Commercial Banking Law of the People’s Republic of China

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — This Law is enacted in accordance with the law for the purposes of protecting the lawful rights and interests of commercial banks, depositors and other clients, regulating the conduct of commercial banks, improving the quality of credit assets, strengthening supervision and administration, ensuring the safe and sound operation of commercial banks, maintaining the financial order, and promoting the development of the socialist market economy.

Article 2 — The term “commercial bank” as used in this Law means an enterprise legal person that is established in accordance with this Law and the Company Law of the People’s Republic of China and engages in the businesses of taking in deposits from the public, granting loans, settling accounts and providing other services.

Article 3 — A commercial bank may engage in all or part of the following businesses: (1) taking in deposits from the public; (2) granting short-term, medium-term and long-term loans; (3) settling domestic and foreign accounts; (4) issuing and discounting bills and instruments; (5) issuing financial bonds; (6) acting as an agent for the issuance, redemption and underwriting of government bonds; (7) trading in government bonds and financial bonds; (8) providing interbank lending; (9) acting as an agent for trading in foreign exchange; (10) providing bank card services; (11) providing letter of credit services and guarantee services; (12) acting as an agent for collection and payment of funds and insurance agency services; (13) providing safe deposit box services; and (14) other businesses approved by the banking supervision and administration authority under the State Council. The business scope of a commercial bank shall be specified in its articles of association and reported to the banking supervision and administration authority under the State Council for approval. A commercial bank may engage in foreign exchange settlement and sale businesses upon approval by the People’s Bank of China.

Article 4 — A commercial bank shall, in its operations, be guided by the principles of safety, liquidity and efficiency and shall operate independently, assume its own risks, be responsible for its own profits and losses, and exercise self-discipline. A commercial bank shall conduct its business in accordance with the law and shall not be subject to interference by any entity or individual. A commercial bank shall assume civil liability to the extent of all of its legal person property.

Article 5 — A commercial bank shall, in its business dealings with its clients, observe the principles of equality, voluntariness, fairness, good faith and lawfulness. A commercial bank shall safeguard the lawful rights and interests of its depositors and shall not reject any entity or individual’s lawful deposit of funds.

Article 6 — A commercial bank shall protect the lawful rights and interests of its depositors from infringement by any entity or individual. A commercial bank shall, when granting a loan, strictly examine the creditworthiness of the borrower and implement the security of the loan, so as to ensure that the loan is repaid on time. A commercial bank shall recover the principal and interest of the loans granted in accordance with the law and shall not be subject to interference by any entity or individual.

Article 7 — A commercial bank shall conduct its credit business in accordance with the law and shall not cause damage to the State interests or public interests.

Article 8 — A commercial bank shall comply with the provisions of laws and administrative regulations and shall not harm the interests of the State or public interests. A commercial bank shall submit to the supervision and administration of the banking supervision and administration authority under the State Council in accordance with the law, unless the relevant laws provide that its relevant businesses shall be subject to the supervision and administration of other relevant authorities or departments.

Chapter II — Establishment and Organization of Commercial Banks

Article 9 — The establishment of a commercial bank shall be subject to the examination and approval of the banking supervision and administration authority under the State Council. No entity or individual may engage in the business of taking in deposits from the public or any other businesses of a commercial bank without the approval of the banking supervision and administration authority under the State Council, and no entity or individual may use the words “commercial bank” or “bank” in its name.

Article 10 — To establish a commercial bank, the following conditions shall be met: (1) having articles of association that comply with the provisions of this Law and the Company Law of the People’s Republic of China; (2) having the minimum amount of registered capital prescribed by this Law; (3) having directors and

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senior management personnel with the professional knowledge and work experience required for the positions they hold; (4) having a sound organizational structure and management system; (5) having a fixed place of business that meets the requirements, and security and protection measures and other facilities appropriate to the businesses; and (6) meeting other prudent conditions prescribed by the banking supervision and administration authority under the State Council.

