote meaningful reform based on how well they address top foreign company concerns.

USCBC's overall assessment uses a three-color dashboard, rating China's overall reforms as either limited, moderate, or significant based on the impact they have had on foreign companies. This rating is based on a consideration not only of the average rates of existing policies, but on an overall consideration of how broad and impactful these policies have been – not the average rates of policies in the database.

Appendix 2: Policy Announcements Related to Nationwide Economic Reform

I. Overall Reform

Date	Title	Agency/ Agencies	Summary	Impact
10/26/13	383 Plan	State Council Development Research Center	Promotes significant reforms to China's economy focused on reducing the role of the state and increasing the role of the market, reforming SOEs, promoting private participation in the market, streamlining administrative procedures, and other key areas.	Significant: Addresses broad areas of economic reform relevant to foreign companies, with some specific policy suggestions. To date, the impact is largely aspirational.
11/15/13	Decision on Major Issues Concerning Comprehensive and Far-Reaching Reforms	CCP	Outlines more than 300 reform priorities discussed during the Third Plenum, including the market's decisive role in the economy, streamlining administrative procedures, and promoting rule of law. Reforms are to be implemented by 2020.	Significant: Describes a litany of government reforms that will have a direct impact on foreign companies. Clearly sets an increased role for the market in the economy. To date, the impact is largely aspirational.
2/28/14	Second Meeting of Central Leading Group for Comprehensively Deepening Reform	State Council	Announces a series of policies pushing forward reforms introduced during the Third Plenum, including the Central Leading Group for Comprehensively Deepening Reform 2014 Work Priorities, the Opinions on the Legislative Work Requirements and Tasks Proposed by Third Plenum of 18th CCP Congress, and the Opinions and Implementation Program on Deepening the Reform of the Judicial System and the Social System.	Moderate: Sector coverage of these policies is broad, but implementation is in early stages. To date, the impact is largely aspirational.
5/24/13	Notice on Key Priorities in Deepening Economic Reforms	State Council	Sets key priorities for deepening economic reform in 2013, and assigns them to key agencies. Key areas include administrative licensing, taxation and budgeting, financial reform, investment, pricing, social security, and urbanization.	Limited: While the document laid out key areas of reform in 2013, implementation of those reforms was largely muted pending the release of broader reform related documents (such as the Decisions document following the Third Plenum).

II. Foreign Investment

Date	Title	Agency/ Agencies	Summary	Impact
9/23/13	Notice on Relevant Matters Regarding RMB Settlement of Foreign Investors Investing in Domestic Financial Institutions	PBOC	Allows foreign investors approved to invest in domestic financial institutions to use RMB for capital increases, mergers and acquisitions, equity transfer, distribution of profits, liquidation, and other activities.	Significant: Broadens the ability for foreign companies to directly use RMB to expand investments in China.
5/11/13	Regulations on the Administration of Foreign Exchange in Onshore Direct Investment by Foreign Investors	SAFE	Simplifies procedures and policies on foreign exchange for foreign direct investment, including registration, opening an account, payment, selling and purchasing of foreign exchange. The regulation also abolishes 24 existing foreign exchange administrative regulations.	Moderate: Streamlines relevant foreign-exchange related procedures for foreign companies in China, but only applies to SAFE rules and does not address broader barriers and delays that most concern foreign companies.
3/1/14	Administrative Provisions on Company Registered Capital Registration	SAIC	Brings SAIC's company registration rules in line with amendments to China's Company Law by eliminating minimum registered capital requirements, transitioning from a paid-in capital system to a subscribed capital system, and replacing the annual inspection system with an annual reporting system.	Moderate: Streamlines administrative processes, but with limited impact because the registration procedure for foreign companies is subject to separate set of MOFCOM rules for foreign invested enterprises.
3/27/13	Implementing Opinions on Further Developing Local Medical Institutions	Shanghai Municipal Health Bureau	Encourages foreign investment and pledges future reductions in investment barriers in healthcare services, including new medical institutions, high-level medical service centers, and underdeveloped healthcare services including elderly care, rehabilitation, mental health, pediatrics and obstetrics.	Limited: Discusses concrete investment openings in key areas, but does not fully realize any openings, and impact localized to Shanghai.
6/8/13	Modification to Regulations on Foreign Insurance Companies	CIRC	Revises regulations to allow foreign insurance companies to make capital contributions via RMB or other currencies, and allows foreign insurance companies to allocate working capital to their branches in China via RMB-denominated income.	Limited: Improves registered capital processes for insurance companies, but does not impact market access and limited to one sector.
5/15/14	Opinions on Promoting Foreign Trade	State Council	Encourages Chinese government agencies to increase multilateral trade and outbound investment, promote a free-floating RMB exchange mechanism and RMB settlement, strengthen trading competitiveness, and improve online and traditional trading platforms.	Limited: Contains positive language about liberalizing trade, but does not include specific policy measures.

5/2/13	Notice on RMB-Qualified Foreign Institutional Investors (RQFII) Issuing Securities in China	PBOC	Clarifies procedures and requirements for the RQFII registration process and responsibilities of regional PBOC offices to regulate pilots.	None: Makes minor process changes with limited impact on foreign companies.
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III. Administrative Licensing and Approval Reform

Date	Title	Agency/ Agencies	Summary	Impact
2/7/14	Notice on Registered Capital Registration System Reform	State Council	Reduces requirements for registering new businesses and simplifies registered capital procedures.	Significant: Reduces registered capital requirements and eases the incorporation process for domestic and foreign companies.
9/19/13	Notice Strictly Limiting New Administrative Licensing Procedures	State Council	Calls for agencies to limit the number of new administrative licensing procedures introduced.	Moderate: Broad potential impact on overall reform push to simplify administrative licensing procedures, but with few details to date.
12/2/13	Catalogue of Investment Projects Subject to Government Ratification (2013 revision)	State Council	Transitions numerous investment projects from the approval system to the record-filing system, and adopts a "negative list" approach designating investment projects that will still be subject to administrative approvals.	Moderate: Impacts companies across a range of sectors, and supports government efforts to shift towards a negative list approach in investment approvals. However, the impact is limited to NDRC approvals and does not affect other steps in the foreign investment approval process, such as MOFCOM or other agency reviews.
2/18/14	Decision on Cancelling and Decentralizing Several Administrative Approval Items (No. 5)	State Council	Cancels or decentralizes 64 administrative approval items and 18 sub-items related to business development such as enterprise establishment, production license, business scope and disposal of assets and capital.	Moderate: Eliminates approvals in a range of areas, including approvals related to foreign-invested banks and financial institutions.
3/25/14	Opinions on Further Optimizing the Market Environment for Enterprise Mergers and Reorganizations	State Council	Streamlines M&A approval procedures by addressing issues in examinations and approvals, financing, audits, and service and institutional mechanisms that serve as obstacles for reorganization.	Moderate: Marks progress for foreign companies in simplifying M&A approvals and increasing transparency, but questions remain as to how many foreign transactions can take advantage of streamlined procedures.

