Trust Law of the People’s Republic of China

Dan Young Business Consultancy — www.danyoungcpa.com

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of regulating trust relationships, standardizing trust conduct, protecting the lawful rights and interests of the parties to a trust, promoting the healthy development of trust business, and improving the socialist market economy system.

Article 2 — For purposes of this Law, a trust is a legal arrangement whereby the settlor, based on trust in the trustee, entrusts his property rights to the trustee, and the trustee manages or disposes of such property in his own name in accordance with the wishes of the settlor for the benefit of the beneficiary or for a specified purpose.

Article 3 — This Law shall apply to trust activities conducted within the territory of the People’s Republic of China between the settlor, the trustee, and the beneficiary.

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Article 4 — The settlor, trustee, and beneficiary shall abide by laws and administrative regulations, comply with the principles of voluntariness, fairness, and good faith, and shall not prejudice the public interest.

Article 5 — The trust property in a trust shall be distinguished from the property not subject to the trust and from other trusts managed by the same trustee.

Chapter II — Creation of Trusts

Article 6 — A trust shall be created by means of a trust contract, a will, or other documents specified by laws and administrative regulations.

Article 7 — A trust shall be in writing. The written form includes trust contracts, wills, and other written documents specified by laws and administrative regulations.

Article 8 — A trust contract shall specify the following: (1) the purpose of the trust; (2) the name and domicile of the settlor and trustee; (3) the beneficiary or the scope of beneficiaries; (4) the scope, nature, and condition of the trust property; (5) the manner of distribution of trust benefits; and (6) the duration of the trust.

Article 9 — A trust that is created in violation of laws and administrative regulations or that prejudices the public interest shall be void. A trust created by means of fraud or duress shall be voidable.

Article 10 — Where the trust property requires registration in accordance with laws and administrative regulations, the trust shall be registered. The trust shall not take effect until the registration procedure is completed.

Article 11 — A settlor shall be a natural person, a legal person, or another organization established in accordance with law. The settlor shall have legal capacity to manage and dispose of property.

Chapter III — Trust Property

Article 12 — Trust property shall be segregated from the trustee's own property. The trustee shall not commingle trust property with its own property and shall maintain separate accounts for different trusts.

Article 13 — Trust property shall not be used to satisfy the personal debts of the trustee. Creditors of the trustee shall not have recourse to trust property.

Article 14 — Trust property shall not be included in the bankruptcy estate of the trustee where the trustee becomes bankrupt.

Article 15 — Trust property shall not be subject to enforcement by the personal creditors of the settlor, the trustee, or the beneficiary, except in the following circumstances: (1) the settlor has failed to fulfill his obligations after creating the trust and the trust property should have been used to satisfy his debts; (2) the trust property itself has given rise to the relevant claim; (3) taxes that should be paid by the trust itself.

Article 16 — Where the trustee dies, is dissolved, or is declared bankrupt, the trust property shall not be included in the estate, liquidation property, or bankruptcy estate, and a new trustee shall be appointed.

Chapter IV — The Trustee

Article 17 — A trustee shall be a natural person or legal person with full civil capacity. The trustee shall manage and dispose of trust property in accordance with the trust documents and for the benefit of the beneficiaries.

Article 18 — The trustee shall exercise the duty of care, good faith, and prudent management in administering the trust property. The trustee shall not take advantage of the trust property for its own benefit.

Article 19 — The trustee shall keep separate accounting records for trust property. The trustee shall not buy trust property for its own account, except as otherwise stipulated in the trust documents or with fair market

value and approval.

Article 20 — The trustee shall be entitled to receive remuneration as stipulated in the trust documents. Where no remuneration is stipulated, the trustee shall not receive remuneration, except with the consent of the parties.

Article 21 — Where the trustee mismanages the trust property and causes losses, the trustee shall compensate for such losses. Where the trustee violates the purpose of the trust, the settlor or beneficiary may apply to the people's court to rescind the disposition.

Article 22 — Where the trustee resigns, the settlor or beneficiary may appoint a new trustee in accordance with the trust documents. The resigning trustee shall continue to perform its duties until the new trustee assumes office.

Chapter V — The Beneficiary

Article 23 — A beneficiary shall be a natural person, legal person, or other organization specified in the trust documents. The beneficiary shall be entitled to the trust benefits and may waive such rights.

Article 24 — The beneficiary shall be entitled to access information regarding the management and disposition of trust property and the income and expenses of the trust.

Article 25 — Where the trustee disposes of trust property in violation of the trust purpose, the beneficiary may apply to the people's court to rescind the disposition, provided that the third party transferee had notice of the violation.

Article 26 — The beneficiary may transfer the beneficiary rights in accordance with the trust documents and applicable laws. Where the trust documents contain restrictions on transfer, such restrictions shall be observed.

Chapter VI — Modification and Termination of Trusts

Article 27 — A trust may be modified by the settlor, trustee, and beneficiary by agreement, except where the trust documents provide that the settlor may modify the trust unilaterally.

Article 28 — A trust shall terminate upon: (1) expiry of the trust term specified in the trust documents; (2) occurrence of the terminating event stipulated in the trust documents; (3) fulfillment of the trust purpose or impossibility of fulfillment; (4) agreement of the parties; (5) revocation of the trust in accordance with law.

Article 29 — Upon termination of the trust, the trust property shall belong to the person or entity designated in the trust documents. Where no person is designated, the trust property shall belong to the beneficiary or his successors; where there is no beneficiary or successor, to the settlor or his successors.

Article 30 — During the liquidation of a terminated trust, the trustee shall be responsible for settling the debts of the trust, distributing the remaining trust property, and preparing a liquidation report.

Chapter VII — Charitable Trusts

Article 31 — A charitable trust is a trust established for the following public interest purposes: (1) poverty relief; (2) disaster relief; (3) assistance to the disabled; (4) development of education, science, technology, culture, arts, and sports; (5) development of medical and health services; (6) environmental protection and ecological conservation; and (7) other public interest purposes.

Article 32 — The establishment of a charitable trust and the appointment of the trustee shall be subject to the approval of the relevant public interest administrative authority. The charitable trust shall not be terminated without the approval of the administrative authority.

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Article 33 — A charitable trust shall have a trust supervisor, who shall be designated in the trust documents. Where no supervisor is designated, the public interest administrative authority shall appoint one.

Article 34 — The trustee of a charitable trust shall report to the public interest administrative authority at least annually on the status of trust affairs and the management and disposal of trust property.

Article 35 — Where a charitable trust terminates, the trustee shall report to the public interest administrative authority, and the remaining trust property shall be applied to similar public interest purposes.

Chapter VIII — Supplementary Provisions

Article 36 — The State Council shall formulate separate administrative regulations governing the trust business conducted by trust investment companies.

Article 37 — For purposes of this Law, a testator who creates a trust by will shall comply with the relevant provisions of the Succession Law.

Article 38 — This Law shall come into effect as of October 1, 2001.

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