Article 11 — The minimum amount of registered capital for the establishment of a commercial bank shall be RMB 1 billion. The minimum amount of registered capital for the establishment of an urban commercial bank shall be RMB 100 million. The minimum amount of registered capital for the establishment of a rural commercial bank shall be RMB 50 million. The registered capital shall be paid-in capital. The banking supervision and administration authority under the State Council may adjust the minimum amount of registered capital according to the degree of prudence in supervision and administration, provided that the minimum amount shall not be lower than the amounts specified in the preceding paragraph.

Article 12 — To establish a commercial bank, the applicant shall submit the following documents and materials to the banking supervision and administration authority under the State Council: (1) an application, which shall specify the name, domicile, registered capital, business scope and other items of the commercial bank to be established; (2) a feasibility study report; (3) other documents and materials required by the banking supervision and administration authority under the State Council.

Article 13 — Where the application for the establishment of a commercial bank meets the requirements, the applicant shall complete the preparation of the establishment. Upon completion of the preparation, the applicant shall apply to the banking supervision and administration authority under the State Council for a financial business permit. The commercial bank shall register with the company registration authority with the financial business permit and obtain a business license.

Article 14 — The organizational structure and governance of a commercial bank shall be subject to the provisions of the Company Law of the People's Republic of China. Where a commercial bank is a wholly state-owned company, its board of supervisors shall be established in accordance with the relevant provisions. The board of supervisors shall be responsible for supervising the quality of credit assets, the asset-liability ratio, the maintenance and appreciation of the value of state-owned assets, and the acts of the senior management personnel of the commercial bank that violate laws, administrative regulations or the articles of association and damage the interests of the bank.

Article 15 — A commercial bank may establish branch offices within and outside the territory of the People's Republic of China in accordance with its business needs. The establishment of a branch office shall be subject to the examination and approval of the banking supervision and administration authority under the State Council. A branch office of a commercial bank does not have legal person status and shall conduct business within the scope of authorization by the head office, and its civil liability shall be borne by the head office.

Article 16 — The banking supervision and administration authority under the State Council shall examine the application for the establishment of a commercial bank and make a decision of approval or disapproval within six months from the date of receipt of the application documents. Where it fails to make a decision within the time limit, the applicant may file an administrative lawsuit in accordance with the law.

Chapter III — Protection of Depositors

Article 17 — A commercial bank shall protect the lawful rights and interests of depositors, ensure the payment of the principal and interest of deposits, and shall not delay or refuse to pay the same. A commercial bank shall comply with the provisions of the People's Bank of China on deposit interest rates and shall announce the same. A commercial bank shall pay the principal and interest of deposits on deposits in accordance with the provisions of the People's Bank of China.

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Article 18 — A commercial bank shall, in accordance with the provisions of the People's Bank of China, deposit with the People's Bank of China a deposit reserve and maintain sufficient reserve funds for payment. A commercial bank shall pay the principal and interest of deposits on demand and shall guarantee the payment of the principal and interest of deposits.

Article 19 — A commercial bank shall, in accordance with the provisions of the People's Bank of China, determine the interest rates for loans and shall announce the same.

Article 20 — A commercial bank shall not permit any entity or individual to inquire about, freeze or deduct the deposits of an entity, unless otherwise provided by law. A commercial bank shall not permit any entity or individual to inquire about, freeze or deduct the savings deposits of an individual, unless otherwise provided by law.

Article 21 — A commercial bank shall guarantee the lawful rights and interests of depositors and shall not refuse to pay the principal and interest of deposits on any pretext. A commercial bank shall be liable for compensation for any loss caused to the depositors or other clients as a result of its business operations.

Chapter IV — Basic Rules for Loans and Other Businesses

Article 22 — A commercial bank shall, in accordance with the needs of the national economy and social development and under the guidance of the state industrial policies, grant loans. A commercial bank shall, when granting a loan, strictly examine the creditworthiness of the borrower and implement the security of the loan, so as to ensure that the loan is repaid on time. A commercial bank shall recover the principal and interest of the loans granted in accordance with the law and shall not be subject to interference by any entity or individual.

Article 23 — Any entity or individual that intends to borrow a loan from a commercial bank shall provide a guarantee. A commercial bank shall strictly examine the repayment ability of the guarantor and the ownership and value of the collateral or pledge, and the feasibility of realizing the security interest. Where a commercial bank confirms, after examination and appraisal, that the borrower has good creditworthiness and is indeed able to repay the loan, the borrower may not be required to provide a guarantee.