4/22/14	Circular on the Elimination of Non-Administrative Approval Items	State Council	Requires administrative agencies to review and eliminate non-administrative approval items.	Moderate: Requires agencies to review and eliminate these items, creating significant opportunities for administrative licensing reform. The notice does not, however, directly eliminate any administrative items.
5/15/13	Decision on Cancelling and Decentralizing Administrative Items by the State Council (No. 19)	State Council	Eliminates or decentralizes 104 administrative items, including administrative approvals, awards, and administrative fees in areas such as representative office registration, shipping, service outsourcing, and education appointments.	Limited: Addresses few items that concern foreign companies.
7/13/13	Decision on Removing 50 Administrative Approvals	State Council	Eliminates or decentralizes 50 administrative approval items, including those related to industries such as imported cosmetics, medical services, and film.	Limited: Eliminates a small number approval items that apply to foreign investments in a few specific areas.
7/24/13	Notice on the Release of Regulations on Foreign Exchange for Services Trade	SAFE	Shortens the approval process for cross-border services to ensure the healthy growth of the domestic service industry.	Limited: Relaxes requirements restricting domestic companies from depositing foreign exchange overseas.
8/2/13	Notice on Partially Cutting Administrative Fees	NDRC, MOF	Lowers administrative fees for a variety of approvals required by 14 ministries.	Limited: Marginally reduces administrative fees in certain areas, such as trademark application fees.
8/20/13	Notice Easing the Visa and Residency Process for Foreign Talent	MHRSS	Streamlines the visa and residency permit application process for qualified foreign talent working in China.	Limited: Streamlines the application process for foreign and domestic companies high-skilled employees from overseas, but this is not a huge issue for foreign companies.
9/27/13	Notice on CSRC Branch Agencies Administrative Penalty Work Rules	CSRC	Decentralizes administrative penalties and enforcement, granting 36 branches the authority to conduct enforcement activities.	Limited: Increased enforcement structures could impact foreign company operations in the sector, though the notice has no immediate impact on foreign companies.
10/24/13	Notices on Removing 314 Provincial-Level Administrative Fees	MOF, NDRC	Eliminates 314 administrative fees collected by local authorities.	Limited: Advances central government efforts to reduce administrative fees, but few of the fees impacted are among US companies' top concerns.
11/8/13	Decision on Cancelling and Decentralizing Several Administrative Approval Items (No. 44)	State Council	Cancels or decentralizes 82 administrative approval items in areas such as road transportation, accounting, and art imports.	Limited: Advances government reforms to streamline administrative approvals, but few of these decentralizations touch on top foreign company concerns.

11/15/13	Catalogue Decentralizing MEP Approval Authority Over Environmental Impact Assessment Documents	MEP	Decentralizes approval authority over a total of 25 projects, mainly infrastructure projects and projects with minor environmental impact, such as distributed gas-fired generation, urban rapid rail transportation, civil airport expansion, pump storage power station and other projects.	Limited: Streamlines approval for environmental and infrastructure projects, but impact is limited, and only for foreign companies interested in this sector.
1/13/14	Circular Implementing the Decision of the State Council on Eliminating and Delegating a Batch of Administrative Approval Items	SAT	Reduces administrative tax approval items and increases transparency requirements.	Limited: Small step forward in reducing administrative approval requirements, but does not address investment barriers that are of greatest concern to foreign companies.
11/14/13	Administrative Approval Rules for Domestic Commercial Banks	CBRC	Eliminates some approval items, and delegates authority for others to lower-level authorities.	None: Only applies to domestic banks, though it promotes administrative licensing reforms.
1/8/14	State Council Executive Meeting on the Cancellation and Decentralization of 70 Administrative Inspection and Approval Items	State Council	Cancels and decentralizes 70 administrative examination and approval items, though the list was not publicly released.	None: List is not yet publicly released, so no indication of any impact.

IV. Institutional Reforms

Reform-Related Agencies and Groups

Date	Title	Agency/Agencies	Summary	Impact
2/10/14	Plan for Establishing Rule of Law within the Agency	NDRC	Promotes NDRC's transformation over the next five years into a rule of law (ROL) agency with "statutory limitations to power, standardized operations, openness and transparency, unity in power and accountability, integrity and high efficiency."	Limited: Positive language, but contains few concrete policy changes -- and the impact will depend on implementation.

Government Restructuring & Other Institutional Reforms

Date	Title	Agency/ Agencies	Summary	Impact
12/31/13	Establishment of the Central Government Leading Group for Overall Reform	State Council	Sets up a central leading group to comprehensively deepen reforms.	Significant: Signals the central government's intention to move forward with reforms introduced during the Third Plenum. To date, the impact is largely aspirational.
1/22/14	Work Plan for Relevant Central Authorities to Implement the Important Initiatives of Third Plenum of the Eighteenth CCP Congress Decision	State Council	Establishes six special teams under the central leading group for comprehensively deepening reform. Those teams cover economic and ecological civilization system reform, democracy and the rule of law, cultural reform, social reform, party construction reform, and discipline and inspection system reform.	Significant: Sets key structures and personnel to push forward economic reforms introduced during the Third Plenum. To date, the impact is largely aspirational.
1/10/14	Announcement on 2012 Central Budget Implementation and the Rectification of Other Issues Concerning Financial Revenue and Expenditure Audits Problem	NAO	Lays out direction of reform in several areas, including the government fund budget management, regional tax incentives adjustment, the state capital operating budget management, transfer payments management, etc.	Moderate: Clarifies that MOF will explicitly decouple regional development from tax incentives, a step towards addressing discriminatory tax policies.

