

Decree No.2 [2007] of the People's Bank of China, China Banking  
Regulatory Commission, China Securities Regulatory Commission,  
China Insurance Regulatory Commission

In line with the Law of the People's Republic of China on Anti-Money Laundering and other relevant laws and regulations, the People's Republic of China, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission have formulated the Administrative Rules for Financial Institutions on Customer Identity verification and Record Keeping of Customer Identity and Transaction Information. The Rules is hereby promulgated and shall enter into force as of August 1, 2007.

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The Administrative Rules for Financial Institutions on Customer Identity  
verification and Record Keeping of Customer Identity and Transaction  
Information

(Unofficial Translation)

Chapter 1 General Provisions

Article 1 The Rules are made to prevent money laundering and terrorist financing activities, to standardize customer identity verification and record keeping of customer identity and transaction information by financial institutions, and to maintain financial order, according to the Anti-Money Laundering Law of the People's Republic of China and other regulations.

Article 2 The Rules are applicable to the following financial institutions legally established within the territory of the People's Republic of China:

- (1) Policy banks, commercial banks, rural cooperative banks, urban credit cooperatives and rural credit cooperatives;
- (2) Securities companies, futures companies, and fund management companies;
- (3) Insurance companies and insurance asset management companies;
- (4) Trust companies, financial asset management companies, finance companies, financial leasing companies, automobile finance companies, and money brokerage companies;
- (5) Other institutions identified and proclaimed by the People's Bank of China.

Institutions engaged in remittance, payment and clearing, and fund distribution are obligated by the Rules to verify customer identity, keep the customer identity information and transaction records.

Article 3 The financial institutions shall fulfill their due diligence; establish, improve and implement their customer identity verification system; carry out "know your customer" principles; take corresponding measures according to the risks of various customers, business relationships, or transactions; understand the customer, and the purpose and nature of its transactions; and know the natural person(s) who actually controls the customer and the actual beneficiary of the transaction.

Financial institutions shall keep customer identity materials and transaction records properly, ensure the security, accuracy, integrity and confidentiality of all the materials and the sufficiency of the information to recover each transaction, so as to provide necessary information to identify the customer, monitor and analyze the transaction, and investigate suspicious activities and money laundering cases.

Article 4 Financial institutions shall establish and improve internal operating standards and procedures on customer identity verification and record keeping of customer identity and transaction information according to the laws and regulations concerning anti-money laundering or combating the financing of terrorism, designate specialized personnel in charge of compliance and management on anti-money laundering and combating the financing of terrorism, devise proper business procedures and operating standards, do internal audit regularly, evaluate the integrity and effectiveness of their internal operating standards and procedures, and revise and improve relevant internal regulations in time.

Article 5 Financial institutions shall supervise branches on the implementation of customer identity verification, record keeping of customer identity and transaction information.

Headquarters of financial institutions shall make uniform requirements on customer identity verification, and record keeping of customer identity and transaction information.

Financial institutions shall require their overseas branches or subsidiaries to follow the Rules as permitted by the laws or regulations of the host country. If the laws or regulations of the host country are stricter than the Rules, the stricter requirements shall be followed. If the Rules are stricter than the laws or regulations of the host country, but the host country forbids branches or subsidiary to follow the Rules, the financial institutions shall report to the People's Bank of China.

Article 6 When establishing correspondent banking or similar relationship with financial institutions abroad, a financial institution shall collect sufficient information of the overseas correspondent bank to fully understand its nature, reputation, internal control and the supervision, evaluate the AML supervision, the integrity and effectiveness of its AML/CFT measures, and clearly define each institution's responsibilities in customer identity verification and record keeping of customer identity and transaction information on written documents.

Establishing a new correspondent banking relationship should be approved by the board of directors or the senior management.

## Chapter 2 Customer Identity Verification Program

Article 7 When establishing business relationship with customers in the way of opening accounts and etc., or providing customers without accounts in the institution with occasional services, such as cash remittance, cash exchange or note cashing, with the transaction volume exceeding 10,000 RMB or 1,000 USD equivalent, policy banks, commercial banks, rural cooperative banks, urban credit cooperatives, rural credit cooperatives and currency exchange institutions shall verify customer identity, find out the natural person(s) who actually control(s) the customer and the actual beneficiary of the transaction, verify valid identity cards or other identity documents of customers, register basic identity information of customers and keep copies of valid identity cards or other identity documents.

If the customer is a senior political figure from a foreign country, the financial institutions shall obtain approval from the senior management before opening an account.

Article 8 When providing cash deposit or cash withdrawal services with single transaction volume exceeding 50,000 RMB or equivalent of 10,000 USD to natural person customers, financial institutions including commercial banks, urban credit cooperatives, rural credit cooperatives, etc, shall verify valid identity cards or identity documents of customers.

Article 9 When providing safekeeping service, financial institutions shall have knowledge of the actual user of the safe.