Article 24 — Any entity or individual that intends to borrow a loan from a commercial bank shall conclude a written loan contract with the commercial bank. The loan contract shall specify the type of the loan, the purpose of the loan, the amount, the interest rate, the term of repayment, the method of repayment, the liability for breach of contract, and other matters that the parties deem necessary. A commercial bank shall agree on the method for examining and supervising the use of the loan with the borrower in accordance with the provisions of the People's Bank of China on loan management.

Article 25 — A commercial bank shall not grant unsecured loans to its connected persons. It shall not grant loans to its connected persons on conditions more favorable than those for similar loans to other borrowers. "Connected persons" as used in the preceding paragraph means: (1) the directors, supervisors, managers, officers in charge of credit business and their close relatives of the commercial bank; and (2) the companies, enterprises or other economic organizations in which the persons specified in the preceding item have invested or hold senior management positions.

Article 26 — No entity or individual may force a commercial bank to grant a loan or to provide a guarantee. A commercial bank shall have the right to refuse any entity or individual's demand to force it to grant a loan or to provide a guarantee.

Article 27 — A commercial bank shall, when engaging in its businesses, comply with the provisions of laws and administrative regulations and shall not harm the interests of the State or public interests. A commercial bank shall conduct its businesses in good faith and shall not engage in unfair competition.

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Article 28 — A commercial bank shall, in accordance with relevant State regulations, establish a sound system for the examination, approval and management of its loans. The assets and liabilities of a commercial bank shall be managed in proportion to each other. The specific proportions shall be prescribed by the banking supervision and administration authority under the State Council.

Chapter V — Financial Accounting

Article 29 — A commercial bank shall, in accordance with the provisions of the laws and administrative regulations on accounting and the unified accounting system of the State, establish and improve the financial accounting system of the bank. A commercial bank shall truthfully record and comprehensively reflect its business activities and financial position, prepare its annual financial and accounting reports, and promptly submit the same to the banking supervision and administration authority under the State Council, the People's Bank of China and the finance department under the State Council. A commercial bank shall not set up any accounts other than those legally set up.

Article 30 — A commercial bank shall, within three months after the end of each fiscal year, publish its annual business report and annual financial and accounting report. A commercial bank shall, in its annual business report, disclose the amount and proportion of its non-performing loans, and other relevant information in accordance with the provisions of the banking supervision and administration authority under the State Council. A commercial bank shall have its annual financial and accounting report audited by an accounting firm in accordance with the law.

Article 31 — A commercial bank shall, in accordance with the provisions of the State, set aside a bad debt reserve to write off bad debts.

Article 32 — The fiscal year of a commercial bank shall be from January 1 to December 31 of the Gregorian calendar.

Chapter VI — Supervision and Administration

Article 33 — A commercial bank shall establish and improve its risk management and internal control system for its deposits, loans, settlements, bad debts and other businesses, and implement the same. A commercial bank shall, in accordance with the provisions, formulate its business rules and establish and improve its business management, cash management and security and protection systems.

Article 34 — A commercial bank shall establish and improve its audit and inspection system for its deposits, loans, settlements, bad debts and other businesses. A commercial bank shall conduct internal audits of its branch offices on a regular basis.

Article 35 — A commercial bank shall, in accordance with the provisions, submit its balance sheets, income statements and other financial and accounting reports, statistical statements and other information to the banking supervision and administration authority under the State Council and the People's Bank of China.

Article 36 — The banking supervision and administration authority under the State Council shall have the right to inspect the deposits, loans, settlements, bad debts and other businesses of a commercial bank from time to time in accordance with the provisions of Chapters II through V of this Law. When conducting an inspection, the inspector shall produce his or her credentials. A commercial bank shall provide financial and accounting information, business contracts and other information on its business operations and management in accordance with the requirements of the banking supervision and administration authority under the State Council. The People's Bank of China shall have the right to inspect a commercial bank in accordance with the Law of the People's Republic of China on the People's Bank of China.