V. Role of the State and the Market

SOE Reform

Date	Title	Agency/ Agencies	Summary	Impact
12/18/13	Opinions on Further Deepening the Reform of Shanghai State-Owned Assets and Promoting Enterprise Development	Shanghai Municipal Government	Introduces 20 reform measures designed to accelerate SOE structural adjustments, standardize corporate governance structures, improve personnel selection and incentive mechanisms, enhance SOE international competitiveness, and optimize SOE supervision.	Moderate: Promotes reforms for SOEs to operate based on market factors. Scope is limited only to Shanghai-controlled SOEs, but applies to their operations nationwide.
12/6/13	Notice on Improving the Operating Budget for State-Owned Assets	CSRC	Requires SOEs to provide a portion of revenues collected to the state.	Limited: Promotes SOE reforms, particularly related to profits and revenues, but does not make much change to the role of SOEs in the economy.

1/20/14	Guiding Opinions on Strengthening Value Management of Central State-owned Enterprises with Focus on Evaluation of Economic Value-Added (EVA)	SASAC	Calls for SOEs to focus on improving efficiency and use EVA as a key performance indicator.	Limited: Holds SOEs more accountable for their performance, but does not fundamentally alter the competitive dynamics that impact foreign companies.
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Private Capital

Date	Title	Agency/ Agencies	Summary	Impact
9/26/13	Guiding Opinions on Government Procurement of Services from Social Organizations	State Council	Allows further market access in the public service sectors to eligible social organizations and enterprises.	Limited: Promotes the establishment of a services procurement system that includes public participation, but does not clarify if this includes foreign companies.
12/31/13	Opinions on Accelerating the Operations of Medical Institutions with Social Capital	NHFPC	Requires government agencies to incorporate medical institutions with social capital into health planning efforts, and require local jurisdictions to develop reasonable policies to provide equal treatment to both private and public hospitals.	Limited: Promotes the establishment of private hospitals, but seems focused on those established with social capital and does not specify access for foreign companies.
8/19/13	Opinions on Reforming the Railway Investment and Financing System and Accelerating Railway Construction	State Council	Opens ownership and management rights of intercity rail, urban-suburban rail, resource development-related rail and rail branches to local governments and to social capital, and encourages social capital to invest in railway construction.	None: Encourages the use of private capital in railway construction -- but private capital does not likely include foreign investment.
2/13/14	Regulatory Measures on the Equal Opening of Oil and Gas Pipeline Facilities (Trial)	NEA	Requires government agencies to regulate oil and gas pipeline facilities fairly, openly, and transparently, and opens investment to the private sector.	None: Allows private capital investment in an area dominated by state capital -- but private capital does not likely include foreign investment.
4/22/14	Infrastructure and Public Utility Franchise Law (Franchise Law)	NDRC	Further opens infrastructure and public utility sector to the private sector.	None: Allows more private participation in areas largely dominated by public investment, but foreign investment in this sector is not clarified and is unlikely.

4/23/14	Opinions on Establishing the Long-term Mechanism of Natural Gas Supply	State Council	Increases natural gas supply to as much as 420 billion cubic meters per year by 2020, and opens energy market to private capital.	None: Opens investment in the energy market to more private capital -- but private capital in this context does not likely include foreign investment.
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VI. Financial Reforms

Banking/Interest Rates

Date	Title	Agency/Agencies	Summary	Impact
7/26/13	Guiding Opinions on Strengthening Financing Services to Support Small- and Medium-Sized Enterprises (SMEs)	NDRC	Requires government agencies at all levels to promote greater financing channels for SMEs.	Limited: Focuses efforts on domestic SMEs, with an indirect impact for foreign companies in the banking sector.
8/8/13	Implementation Opinion on Providing Financial Support for Small and Micro Enterprises	State Council	Offers new financing options and reduces borrowing costs for SMEs.	Limited: Very few foreign companies qualify as small- and micro-enterprises.
8/30/13	Guidelines on Protecting Consumer Rights and Interests	CBRC	Requires banks to improve governance, including formulating internal codes of conduct and halting practices such as failure to disclose investment risks, overstating returns, deliberately giving misleading information, and divulging or leaking personal information to any third party without consent.	Limited: Impacts foreign financial institutions operating in the China market from an operational standpoint, but mainly to bring these practices in line with global industry best practices; does not make progress on top financial reform concerns for foreign companies.
9/27/13	Measures on Consumer Finance Pilots	CBRC	Creates 10 pilot projects that allow non-financial companies mainly engaged in providing consumer credit services to launch consumer finance businesses, lift the geographical restrictions on business operations, and lower the minimum capital ratio for shareholders from 50 percent to 30 percent.	Limited: Lowers the minimum shareholder requirements for foreign companies to invest in consumer finance companies, but does not clearly permit them to set up their own consumer finance businesses.
11/8/13	Guidance on Commercial Banks Issuing Corporate Bonds to Replenish Capital	CSRC, CBRC	Allows commercial banks that are listed on domestic or overseas exchanges (or are queued to be listed) to issue corporate bonds.	Limited: Allows commercial banks an additional channel to raise capital, but bond market still dominated by domestic players -- and it remains unclear whether this policy would impact or be applied to foreign commercial banks.

2/14/14	General Plan for the Qingdao Wealth Management Comprehensive Reform Pilot	PBOC, NDRC, MOF	Establishes a special pilot zone aimed at encouraging the establishment of diversified wealth management organizations and participation of private capital in order to build a professional wealth management market in the city. Though the zone is local to Qingdao, it was approved by the State Council.	Limited: Increases access for private capital to invest in financial services, but does not clearly specify opportunities for foreign companies.
2/14/14	Measures for the Administration of Service Prices of Commercial Banks	CBRC, NDRC	Makes services fees by commercial banks subject to either government-determined prices, government-guided prices or market-adjusted prices based on the nature and characteristics of services and market competition situation.	Limited: Represents a small step forward in allowing the market to determine prices, but still requires significant government oversight.
2/19/14	Circular on Re-Approvals of Standards for Charging Supervision Fees for the Banking Sector	MOF, NDRC	Adjusts standards on collecting fees in the banking sector.	Limited: Though the notice makes a concrete policy change, the impact is focused just on one aspect of the banking business -- and thus is limited in both sector and operational impact.
2/20/14	Administrative Measures for the Liquidity Risk of Commercial Banks	CBRC	Institutes a new measurement system aimed to gauge the ability of commercial banks to resist short-term stress from credit squeezes.	Limited: Focuses on commercial banks, which could include foreign banks. However, this will have only a minor operational impact, and most foreign banks already have prudential measures in place to address these types of challenges.
2/27/14	Credit Industry Management Measures	PBOC	Encourages the credit industry to adopt more market-oriented approach and calls for the construction of social credit information system along with increased information transparency.	Limited: Provides greater opportunity for the private sector in the credit industry, but no clear indication that foreign companies are included.
7/1/13	Guidelines on Financial Support for Economic Restructuring, Transformation and Upgrading	State Council	Encourages private capital investment in established and restructure financial institutions; allows established village banks to change their capital contribution structure; and promotes a diversified regulatory mechanism for different financial sectors in order to better support the real economy.	None: Allows qualified private companies to invest in private banks, financial rental companies and consumer finance companies, but private capital does not likely include foreign investment.
3/17/14	Regulations on Financial Leasing Companies	CBRC	Clarifies entry standards, service scopes, operating rules, and regulation and supervision standards for the financial leasing industry.	None: Encourages the use of private capital in leasing -- but private capital does not likely include foreign investment.