Article 10 When remitting funds from China to other countries, financial institutions such as commercial banks, urban credit cooperatives, rural credit cooperatives, rural cooperation banks, policy banks and etc., and institutions engaged in remittance business shall register the name, account number and address of the payer, and the name and address of the payee, keep the above information in the remittance voucher or relevant information system, and provide the receiving financial institutions with information of the payer such as the name, account number, address and so on. If the payer does not have account in the financial institution and thereby the financial institution is not able to record the account number, the financial institution shall register other relevant information, provide the information to the institution receiving the remittance and ensure the transaction can be tracked. If the address of the payee abroad is not clear, financial institutions may register the address of the overseas institution receiving the remittance.

When receiving remittance from other countries, financial institutions shall ask the foreign remitting institution to furnish when any information regarding the name, account number and address of the remitter is missing. If the remitter does not have an account in the foreign remitting institution and therefore the domestic receiving financial institutions are not able to register the account number of the remitter, the domestic receiving financial institution shall register other relevant information and

ensure the possibility of tracking the transaction. If the address of the overseas remitter is not clear, financial institutions shall register the address of the foreign remitting institution.

Article 11 When conducting the following businesses, securities companies, future companies, fund management companies and other institutions engaged in fund sales shall verify identity of their customers, find out the natural person(s) who actually control(s) the customer and the actual beneficiary of the transaction, verify the valid identity cards or other identity documents of their customers, register basic identity information of customers and keep copies of valid identity cards or documents:

- ( 1 ) open, close or change a capital account, or deposit or withdraw funds;
- ( 2 ) open a fund account;
- ( 3 ) open, report the loss or cancel a securities account for others, or apply, report the loss or cancel futures transaction codes for others;
- ( 4 ) sign futures brokerage contracts with customers;
- ( 5 ) conduct or cancel authorization of representative for customers;
- ( 6 ) change the trusteeship, designate transactions, cancel designated transactions;
- ( 7 ) confirm stocks ownership on behalf of public companies;
- ( 8 ) report the loss of the transaction password;
- ( 9 ) modify the basic identity information of customers;
- ( 10 ) open non-counter based transaction modes, such as online transactions, telephone transactions, etc;
- ( 11 ) sign credit transaction contracts, such as securities borrowing contracts;
- (12) other transactions designated by the People's Bank of China and China Securities Regulatory Commission

Article 12 When signing property insurance contracts with premium to be paid by cash exceeding 10,000 RMB or 1000 USD equivalent, signing life insurance contracts with premium of a single insured person to be paid by cash exceeding 20,000 RMB or 2,000 USD equivalent, or signing insurance contracts with premium to be paid by transfer exceeding 200,000 RMB or 20,000 USD equivalent, insurance companies shall verify the relationship between the policy holder and the insured, verify the valid identity cards or identity documents of the policy holder, the insured of the life

insurance and the appointed beneficiary other than the legal heir of the insured, register the basic identity information of the policy holder, the insured and the appointed beneficiary other than the legal heir of the insured, and keep copies of the valid identity cards or other identity documents.

Article 13 When receiving application to cancel a policy with returned premium or value of policy exceeding 10,000 RMB or equivalent 1,000 USD foreign currency, insurance companies shall require the applicant to show the original insurance contract or policy, verify the valid identity card or other identity document of the applicant and confirm the identity of the applicant.

Article 14 When receiving the compensation or payment request from the insured or beneficiary with an amount exceeding 10,000 RMB or 1,000 USD foreign currency equivalent, the insurance company shall verify the valid identity cards or other documents of the insured and the beneficiary, verify the relationship among the insured, the beneficiary and the policy holder, register basic identity information of the insured and the beneficiary, and keep copies of the valid identity cards or documents.

Article 15 When setting up the trust, the trust company shall verify the valid identity cards or other identity documents of the settler, understand the source of the trust funds, register basic identity information of the settler and the beneficiaries, and keep copies of the valid identity cards or other identity documents of the settler.

Article 16 When signing financial business contracts, financial asset management companies, finance companies, financial leasing companies, auto finance companies, money brokerage companies, insurance asset management companies and other financial institutions identified by the People's Bank of China shall verify the valid identity cards or other identity documents of their customers, register the customers' basic identity information and keep copies of the customers' valid identity cards or other identity documents.

Article 17 When providing non-counter based services to customers such as through the telephone, network, ATM and other electronic transaction platforms, financial institutions shall carry out strict verification measures, adopt proper technical safety measures commensurate with the risks, strengthen the internal control procedures and verify customer identity.

Article 18 The financial institutions shall rate risks according to features such as the customer, account, geographic location, business, industry, and whether the customer is a senior political figure from a foreign country, and so on. Financial institutions shall keep ongoing attention and adjust the risk rating in time. Under the same condition, customers from countries/regions with weak AML/CFT administration shall have higher risk rating than other customers.◦

Financial institutions shall verify customers' basic information regularly according to the risk rating of the customer or the account. Verification on customers or accounts with higher risk level shall be more rigorous. Verification on customers or accounts with the highest risk level shall be carried out at least once per 6 months.

