Deposit Insurance Regulations of the PRC

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Chapter I — General Provisions

Article 1 — These Regulations are formulated for the purposes of establishing and regulating the deposit insurance system, protecting the lawful rights and interests of depositors in accordance with the law, resolving financial risks in a timely manner, and maintaining financial stability.

Article 2 — These Regulations shall apply to the deposit insurance activities of commercial banks, rural cooperative banks, rural credit cooperatives, and other banking financial institutions that accept deposits (hereinafter referred to as “insured institutions”) within the territory of the People’s Republic of China.

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Deposit-taking activities of branches of foreign banks within the territory of China and the deposit-taking activities of overseas branches of Chinese-funded banks shall be governed by the provisions of these Regulations, except as otherwise provided by the State. Where other laws and regulations provide otherwise regarding deposit insurance, those provisions shall prevail.

Article 3 — The deposit insurance referred to in these Regulations means the insurance provided by insured institutions to depositors in accordance with the provisions of these Regulations, by means of paying insurance premiums to the deposit insurance fund management institution, for the purpose of paying the insured deposits to depositors within the limit of coverage when an insured institution is subject to an insured event.

Article 4 — The insured event shall mean the circumstance where an insured institution is taken over by the financial regulatory authority under the State Council, or where an insured institution is closed down or its business license is revoked, or where an insured institution is subject to bankruptcy liquidation or administrative liquidation, or other events on which the State Council makes an approval.

Article 5 — The deposit insurance fund management institution shall exercise the following functions: formulate the rules relating to deposit insurance; determine and adjust the insurance premium rates applicable to insured institutions, and file such rates with the State Council for approval; collect and manage deposit insurance premiums; determine the specific payment amount of insured deposits when an insured event occurs; use the deposit insurance fund in accordance with these Regulations; take early corrective measures against insured institutions in accordance with the provisions of the State Council and relevant authorities; and perform other functions provided for by the State Council.

Article 6 — The deposit insurance system shall follow the principles of compulsory insurance, limited coverage, and risk-based differential premium rates. All banking financial institutions that accept deposits within the territory of the PRC shall participate in deposit insurance in accordance with the provisions of these Regulations.

Article 7 — The deposit insurance fund management institution, insured institutions, and other institutions and individuals involved in deposit insurance activities shall comply with laws, administrative regulations, and the relevant provisions on deposit insurance, and shall protect the legitimate rights and interests of depositors.

Chapter II — Insured Institutions

Article 8 — Banking financial institutions that accept deposits within the territory of the PRC, including commercial banks, rural cooperative banks, rural credit cooperatives, and other banking financial institutions approved by the financial regulatory authority under the State Council to accept deposits, shall be insured institutions. Branches of foreign-funded legal person banks established within the territory of China in accordance with the law and branches of foreign banks that accept retail deposits shall also be insured institutions, except as otherwise provided by the State Council.

Article 9 — An insured institution shall pay insurance premiums to the deposit insurance fund management institution in accordance with the provisions of these Regulations. The insurance premiums shall be paid regularly in accordance with the method and period determined by the deposit insurance fund management institution. The deposit insurance premiums shall be calculated on the basis of the balance of deposits insured in accordance with the provisions of these Regulations.

Article 10 — The deposit insurance premium rate shall consist of the base rate and the risk-based differential rate. The base rate shall be set by the deposit insurance fund management institution based on factors such as the economic and financial development situation, the structure of the deposit insurance fund, and the depositor protection needs, and shall be implemented after approval by the State Council. The risk-based differential rate shall be determined by the deposit insurance fund management institution based on the

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operational management status, risk profile, and other factors of each insured institution. Where the risk-based differential rate for an insured institution is lower than the base rate, a discount shall be granted; where it is higher than the base rate, a surcharge shall be imposed.

Article 11 — The specific measures for the determination and application of risk-based differential rates shall be formulated by the deposit insurance fund management institution and implemented after approval by the State Council. The deposit insurance fund management institution shall, based on the actual circumstances, periodically review and adjust the risk-based differential rates applicable to insured institutions. Insured institutions shall have the right to access their own risk assessment results and applicable premium rates.

Article 12 — The deposit insurance premiums payable by an insured institution shall be calculated and collected on a semi-annual basis in principle. The specific time for payment shall be prescribed by the deposit insurance fund management institution. An insured institution shall, in accordance with the provisions, accurately calculate the amount of deposit insurance premiums payable and pay the same within the prescribed period. The deposit insurance premiums paid by insured institutions shall be included in their operating costs.