3/27/14	Opinions on Accelerating the Construction of Microenterprise and Rural Credit Systems	PBOC	Creates a social risk system that functions like the credit reporting management industry, with a focus on micro-enterprises and rural economic actors.	None: Promotes innovation in the financial services sector, but does not provide new market opportunities for foreign companies.
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Exchange Rate/Foreign Exchange

Date	Title	Agency/ Agencies	Summary	Impact
7/5/13	Notice on Simplifying Cross-Border RMB Business Processes and Improving Relevant Policies	PBOC	Allows domestic and qualified foreign banks to offer a broader range of RMB clearance and other RMB-denominated services, and permits domestic banks to offer RMB-denominated loans to domestic and foreign holding companies to qualified offshore entities.	Limited: Expands the market space for foreign banks to offer RMB-denominated services, and provides additional financing room for qualified foreign companies in China, but both openings are minor.
4/30/14	Provisions on Cross-Border Foreign Currency Flows	SAFE, GAC	Promotes the development of the foreign currency cash management business. Simplifies the management process and delegates administrative approvals to local SAFE branches and allows approved institutions to conduct foreign currency business.	Limited: Simplifies internal procedures related to foreign currency cash management, decentralizes approval to local agencies, and creates some opportunities for domestic and foreign companies in this sector.
1/24/14	Circular on Further Improving and Adjusting the Foreign Exchange Control Policy for Capital Accounts	SAFE	Reforms foreign exchange management under company capital accounts, simplifies the process of administrative approvals, and facilitates trade and investment.	Moderate: Simplifies the registration procedures for accepting domestic non-performing assets by foreign investors, creating some new opportunities for foreign companies.
4/25/14	Measures on Management of the Foreign Exchange Funds of Multinational Companies	SAFE	Allows multinational companies to open overseas and domestic accounts simultaneously as well as conduct collection and settlement of accounts in foreign exchange.	Moderate: Allows MNCs more flexibility in using foreign exchange.

Insurance

Date	Title	Agency/ Agencies	Summary	Impact
3/21/14	Administrative Measures on Insurance Company Mergers and Acquisitions	CIRC	Allows insurance companies and individual shareholders that meet conditions to own stakes in more than one other insurance company in the same market and allows insurers to use borrowed capital for up to 50 percent of the transaction price.	<u>Moderate</u> : Allows foreign and domestic insurance companies to hold controlling stakes in up to two competitors in the same product market (i.e. life insurance, property and casualty insurance, reinsurance), though impact limited to this sector.
3/28/13	Administrative Measures on the Issuance of Subordinated Debts by Insurance Companies	CIRC	Allows insurance groups to issue subordinated debts, where in the past only licensed subsidiaries could issue such bonds.	<u>Limited</u> : Permits insurance groups to issue debt to broaden financing options, but sector impact quite limited.
4/16/13	Notice Regarding Article 4 of the Administrative Measures for Equities of Insurance Companies	CIRC	Aims to improve management by allowing single shareholders of qualified Chinese-invested insurance companies to hold stakes over 20 percent, while also setting an ownership cap of 51 percent.	<u>Limited</u> : Will have some impact on foreign companies in the insurance industry, but no impact on others.
4/25/13	Administrative Measures of Telephone Sales of Life Insurance	CSRC	Provides rules for companies selling life insurance over the telephone to protect consumers.	<u>Limited</u> : Minimal impact for companies focused on one small aspect of a particular industry.
2/20/14	Circular on Improving Regulation on the Proportional Use of Insurance Funds	CIRC	Raises the maximum share of total assets that insurers can invest in shares and private equity to 30 percent, up from 25 percent under previous rules.	<u>Limited</u> : Changes will have a limited direct impact on the insurance industry.
4/24/13	Notice on Regulating the Limited Partnership Equity Investment Enterprises to Invest in Insurance Companies	CIRC	Permits qualified domestic and foreign limited partnership firms to invest in insurance companies.	<u>None</u> : Creates more openings for private capital in the insurance market, but private capital in this case does not likely include foreign companies.
8/27/13	Guidance on Insurance Industry Support of Economic Restructuring, Transformation and Upgrading	CIRC	Encourages innovation and restructuring of the insurance industry, as well as the use of private capital to establish insurance agencies, brokerages, and assessment institutions, along with participation in the rural insurance market.	<u>None</u> : Encourages the use of private capital in insurance -- but private capital does not likely include foreign investment.
2/26/14	Opinions on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents	State Council	Establishes a unified urban and rural pension insurance fund consists of contributions by individuals, organizations, and government agencies.	<u>None</u> : Focuses on areas of the insurance industry that are entirely government-run, and where companies are not permitted to contribute.

4/28/14	Amendment to the Measures on Insurance Company Equity Management	CIRC	States that insurance companies must fund additional equity investment from their own funds, and not from bank loans; and aims to further opens the insurance industry to the private capital while controlling systematic risk, especially risk linked to the banking sector.	None: Provides openings for private capital in the insurance industry -- but private capital does not likely include foreign investment.
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Securities and Private Equity

Date	Title	Agency/ Agencies	Summary	Impact
5/9/14	Opinions on Further Promoting Healthy Development of the Capital Market	State Council	Fosters a fair and open private equity market, removes administrative approvals from private equity issuance, calls for domestic securities and futures companies to invest in foreign markets, and aims to address illegal activities in the securities and futures market.	Moderate: Reduces administrative approvals for securities companies, and has a broader indirect impact for other companies in promoting a more open private equity market.
3/21/14	Regulations on the Preferred Stock Pilot Program	CSRC	Allows listed companies to issue preferred shares.	Limited: Only impacts companies listed on public exchanges in China.
4/25/14	Notice on Further Tightening Risk Control of Fund Management Companies and Subsidiaries	CIRC	Reduces the risk of specific client asset management business conduct by subsidiaries by banning certain business practices.	Limited: Increases supervision of financial institutions, but impact on foreign companies limited.
5/13/14	Opinions on Stimulating Innovation and Development in Securities Institutions	CSRC	Promotes the development of modern investment banks; supports development of new products in asset management, bulk stock, derivatives and private equity; and improves supervision.	Limited: Contains positive language about liberalizing trade, but does not include any substantive changes that would increase market access.
4/19/13	Rules for the Content and Format of Information Disclosure by Companies Offering Securities	CSRC	Sets new rules for the format and content of quarterly and semiannual reports by listed companies.	None: Constitutes process improvements with limited scope.

