Provisions on the Administration of Registration of Pledges of Accounts Receivable of the PRC

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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 — These Provisions are formulated in accordance with the Property Law of the PRC and other relevant laws and regulations for the purposes of regulating the registration of pledges of accounts receivable and protecting the lawful rights and interests of the pledgee, the pledgor, and other interested parties.

Article 2 — For the purposes of these Provisions, "accounts receivable" means rights of the pledgor to demand payment from the obligor for certain goods, services, or facilities supplied, including existing and future monetary claims and proceeds thereof, but excluding promissory notes, bonds, or other negotiable instruments for which payment is claimed by presenting such instruments, as well as other rights prohibited by laws or administrative regulations from being pledged.

The term "accounts receivable" referred to in these Provisions includes the following rights: (a) rights to payment arising from sales, leasing, or other contractual arrangements, including the supply of goods, water, electricity, gas, or heating, and the provision of services; (b) rights to payment arising from the provision of loans or other credit facilities; (c) rights to payment arising from the provision of credit using negotiable instruments, bonds, or warehouse receipts, and from other credit-based transactions; (d) proceeds from the disposal, operation, or management of property, including proceeds from the sale or lease of real property or movable property; (e) other accounts receivable.

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Article 3 — For the purposes of these Provisions, "pledge of accounts receivable" refers to a pledge created by a pledgor over accounts receivable as provided in Article 2 to secure the performance of an obligation. Where the obligor fails to perform the obligation when due or where circumstances for enforcement of the pledge as agreed by the parties arise, the pledgee shall have the right to be paid in priority from the accounts receivable and the proceeds thereof.

Article 4 — The People's Bank of China Credit Reference Center (hereinafter referred to as the "Credit Reference Center") is the registration institution for pledges of accounts receivable. The Credit Reference Center shall establish an internet-based registration and publicity system for pledges of accounts receivable (hereinafter referred to as the "Registration and Publicity System") and handle the registration of pledges of accounts receivable and provide inquiry services to the public.

Article 5 — The pledgee or the pledgor shall be responsible for the truthfulness, completeness, and legality of the registration content. The registration institution shall only conduct formal review of the registration and shall not conduct substantive review of the registration content.

Article 6 — The priority of a pledge right over the same accounts receivable shall be determined according to the sequence of registration by reference to the time of registration.

Chapter II — Registration and Inquiry

Article 7 — Registration of a pledge of accounts receivable shall be effected by the pledgee through the Registration and Publicity System. The pledgee shall register through the system using a verified real name. The registration process includes two stages: user registration and specific registration.

Article 8 — A user of the Registration and Publicity System shall be a financial institution or other institution or individual that conducts pledge of accounts receivable business. A user shall truthfully provide registration information when registering as a user. Financial institutions and non-financial institutions shall provide the following information when registering: (a) basic information of the applicant institution; (b) identification information of the legal representative or responsible person; (c) identification information of the handling contact person; (d) other information required by the Credit Reference Center.

Article 9 — When handling registration of a pledge of accounts receivable, the pledgee shall register the following information: (a) the identification information of the pledgee and the pledgor; (b) a specific description of the accounts receivable; (c) the registration period.

The pledgee may, when handling registration, register matters such as the scope of the secured claims, the type of the principal credit contract, the amount of the principal credit contract, and the debtor of the accounts receivable.

Article 10 — In registering the pledgor or the pledgee, the following information shall be provided: (a) where the pledgor or pledgee is a legal person or unincorporated organization, the statutory registered name, unified social credit code or other statutory identification, and the statutory address; (b) where the pledgor or pledgee is a natural person, the name as stated on the identity card, the identity card number, and a valid address.

Article 11 — The specific description of accounts receivable in registration shall be sufficient to identify the accounts receivable being pledged. The description may be by reference to the contract number, invoice number, debtor of the accounts receivable, amount of accounts receivable, or other information.

