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China steps up control on cross-border hot money flow

(Xinhua)

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China has tightened settlement and sale of foreign exchange by individuals to curb non-normal cross-border capital inflow, according to a statement of the State Administration of Foreign Exchange (SAFE).

Banks should deny, review or report to foreign exchange regulators, individual purchases or settlements of foreign exchange suspicious of splitting up one deal into several smaller ones to dodge limits on the size of exchange transfer by one person, which is understood to be one of the channels for hot money inflow, said the statement on Wednesday.

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Practices including one overseas individual or institution remitting foreign exchange to five or more individuals within China who settle them respectively, or five or more individuals buying foreign exchange and remitting them to one and the same overseas individual or institution, on a single day, every other day or consecutive days, are considered exchange splitting behavior, said the SAFE.

China in 2007 set the limit of up to $50,000 per year for an individual to exchange between yuan and foreign exchange.