VII. Pricing Reform and Competition Policy

Pricing Reforms

Date	Title	Agency/ Agencies	Summary	Impact
8/8/13	Notice on Near-Term Energy Market Supervision Work	NEA	Promotes electricity market supervision, increases direct trading between power companies and consumers, and boosts cost and price supervision.	<u>Moderate:</u> Advances central government reforms to allow the market to play a greater role in determining energy prices.
9/30/13	Pricing Case Administrative Penalty Review Rules	NDRC	Provides instructions for price departments at all levels on the review process of administrative penalty cases, and further standardizes the pricing department's authority in dealing with administrative punishment cases.	<u>Moderate:</u> Improves and standardize the investigation process for pricing-related cases, signaling a step forward in improving transparency – even though changes are primarily process-oriented.
1/21/14	Revised Rules on the Handling of Whistleblowing for Illegal Pricing Behavior	NDRC	Allows whistleblowers to inform price authorities of illegal pricing behavior; where an alleged wrongdoer causes consumers to overpay due to its illegal pricing activities, the competent price authorities shall order the wrongdoer to refund the overpaid money to consumers before further administrative penalties are imposed.	<u>Moderate:</u> Promotes market-based pricing and efforts to crack down on illegal pricing behaviors, which could have both positive and negative impacts for foreign companies.
7/2/13	Announcement Setting On-Grid Nuclear Power Price	NDRC	Sets the benchmark on-grid nuclear power price at RMB 0.43 (US \$0.07) per kWh for newly built reactors in China.	<u>Limited:</u> Represents a small step in reforming prices in one sector of the energy industry, but the impact is extremely limited.
11/15/13	Announcements on the Market Adjusted Price for the Charges of Mobile Communications Resale Services under the Pilot Program	MIIT, NDRC	Specifies that market prices will be used for local calls, long distance calls, roaming calls, short messages, multimedia messages, data and other resale services operated by resale enterprises under the pilot program and that the restriction of differential pricing for intranet and extranet upon resale enterprises will be cancelled.	<u>Limited:</u> Allows the market to play a greater role in pricing, but only for specific to telecom service providers in the mobile resale pilot program, which does not currently include any foreign companies.
4/15/14	Opinions on the Supply of Low-Cost Common Drugs	NDRC, MHRSS, NHFPC, MOF, CFDA	Improves price regulation and abolishes price ceilings on certain types of low-cost drugs.	<u>Limited:</u> Marks a significant change to a priority set of pricing policies, but impact limited to one sub-sector (common/low-cost drugs) of one industry (pharmaceuticals) that is dominated by domestic players.

1/16/14	Guiding Opinions on the Online Handling of Cases Involving Administrative Penalties for Price-Related Violations	NDRC	Makes price authorities with administrative law enforcement information platforms responsible for approving price activities, managing evidence, and handling other price-related tasks.	None: Process-oriented guiding opinions, with no real impact on foreign companies.
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Competition Policy

Date	Title	Agency/ Agencies	Summary	Impact
8/28/13	Work Plan on Eliminating Regional Blockades and Breaking Up Industry Monopolies	MOFCOM, CBRC, CSRC, CIRC, and seven other ministries and agencies	Describes work to promote fairer, more market-based competition in general terms.	Limited: Describes planned work to increase pressure on regional monopolies and promote equal market access, but does yet not make any meaningful changes to policy.

VIII. Rule of Law/Legal and Judicial Reform

Date	Title	Agency/ Agencies	Summary	Impact
10/30/13	National People's Congress Legislative Plan	NPC	Lays out 68 central government legislative priorities for the next five years, including the Anti-Unfair Competition Law, as well as three laws related to foreign-invested enterprises - the Wholly Foreign-Owned Enterprise, Cooperative Joint Venture, and Equity Joint Venture laws.	Significant: Lays out guidelines for China's key reforms over the next five years, including work to revise some core laws related to investment and operations. To date, the impact is largely aspirational.
10/1/13	Opinions on Continuing to Strengthen Government Information Transparency and Improve Government Credibility	State Council	Encourages government departments to better explain policies and regulations to the public in a timely and accurate manner, calling for government departments that deal with people's livelihood and the macro-economy to hold at least one press conference every three months. It also stresses the need to make better use of government websites, hotlines and other forms of communication.	Moderate: Signals that the central government is serious about improving transparency, but focuses more on encouraging agencies to boost transparency than providing specific requirements to do so.

2/4/14	Opinions on Publishing Information Relating to Administrative Penalty Cases Involving Producing and Selling Counterfeits and Infringement of Intellectual Property Rights	State Council	Requires administrative enforcement agencies to proactively disclose information relating to administrative penalty cases involving counterfeiting and IPR infringement within 20 working days of an administrative decision.	Moderate: Improves IPR enforcement and transparency, though it does not address core issues of IPR protection.
11/22/13	Opinions on Further Strengthening the Administrative Law Enforcement Related to Commerce	MOFCOM	Takes various measures to increase transparency in law enforcement and administration.	Limited: Increases transparency in commercial law enforcement, but does not create new market openings or directly address a significant operational concern.
6/8/13	Announcement Implementing Effective Regulatory Documents and Abolishing Some Regulatory Documents	AQSIQ	Announces an AQSIQ review of more than 1,000 internal regulatory documents -- and the elimination of 58 of these as "unnecessary."	None: Eliminates unnecessary regulatory documents, but only represents a process-oriented reform for AQSIQ.
5/4/14	Administrative Measures for Tendering and Bidding on Telecommunication Construction Projects	MIIT	Adopts public bidding for telecommunication construction projects in which a state-owned capital possesses a holding or leading position, stating that such bids are subject to a bid invitation process in accordance with the law.	None: No impact on foreign companies, as they are largely restricted from operating in this space.