Article 12 — The pledgee shall, according to the term of the principal claim, set the registration period by itself. The registration period shall be from 1 month to 30 years. Where the registration period expires, the pledge registration shall cease to be effective.

Article 13 — Before the expiration of the registration period, the pledgee may apply for an extension of the registration period. The extended registration period shall be calculated from the date of expiration of the

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original registration period. An extension may be applied for multiple times, provided that each extension shall not exceed 30 years.

Article 14 — Where any of the registered information changes, the pledgee shall register the change within 10 working days from the date of the change.

Article 15 — Where the secured principal claim has been fully satisfied, where other circumstances causing the pledge right to be extinguished have occurred, or where the pledgor or other interested party has other legitimate reasons, the pledgee shall, within 10 working days from the date on which the relevant circumstance arises, carry out cancellation registration. Where the pledgee delays or refuses to cancel the registration, the pledgor or other interested party may handle deregistration by submitting relevant evidentiary materials through the Registration and Publicity System.

Article 16 — The Credit Reference Center shall examine the completeness and legality of the information registered by the pledgee. Where the registration information provided by the pledgee is incomplete or not in compliance with relevant provisions, the Credit Reference Center shall refuse the registration and explain the reasons.

Article 17 — The Credit Reference Center shall establish an online inquiry function to enable the public to query the registration information of pledges of accounts receivable. Any entity or individual may query the Registration and Publicity System for registration information by entering the name of the pledgor or the registration certificate number.

Article 18 — The Registration and Publicity System shall record the time and date of registration to the second. The time registered in the system shall be the benchmark for determining the sequence of pledge rights. Where multiple registrations exist for the same accounts receivable, the pledgee with the earliest registration time shall have priority.

Article 19 — The Credit Reference Center shall properly preserve the registration information. The preservation period for registration information shall be 15 years after the pledge right is extinguished.

Chapter III — Supervision and Administration

Article 20 — The People's Bank of China shall supervise and administer the registration of pledges of accounts receivable and the Credit Reference Center. The Credit Reference Center shall periodically report the status of the registration of pledges of accounts receivable to the People's Bank of China.

Article 21 — The Credit Reference Center shall formulate operating rules for the Registration and Publicity System and shall adopt necessary measures to ensure the safe and normal operation of the system.

Article 22 — Any entity or individual that forges or alters registration information, or that makes false registrations, shall bear corresponding legal liability. Where a false registration by the pledgee causes damage to another person, the pledgee shall bear liability for compensation.

Article 23 — Any entity or individual may report to the People's Bank of China any violation of laws or regulations in the registration of pledges of accounts receivable. The People's Bank of China shall, in a timely manner, investigate and handle such reports.

Chapter IV — Supplementary Provisions

Article 24 — The registration of security interests over accounts receivable other than pledges, such as transfers of accounts receivable for security purposes, may be handled with reference to these Provisions.

Article 25 — Charges for registration and inquiry services under the Registration and Publicity System shall be subject to the pricing standards formulated by the competent pricing department under the State Council.

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Article 26 — Where the pledgor or the debtor of accounts receivable is an entity or individual located outside the territory of the PRC, these Provisions shall apply to the registration, inquiry, and related activities of the pledge of accounts receivable.

Article 27 — These Provisions shall enter into force on January 1, 2020. The Provisions on the Administration of Registration of Pledges of Accounts Receivable issued by the People's Bank of China on August 26, 2007 and the Provisions on the Administration of Registration of Pledges of Accounts Receivable revised by the People's Bank of China on October 25, 2017 shall be repealed simultaneously.

Disclaimer: This translation is provided for informational purposes only and does not constitute legal advice. While every effort has been made to ensure accuracy, only the original Chinese-language text issued by the People's Bank of China carries legal force. Users should consult qualified legal professionals regarding the application or interpretation of these Provisions in specific circumstances. Dan Young Business Consultancy assumes no liability for any errors, omissions, or reliance on this translation.