Chapter VII — Takeover and Termination

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Article 37 — Where a commercial bank is insolvent or is likely to be insolvent, thereby seriously affecting the interests of its depositors, the banking supervision and administration authority under the State Council may take over the bank. The purpose of the takeover is to take necessary measures to protect the interests of depositors and restore the normal business operations of the commercial bank. The claims and debts of the commercial bank shall not be affected by the takeover.

Article 38 — A takeover shall be decided and organized by the banking supervision and administration authority under the State Council. The decision of the banking supervision and administration authority under the State Council on the takeover shall specify the name of the commercial bank taken over, the cause for the takeover, the takeover organization and the period of takeover. The decision on the takeover shall be published by the banking supervision and administration authority under the State Council.

Article 39 — A takeover shall commence on the date of implementation of the takeover decision. From the date of commencement of the takeover, the business management power of the commercial bank shall be exercised by the takeover organization.

Article 40 — The period of takeover shall be determined by the banking supervision and administration authority under the State Council, but shall not exceed two years. Where the takeover period expires, the banking supervision and administration authority under the State Council may decide to extend the period, provided that the takeover period shall not exceed two years in total.

Article 41 — A commercial bank shall be dissolved under any of the following circumstances: (1) the commercial bank is divided or merged; (2) the business license of the commercial bank is revoked; or (3) other reasons for dissolution provided by the articles of association arise. A commercial bank shall establish a liquidation group in accordance with the law to carry out liquidation and shall repay the principal and interest of deposits in accordance with the repayment plan. The banking supervision and administration authority under the State Council shall supervise the liquidation process. Where a commercial bank is declared bankrupt by the people's court, the relevant provisions of the Enterprise Bankruptcy Law of the People's Republic of China shall apply.

Chapter VIII — Legal Liability

Article 42 — Where a commercial bank fails to comply with the provisions of this Law, the banking supervision and administration authority under the State Council shall order it to make corrections. Where the circumstances are serious, the banking supervision and administration authority under the State Council may impose the following penalties: (1) ordering the commercial bank to suspend part of its businesses or ceasing the approval of its new business; (2) confiscating the illegal gains, and imposing a fine of not less than one time but not more than five times the illegal gains; and (3) revoking the business license of the commercial bank.

Article 43 — Where a commercial bank engages in any of the following acts, the banking supervision and administration authority under the State Council shall order it to make corrections and impose a fine of not less than RMB 200,000 but not more than RMB 500,000; where the circumstances are particularly serious or the commercial bank fails to make corrections within the time limit, the banking supervision and administration authority under the State Council may order it to suspend business for rectification or revoke its financial business permit; where a crime is constituted, criminal liability shall be pursued in accordance with the law: (1) failing to submit its financial and accounting reports, statistical reports and other information in accordance with the provisions, or submitting false financial and accounting reports, statistical reports and other information; or (2) refusing or obstructing the inspection and supervision by the banking supervision and administration authority under the State Council.

Article 44 — Where a commercial bank violates this Law and causes loss to depositors or other clients, it shall bear the corresponding civil liability for compensation. Where the senior management personnel of a

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commercial bank violate this Law and cause loss to the bank, the bank may recover the loss from them.

Article 45 — Where a person operates the business of taking in deposits from the public or any other business of a commercial bank without the approval of the banking supervision and administration authority under the State Council, the banking supervision and administration authority under the State Council shall ban such operation. Where a crime is constituted, criminal liability shall be pursued in accordance with the law. Where a crime is not constituted, the banking supervision and administration authority under the State Council shall confiscate the illegal gains, and impose a fine of not less than one time but not more than five times the illegal gains. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 2 million shall be imposed.

Chapter IX — Supplementary Provisions

Article 46 — This Law shall not apply to foreign-funded commercial banks, Sino-foreign equity joint venture commercial banks or branches of foreign banks, unless otherwise provided by laws or administrative regulations. Urban credit cooperatives and rural credit cooperatives shall be subject to the relevant provisions of this Law in their handling of deposits, loans, settlements and other businesses. Postal enterprises shall be subject to the relevant provisions of this Law in their handling of the business of commercial banks.

Article 47 — This Law shall come into force on July 1, 1995. The Amendment was adopted on October 24, 2015.

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