IX. Taxation and Budget

Taxation

Date	Title	Agency/ Agencies	Summary	Impact
5/24/13	Announcement Implementing VAT Pilot Projects Nationwide in Transport and some Service Industries	SAT	Expands local value-added tax (VAT) reform pilot covering some transportation and services areas nationwide as of August 1, 2013.	Limited: Promotes some measure of tax reform for the transportation and a few service industries sector.
4/27/13	Announcement on Tax Exemption of Interest on Local Government Bonds	MOF, SAT	Eliminates two taxes on interest paid on local government bonds to make the bonds more attractive to domestic investors.	None: Focused on individual domestic investors with minimal changes.

Budget/Debt Issues

Date	Title	Agency/ Agencies	Summary	Impact
1/10/14	Announcement on 2012 Central Budget Implementation and the Rectification of Other Issues Concerning Financial Revenue and Expenditure Audits Problem	NAO	Lays out direction of reform in several areas, including the government fund budget management, regional tax incentives adjustment, the state capital operating budget management, transfer payments management, etc.	Moderate: Clarifies that MOF will explicitly decouple regional development from tax incentives, a step towards addressing discriminatory tax policies.
1/24/14	Notice on Promoting Government Procurement of Services Related to Budget Management	MOF	Promotes government procurement of services related to budget management.	None: Internal process related policy that does not directly impact foreign companies.

X. Corruption, Bribery and Party Discipline

Date	Title	Agency/ Agencies	Summary	Impact
8/13/13	Notice Banning Extravagant Official Galas	CCP Propaganda Department, MOF, MOC, NAO, SAPPRFT	Prohibits extravagant official galas and punishes those who organize such events. Restricts the use of government funds to hold commercial celebrations or pay for expensive entertainment.	Moderate: Standardizes government behavior in line with international best practices, but the immediate impact is negative for the hospitality industry and may require changes in local government affairs practice.
12/13/13	Implementing Opinions on Rectifying Improper Practices in Procurement and Sales of Medicines and Medical Services	NHFPC, NDRC, MIIT, MOF	Enacts campaign against improper practices in pharmaceutical sales and medical service.	Moderate: Improves transparency in hospital procurement process, but will have a negative impact on companies with drug prescription incentive programs at hospitals.
1/23/14	Notice Implementing Opinion to Further Combat Corruption in Pharmaceutical Sales and Purchasing and Illegal Medical Practices	NHFPC, NDRC, MOF	Sets measures to tackle corruption in pharmaceutical sales and medical services practices in an effort reduce artificially high prices of some drugs.	Moderate: Could have an important impact, both positive and negative, for companies in the healthcare sector.
11/25/13	Regulations on Reducing and Addressing Waste by Party and Government Agencies	CCP, State Council	Requires agencies to reduce unnecessary government expenditures.	Limited: Promotes the central government's anti-corruption efforts, but does not have much direct impact for foreign companies.

12/25/13	Provisions on Establishing a Commercial Bribery Blacklist in the Pharmaceutical Industry	NHFPC	Creates new mechanisms to expose companies in the pharmaceutical industry that engage in commercial bribery. All public medical institutions in China will be prohibited for a period of two years from purchasing drugs, medical equipment and medical supplies from enterprises included on the "blacklist" for more than two within five years.	<u>Limited</u> : The blacklist -- when created -- would limit corruption in the industry in line with international best practices. The blacklist would have an impact, both positive and negative, for companies in the healthcare sector and their operating practices.
12/31/13	Administrative Measures on Central and State Organ Travel	MOF	Requires government agencies to cut down on waste from business travel expenses incurred by government branches.	<u>Limited</u> : Advances government efforts to reduce corruption and excessive spending.
3/18/14	Opinions on Reducing and Addressing Waste by Party and Government Agencies	State Council	Charges officials and agencies with the goal of reducing wasted food for official activities.	<u>Limited</u> : Has no direct impact for foreign companies, though it may have an indirect impact for restaurant and hospitality companies.
4/1/14	Implementation Measures for the Anti-Corruption Punishment and Prevention Work Plan (2013-17)	SASAC	Lays out implementation measures for SASAC's anti-corruption work.	<u>Limited</u> : Addresses both anti-corruption efforts and reforms promoting more accountability by China's SOEs, but only an indirect impact for foreign companies.
4/28/14	Guidance on Anti-Money-Laundering of Securities Companies	SAC	Requires securities companies to establish and improve an internal anti-money laundering control system, which shall include but not be limited to a client identification and risk grading system, a block trade and suspicious transaction reporting system, a client identity materials and trade records retention system, a confidentiality system, and a publicity and training system.	<u>Limited</u> : Addresses corruption in the financial services sector, but applies only to securities companies in China.

XI. Urban/Rural Issues

Urbanization

Date	Title	Agency/ Agencies	Summary	Impact
3/16/14	New National Urbanization Plan (2014-2020)	State Council	Improves regulation of the migration of rural residents into urban areas, with a focus on sustainable infrastructure development and raising living standards.	Significant: Allows rural citizens broader access to urban social services. This could lead to increased domestic consumption—a step toward rebalancing China's economy and creating market opportunities, and could also encourage controlled migration and provide access to new human resources for a range of foreign companies.

Hukou/Household Registration Reform

None

Other Urban/Rural Policies

Date	Title	Agency/ Agencies	Summary	Impact
3/10/14	Opinions on Comprehensively Deepening Rural Reforms and Accelerating the Modernization of the Agricultural Industry	State Council	Assigns specific ministries and agencies responsibility for various aspects of rural reform, including food security, surveys of agricultural land and activities, better utilization of investment and financial capital, and promotion of agriculture-related services such as crop insurance.	Limited: No direct impact for foreign companies as the main target is government agencies, but some indirect impact depending on how projects and goals are implemented.
4/21/14	Pilot Project to Promote Comprehensive Rural Reform	SAC, MOFCOM	Establishes a set of standards for dealing with asset allocation, infrastructure projects, and services in rural areas.	Limited: Reforms limited to rural areas, with no indication of private or foreign participation.
9/10/13	Notice on Conducting New Rural Medical Cooperative Work in 2013	NHFPC, MOF	Expands pilot areas to allow urban and rural residents to use new rural cooperative fund to buy catastrophic insurance on the basis of the previous reforms.	None: Focused squarely on domestic-driven goals of improving China's government-run social security system.