Article 13 — An insured institution shall, in accordance with the provisions of the deposit insurance fund management institution, report information and data relating to deposit insurance to the deposit insurance fund management institution on a regular basis. An insured institution shall ensure the truthfulness, accuracy, completeness, and timeliness of the reported information and data. The information and data reported by insured institutions shall be reviewed and signed by the person in charge of the institution.

Chapter III — Protected Deposits

Article 14 — The scope of protected deposits under the deposit insurance system includes RMB deposits and foreign currency deposits of depositors held with insured institutions. Interbank deposits, deposits of senior management personnel of insured institutions with their own institutions, and other deposits excluded by the deposit insurance fund management institution are not covered by deposit insurance.

Article 15 — The maximum coverage limit for deposit insurance shall be 500,000 yuan. The maximum coverage limit may be adjusted by the People’s Bank of China in conjunction with relevant authorities under the State Council based on factors such as the level of economic development, the structure of deposits, and the risk profile of the financial sector, subject to approval by the State Council.

Article 16 — When an insured event occurs, the deposit insurance fund management institution shall pay the insured deposits to depositors within the maximum coverage limit. Where a depositor holds deposit accounts with the same insured institution, the insured deposit balance for each depositor with such institution shall be the combined balance of principal and interest of such deposit accounts, and the payment shall be calculated on such combined basis up to the maximum coverage limit. Funds paid by the deposit insurance fund management institution to depositors shall be exempt from taxes.

Article 17 — When an insured event occurs, the deposit insurance fund management institution shall pay the insured deposits within seven working days from the date on which the insured event occurs. Where the circumstances are complex and the payment cannot be completed within the prescribed time limit, the time limit may be extended with the approval of the deposit insurance fund management institution, but the total time limit shall not exceed 30 working days.

Article 18 — After the deposit insurance fund management institution pays the insured deposits, it shall acquire the corresponding rights of the depositors against the insured institution. The deposit insurance fund management institution shall have the right to recover from the insured institution the amount of insured deposits paid. The funds recovered from the disposal of the property of the insured institution shall first be used to repay the deposit insurance fund the amounts paid thereby.

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Chapter IV — Deposit Insurance Fund

Article 19 — The deposit insurance fund shall be composed of the following: insurance premiums paid by insured institutions; funds distributed from the property of insured institutions after the deposit insurance fund management institution has paid the insured deposits; income from the lawful use of the deposit insurance fund; and other lawful income.

Article 20 — The deposit insurance fund shall be managed through a separate account and used for specific purposes, and shall be safely deposited, used, and maintained and increased in value. The deposit insurance fund management institution shall formulate management measures for the deposit insurance fund and submit them to the State Council for approval before implementation. No organization or individual may misappropriate or encroach upon the deposit insurance fund, or use the deposit insurance fund in violation of the provisions.

Article 21 — The use of the deposit insurance fund shall follow the principles of safety, liquidity, and value maintenance and appreciation. The deposit insurance fund management institution may, on the premise of ensuring the safety of the deposit insurance fund, make the following investments: depositing with the People's Bank of China; investing in government bonds, central bank bills, financial bonds with higher credit ratings, and other high-grade bonds; and other forms of use approved by the State Council. The deposit insurance fund management institution shall not use the deposit insurance fund to engage in any form of risky investment.

Article 22 — The deposit insurance fund management institution shall, on a regular basis, prepare and publish the financial reports, use reports, and audit reports of the deposit insurance fund, and accept social supervision. The deposit insurance fund management institution shall establish a sound internal control mechanism to ensure the safety and proper use of the deposit insurance fund.

Chapter V — Use of Deposit Insurance Fund

Article 23 — When an insured event occurs, the deposit insurance fund management institution shall, in accordance with the provisions of these Regulations, use the deposit insurance fund to pay the insured deposits in a timely manner and protect the lawful rights and interests of depositors.

Article 24 — Where an insured institution faces the risk of an insured event, the deposit insurance fund management institution may, after reporting to the State Council for approval, provide financial assistance such as loans, capital injection, and guarantee to the insured institution for the purposes of protecting the legitimate rights and interests of depositors, maintaining financial stability, and reducing the disposal costs of the deposit insurance fund. The deposit insurance fund management institution may condition the provision of financial assistance on the insured institution taking measures such as asset disposal, business restructuring, and capital replenishment.

