

#### Forex Capital Settlement of Foreign-invested Enterprises Required of Capital Verification

Chinese version China's State Administration of Foreign Exchange (SAFE) stipulates that if foreign-invested enterprises apply for foreign exchange (forex) capital settlement to banks, they must first handle capital verification by accounting firms. Banks may not handle the forex capital settlement without the capital verification procedure completed.

The SAFE also requires that the calculative funds of forex capital settlement that banks have handled for a foreign-invested enterprise may not exceed the calculative verified funds of the capitals of the enterprise, according to the Circular on Issues Concerning the Promotion of Operation of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises which was released on August 29 by the SAFE.

Foreign-invested enterprises are supposed to use the RMB capitals generated from the forex capital settlement within the business scopes that have been approved by the examination and approval governmental authorities, but not for domestic equity investment. Except for foreign-invested real estate enterprises, foreign-invested enterprises are not allowed to purchase non-self-used domestic real estates with the RMB capitals generated from the forex capital settlement.

If investment-based foreign-invested enterprises that have been approved to be established by the competent commercial authorities are engaged in domestic equity investment, the domestic transfer of their capitals must be only handled with the verification and approval of the SAFE.

(Source: State Administration of Foreign Exchange)

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