9/13/13	Opinions on Accelerating the Development of the Pension Services Industry	State Council	Establish a government-supported, comprehensive pension service industry to cover urban and rural residents before 2020.	None: Focused squarely on domestic-driven goals of improving China's government-run social security system.
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XII. Other

Date	Title	Agency/ Agencies	Summary	Impact
9/28/13	Opinions on Promoting the Development of Healthcare Services	State Council	Opens investment to private capital and promotes market-based pricing in the healthcare industry.	Limited: Opens some healthcare services to private investment by applying a "negative list" for private investment in these areas. While there should be some indirect impact from more market-oriented pricing for companies in this space, private capital does not likely include foreign investment.
11/22/13	Notice Launching Pilot Carbon Emissions Trade	Beijing Municipal Development and Reform Commission	Launches a pilot carbon trading platform in Beijing.	Limited: Promotes market-based emissions trading programs, but the geographic impact is limited, and details of how the regime would work are not yet released.
1/3/14	Administrative Measures on Non-Bidding Government Procurement Methods	MOF	Clarifies the circumstances that apply to three different kinds of non-bidding government procurement methods: competitive negotiation, single-source procurement and price inquiry.	Limited: Advances efforts to promote a more open, fair government procurement system, but minimal in terms of actual change.
3/12/14	Guiding Opinions on Promoting Pension Agency Liability Insurance Work	MCA, CIRC, National Office on Aging	Promotes the establishment of a liability insurance system for pension agencies.	Limited: Impact is limited to the insurance industry, with no clear market openings for foreign companies.
3/21/14	Opinions on Undertaking Further Work on Constructing an Agricultural Product Market System	MOFCOM	Promotes diversified development of retail market and strengthens the market's ability to cultivate modern circulation enterprises.	Limited: Increases the market role in China's agricultural sector, but limited to that sector.
4/8/14	Opinion on Comprehensive Reform to County-Level Public Hospitals	MOF	Encourages cross-provincial drug tendering to promote drug safety and lower drug prices.	Limited: Step forward in applying more transparent procurement practices, but does not directly provide new market access opportunities for foreign companies.

4/9/14	Notice on Issues Concerning the Implementation of Market Pricing for the Non-Public Healthcare Sector	NDRC, NHFPC, MHRSS	Encourages private capital to enter the healthcare sector, expand the supply of medical services, improve the efficiency of medical services, meet the needs of multi-level medical services, promote development of medical services and foster orderly competition of the health care sector.	<u>Limited:</u> Some indirect impact of market-oriented pricing for companies in this sector. While the notice also promotes the role of private capital in the healthcare sector, private capital does not likely include foreign investment.
4/29/14	Notice on Extending Preferential Tax Policies in Support of Entrepreneurship and Employment	MOF, SAT, MHRSS	Grants business startups and employers that are willing to hire the unemployment tax breaks as the Chinese central government looks to encourage employment amid the economic slowdown.	<u>Limited:</u> Scope only applies to small businesses, impact limited on MNCs.

Appendix 3: Policy Announcements Related to the Shanghai Free Trade Zone

I. Overall Reform

Date	Title	Agency/ Agencies	Summary	Impact
9/18/13	Notice on the General Plan for the China (Shanghai) Pilot Free Trade Zone	State Council	Outlines the general provisions for the Shanghai Free Trade Zone (SFTZ) and highlights sectors open to foreign investment.	Moderate: Opens multiple areas to foreign investment in financial services, logistics, and other professional services. Impact for many of these areas is limited to Shanghai. While this policy made few major policy changes, it prompted follow-up policies that have started to do so.

II. Foreign Investment

Date	Title	Agency/ Agencies	Summary	Impact
9/29/13	China (Shanghai) Free Trade Zone Foreign Investment Access Special Management Measures (Negative List) (2013)	Shanghai Municipal Government	Defines specific industry categories restricted to foreign investment, while allowing foreign investment in sectors that are not listed.	Moderate: List is a clear transition to a negative list approach in the FTZ, with coverage of a broad range of industries - but the negative list itself largely restates existing restrictions, and thus represents no major openings to date. In addition, the scope is limited to Shanghai only. To date, the impact is largely aspirational.
12/21/13	Decision to Temporarily Adjust Relevant Administrative Regulations and Documents in the China (Shanghai) Free Trade Zone	State Council	Reforms foreign investment management models, expands the opening up of service sector, and temporarily adjusts provisions relating to administrative approvals.	Moderate: Reduces administrative requirements for foreign companies establishing in the SFTZ and eases approval requirements for services companies. Impact limited to the SFTZ.

1/6/14	Decision on the China (Shanghai) Pilot Free-Trade Zone Interim Adjustments Regarding Administrative Regulations and the Administrative Examination and Approval and Special Management Measures	State Council	Adjusts regulations on foreign investment models, and promotes expansion of the services sector.	Moderate: Temporarily suspends approval requirements for companies registered in the SFTZ. Impact limited to the SFTZ.
4/9/14	Arbitration Rules for the China (Shanghai) Pilot Free Trade Zone	Shanghai International Economic and Trade Arbitration Commission	Specifies arbitration rules for dispute settlements in the SFTZ.	Moderate: Allows companies across sectors more freedom to select dispute settlement channels, but the scope is limited to the SFTZ.
1/6/14	Opinion on Further Opening up Value-Added Telecommunications Services in China (Shanghai) Pilot Free Trade Zone	MIIT, Shanghai Municipal Government	Further opens seven pilot value-added telecommunications business areas to foreign investors.	Limited: Step forward in increasing market access for foreign telecom companies, but the sectors and areas for openings do not address top company concerns.

III. Administrative Licensing and Approval Reform

Date	Title	Agency/ Agencies	Summary	Impact
10/1/13	Decision on Temporarily Adjusting Relevant Local Laws and Regulations in the China (Shanghai) Free Trade Zone	Shanghai People's Congress	Suspends local regulations on foreign investment in the SFTZ for three years.	Moderate: Suspends local regulations on foreign investment in the Shanghai Free Trade Zone. Impact is broad and touches on a top foreign company issue -- but is limited only to Shanghai.
10/21/13	China (Shanghai) Pilot Free Trade Zone Enterprises Registration and Management Provisions	Shanghai Industry and Commerce Bureau	Specifies the registration procedures for foreign companies in the SFTZ.	Moderate: Simplifies and shortens approval process for foreign companies -- but only in the SFTZ.
4/30/14	Measures on Commitment Mechanisms for Inspection Agency Validation and for Measurement Certification	Shanghai Administration of Quality and Technology Supervision	Simplifies the administration approval process for inspection agencies.	Limited: Eases the approval process for companies but in a very limited sector.

