
Brief Information Updating on Anti-Money Laundry in China

The anti-money laundry issue is becoming more than more sensitive in China. The People's Bank has set up an Anti-Money laundry Department for drafting laws and regulations and help local People's Bank to set up organizations for carrying out the anti-money laundry policies of the nation. The Capital flight to abroad was over US\$50000Million from 1997-1999 according to the research report prepared by the National Administration Bureau of Foreign Currency Exchange (He Jing, www.jjxj.com.cn) Some researchers would believe the laundered money in recent years is over RMB200000Million (notes: US\$1=RMB8.01, He Jing, www.jjxj.com.cn). The corrupted officials and illegal monies fly out through illegal ways. Some of the parties are companies including foreign invested companies and private companies. Money laundry has affected economic order in China.

The draft of Anti-Money Laundry Law (AMLL) was submitted to the People's Congress recently for reviewing. It will be the first law in China for anti-money laundry. Article 191 of The Criminal Law of PRC (Amendment 1997) regulates money laundry. The State Council of PRC has issued Cash Management Regulation and Real Name Personal Deposit Regulation. The People's Bank and National Administration Bureau of Foreign Currency Exchange have issued Regulation on Bank Account Management, Offshore Account Management Regulation, The Registration of Large Amount of Withdraw and Payment, Regulation on Foreign Currency Carrying Out of the Border.

Offshore account is another target that the authority regulates. The Regulation on Offshore Account Management is the one for offshore bank account that is opened with banks with offshore banking license in China. Offshore companies nowadays are known for its tax advantages and non-disclosure of members and directors. The authority has put more effort to regulate investment from offshore companies. The requirement on disclosure of ultimate beneficiary and legalization by Chinese

Embassies or Counsels has been preceded in various cities. The #75 Notice issued by National Administration Bureau of Foreign Currency Exchange requires Chinese who uses SPV (Special Purpose Vehicle) to be registered when they invest in China.

Last year's visit of BVI delegation has made a strong response among Chinese professionals and entrepreneurs who are using or will use BVI companies for investment in China. The BVI is now known by authorities a tax evasion vehicle. The worst thing is that it is connected with illegal transactions understood by people or local authorities who have no ideas on offshore services.

As long as China is targeting money laundry activities, offshore companies will be one of the sensitive fields in future.