Article 25 — Where it is necessary to use the deposit insurance fund to bail out the insured institution, the deposit insurance fund management institution shall formulate a bailout plan, submit it to the State Council for approval, and organize the implementation thereof.

Chapter VI — Supervision and Administration

Article 26 — The deposit insurance fund management institution shall, in conjunction with the financial regulatory authority under the State Council, establish an information sharing mechanism for the supervision and administration of insured institutions. The financial regulatory authority under the State Council shall, in a timely manner, provide the deposit insurance fund management institution with the regulatory information, risk status, and other relevant information regarding insured institutions. The deposit insurance fund management institution shall report to the financial regulatory authority under the State Council on a regular basis the deposit insurance-related information and risk profile of insured institutions.

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Article 27 — The deposit insurance fund management institution and the financial regulatory authority under the State Council may conduct joint on-site inspections of insured institutions or conduct separate on-site inspections, and may request insured institutions to provide relevant information and data. When an insured institution is required to conduct a risk assessment, the deposit insurance fund management institution may, by itself or by engaging an intermediary institution, audit, appraise, or evaluate the relevant matters of the insured institution. Insured institutions shall cooperate with the deposit insurance fund management institution in the relevant work and shall not refuse or obstruct the same.

Article 28 — The deposit insurance fund management institution shall establish a risk monitoring, early warning, and reporting mechanism for the deposit insurance system, strengthen the monitoring of the operation of the deposit insurance system and the risk profile of insured institutions, and report to the State Council on a regular basis. Where the deposit insurance fund management institution discovers that an insured institution has a significant risk, it shall promptly report to the State Council and the financial regulatory authority under the State Council and propose suggestions for disposal.

Article 29 — Where an insured institution fails to pay deposit insurance premiums in accordance with the provisions, or fails to report information and data in accordance with the provisions, the deposit insurance fund management institution shall order it to make corrections, and may impose a fine in accordance with the provisions, and may recommend that the financial regulatory authority under the State Council take supervisory measures against it in accordance with the law.

Chapter VII — Legal Liability

Article 30 — Where an insured institution, in violation of the provisions of these Regulations, commits any of the following acts, the deposit insurance fund management institution shall order it to make corrections within a specified time limit, and may impose a fine of not less than 100,000 yuan but not more than 500,000 yuan; in serious cases, the deposit insurance fund management institution may increase the risk-based differential rate applicable to the insured institution: failing to pay deposit insurance premiums in full and on time; failing to report information and data relating to deposit insurance in accordance with the provisions, or making false, misleading, or materially omitted reports; or refusing or obstructing the lawful on-site inspection of the deposit insurance fund management institution.

Article 31 — Where any staff member of the deposit insurance fund management institution commits any of the following acts, sanctions shall be imposed in accordance with the law: failing to pay the insured deposits to depositors in a timely manner in accordance with the provisions after the occurrence of an insured event; misappropriating or encroaching upon the deposit insurance fund; disclosing State secrets, trade secrets, or personal information of depositors obtained in the course of performing duties; or other acts of neglecting duties, abusing powers, or engaging in malpractice for personal gain. Where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 32 — Where any institution or individual, in violation of the provisions of these Regulations, misappropriates or encroaches upon the deposit insurance fund, the deposit insurance fund management institution shall order the return of the misappropriated or encroached property, and the illegal gains shall be confiscated; where a crime is constituted, criminal liability shall be pursued in accordance with the law. Where any institution or individual disseminates false information about deposit insurance, thereby harming the public interest or the lawful rights and interests of others, sanctions shall be imposed in accordance with the law.

Chapter VIII — Supplementary Provisions

Article 33 — The deposit insurance fund management institution shall be designated by the State Council. The State Council shall determine the specific measures for the organizational structure, functions, staffing, and financial management of the deposit insurance fund management institution. The deposit insurance fund

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management institution may establish its articles of association, which shall be implemented after approval by the State Council.

Article 34 — These Regulations shall come into force on May 1, 2015. After the implementation of these Regulations, the deposit insurance premium rates applicable to insured institutions shall be determined on a transitional basis in accordance with the specific measures formulated by the deposit insurance fund management institution and approved by the State Council.

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