IV. Institutional Reforms

None

V. Role of the State and the Market

SOE Reform

None

Private Capital

Date	Title	Agency/ Agencies	Summary	Impact
8/21/13	Implementing Plans for the Guiding Opinions on Financial Support for Adjusting and Upgrading the Economic Structure	Shanghai Municipal Government	Promotes various aspects of financial reform in Shanghai.	None: Encourages innovation and participation of private capital in the financial sector. No direct opening for foreign investment, and private capital does not likely include foreign investment.

VI. Financial Reforms

Banking/Interest Rates

Date	Title	Agency/ Agencies	Summary	Impact
9/29/13	Notice on Banking Supervision Issues in China (Shanghai) Pilot Free Trade Area	CBRC	Allows qualified private investors to set up private banks, financial leasing companies, consumer finance companies and other financial institutions in the SFTZ.	Moderate: Permits foreign-invested banks to carry out business in the FTZ, but direct impact limited to the banking sector.
9/29/13	Circular on Regulation of the Banking Sector in China (Shanghai) Pilot Free Trade Zone	CBRC	Supports the establishment of non-banking finance companies in the SFTZ; allows foreign-invested banks to carry out business in the SFTZ; encourages private capitals to participate in the banking industry of the SFTZ; and encourages cross-border service and financing in the SFTZ.	Moderate: Provides market openings for foreign banks to operate in the SFTZ, and encourages cross-border investment in financial services and offshore business. Direct impact for the banking sector; indirect impact for others.

2/26/14	Announcement Lifting Foreign Currency Deposit Rates Caps in the SFTZ	PBOC	Removes small amount foreign currency deposit interest rate caps in the SFTZ.	Moderate: Allows the market to play a greater role in China's financial system, but the mechanism is narrowly focused.
2/28/14	Notice on the Issuance of Foreign Exchange Management Implementation Details to Support the Construction of China (Shanghai) Free Trade Zone	SAFE	Simplifies settlement of current accounts, direct investment foreign exchange registration, and management of foreign credit and debt.	Moderate: Reduces regulatory checkpoints for foreign exchange settlements.

Exchange Rate/Foreign Exchange

Date	Title	Agency/ Agencies	Summary	Impact
2/18/14	Implementing Opinions for Shanghai Payment Agencies Carrying Out Cross-Border RMB Payment Services in Shanghai	PBOC	Allows offshore RMB borrowing in the SFTZ.	Moderate: Allows companies registered in the SFTZ to use RMB in cross-border transactions, and eases the review process for RMB settlement.
2/21/14	Opinions on Promoting Cross-Border RMB Business in the SFTZ	PBOC	Clarifies operational details for conducting cross-border business in RMB through the SFTZ.	Moderate: Promotes internationalization of the RMB and eliminates approvals for lenders operating within the SFTZ.

Insurance

Date	Title	Agency/ Agencies	Summary	Impact
9/29/13	Eight Measures to Support SFTZ	CIRC	Strengthens insurance in China by encouraging foreign-invested specialized health insurance institutions, the development of cross-border RMB-denominated insurance business, outbound investment by health insurance institutions in the SFTZ, development of shipping insurance, fostering of social organizations, and innovation in insurance products.	Moderate: Carries high importance for insurance industry, with specific mention of openings for foreign-invested specialized health insurance institutions setting up in the FTZ.

Securities and Private Equity

Date	Title	Agency/ Agencies	Summary	Impact
9/29/13	Certain Measures to Support SFTZ	CSRC	Allows the founding of an energy trading center in Shanghai; permits qualified individuals and entities in the SFTZ to invest in domestic and foreign securities and future markets; allows foreign parent companies invested in the SFTZ to issue RMB bonds in the domestic market; permits securities and futures institutions to set up specialized subsidiaries in the SFTZ; and allows securities and futures institutions to carry out over-the-counter (OTC) transactions.	Moderate: Creates market openings for companies in various sectors to participate financially in the SFTZ. Though the opportunities are only offered in Shanghai, many of these services (such as participating in bond markets) can be done nationwide from Shanghai, broadening the impact.

VII. Pricing Reform and Competition Policy

None

VIII. Rule of Law/Legal and Judicial Reform

None

IX. Taxation and Budget

Date	Title	Agency/ Agencies	Summary	Impact
12/2/13	Circulars on Issues Concerning Policies for Enterprise Income Tax on Outbound Investment with Non-Monetary Assets or Asset Restructuring Transactions in the China (Shanghai) Pilot Free Trade Zone (FTZ)	MOF, SAT	Allows enterprises registered in SFTZ to pay enterprise income tax (EIT) in installments over five years dating from confirmation of gains from the transfer of non-monetary assets.	Moderate: Broad sector impact on companies, but limited only to one area of operations and applicable only to companies registered to the SFTZ.

10/24/13	Notice on Tariff Policies for Imports in the China (Shanghai) Pilot Free Trade Zone	MOF, GAC, SAT	Exempts producers in the SFTZ from import duties when they import required machinery, equipment and other goods. However, the imported goods of consumer service enterprises and other enterprises, as well as goods that legal and administrative regulations and relevant provisions explicitly excluded are not included in this duty-exempt category.	Limited: Provides tax exemptions for a subset of companies, but does not apply to all industries -- and only applies to companies producing in the SFTZ.
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X. Corruption, Bribery and Party Discipline

None

XI. Urban/Rural Issues

None

XII. Other

None

Appendix 4: Abbreviations for Chinese Government Agencies

This list includes the full names for the Chinese official ministries, agencies, and organizations listed in Appendices 2 and 3.

CBRC	China Banking Regulatory Commission
CCP	Chinese Communist Party
CFDA	China Food and Drug Administration
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
GAC	General Administration of Customs
MCA	Ministry of Civil Affairs
MEP	Ministry of Environmental Protection
MHRSS	Ministry of Human Resources and Social Security
MIIT	Ministry of Industry and Information Technology
MLR	Ministry of Land Resources
MOC	Ministry of Culture
MOF	Ministry of Finance
MOFCOM	Ministry of Commerce
MOHURD	Ministry of Housing and Urban-Rural Development
MOST	Ministry of Science and Technology
NAO	National Audit Office
NDRC	National Development and Reform Commission
NEA	National Energy Administration
NHFPC	National Health and Family Planning Commission
NPC	National People's Congress
PBOC	People's Bank of China
SAC	Standardization Administration of China
SAFE	State Administration of Foreign Exchange
SAIC	State Administration of Industry and Commerce
SAPPRFT	State Administration of Press, Publication, Radio, Film and Television
SASAC	State-Owned Assets Supervision and Administration Commission
SAT	State Administration of Taxation