Financial institutions' risk classification criteria shall be reported to the People's Bank of China.

Article 19 During the existence period of the business relationship, financial institutions shall adopt ongoing customer due diligence measures, pay attention to the customer and his/her daily operations and financial transactions, and remind customers to update relevant material and information in time.

For high-risk customers or holders of high-risk accounts, financial institutions shall know the information such as the source of fund, the purpose of fund, financial or business status, etcetera, and strengthen the monitoring and analysis of financial transactions. For foreign senior political persons, financial institutions shall take proper measures to understand the source and purpose of their fund.

If the identity document has expired and the customer fails to update the information within a reasonable period without any proper reason, financial institutions shall suspend doing business for the customer.

Article 20 Financial institutions shall take reasonable steps to determine whether the customer conduct business on behalf of others, and shall obtain valid identity card or other identity document to verify the identity of the representative, register the name, contact info, and type and number of the identity card or other identity document of the representative when performing customer identity verification procedures on the represented persons.

Article 21 Financial institutions other than the trust companies shall verify the identities of the parties concerned in the trust, and register the names and contact info of the settler and the beneficiary, if the financial institutions know or should have known the asset or property is under trust.

Article 22 Financial institutions shall re-verify their customers' identity under the following circumstances:

The customer requires to change registered name, type of identity card or other identity document, registered capital, business scope, legal representative or persons in charge;

There is something unusual in the customer's behavior or transaction activities;

The name of the customer matches the list of the suspects, money launders, and terrorist financiers that the relevant authorities under the State Council and law

enforcement authorities have asked the financial institutions to assist in investigation or pay special attention to;

The financial institution has the supervision that the customer is involved in money laundering or terrorist finance activities;

The customer information obtained by the financial institution is not consistent with such information acquired previously;

The financial institution doubts the authenticity, validity or integrity of the identity verification record of the customer obtained previously;

Other circumstances under which the customer should be re-verified at the financial institution's discretion.

Article 23 Besides verifying the valid identity card or identity document, financial institutions may take one or several of the following measures when verifying or re-verifying their customer's identities:

To require the customer to supplement other identity record or identity document;

To call the customer;

To visit the customer;

To verify with the public security authorities and administrative departments of industry and commerce; or

To take other measures provided by legislations.

When the financial institutions of the banking sector verify the identity cards of relevant individuals for fulfilling the customer identity verification obligations in accordance with laws, administrative regulations or rules, they shall verify the identity information of the individuals through the Network System for Citizen Identity Information Verification established by the People's Bank of China. Financial institutions in other sectors may verify the identity information of the individuals through the Network for Citizen Identity Information Verification established by the People's Bank of China if necessary.

Article 24 Financial institution that entrusts other financial institutions to sell financial products to customers shall specify the obligations of the parties concerned in verifying the customer identity in the entrustment agreements, assist each other when necessary, and take effective customer identity verification measures according to their obligations.

Financial institutions can, under the following circumstances, rely on the customer identity verification results provided by financial institutions that sell financial products to the customers and need not to repeat the customer identity verification procedures that have been done by other financial institutions, but shall be held liable for any failure in fulfilling the customer identity verification obligations.

The verification measures taken by financial institutions that sell financial products comply with the requirement of the AML laws, regulations and the Rules.

The customer identity material and information can be effectively obtained and kept.

Article 25 Financial institutions may entrust third parties that are not financial institutions to verify customer identity if the following requirements are complied with:

It is proved that that the third party has taken necessary steps in customer identity verification and record keeping of identity documents in line with the requirement of the AML laws, regulations and the Rules;

There is no legal or technical obstacles for that third party to provide the financial institutions with customer information; and

Customer information can be obtained immediately by the financial institutions when financial services are provided, and original copy or photocopies of valid identity card or other identity documents can be obtained when necessary.

Financial institutions that entrust a third party to identify customers shall be held liable for any failure in fulfilling the customer identity verification obligations.

Article 26 Each financial institution shall report to China Anti-Money Laundering Monitoring and Analysis Center and local branches of the People's Bank of China the following suspicious activities when fulfilling the customer identity verification obligations:

The customer refuses to show valid identity card or other identity document;

The name, account number, and address or its substitute information of the remitter can not be fully obtained after requesting the overseas remitting institutions to provide for these data;

A customer refuses to update basic identity information without proper reasons;

The financial institutions still have doubt about the authenticity, validity or integrity of the identity record of the customer obtained previously, after taking necessary measures; or

Other suspicious activities have been discovered when the customer identity verification obligations are fulfilled.

When filing the suspicious activities reports, the financial institutions shall refer to the Administrative Rules for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions (Decree [2006] No. 2 of the People's Bank of China) and other relevant provisions.

### Chapter 3 Keeping Records of Customer Identity Material and Transaction Records

Article 27 Records of customer identity materials that shall be kept by each financial institution include customer identity information and materials obtained in fulfilling the customer identity verification obligations, and various records and materials that reflect the work of the financial institutions in identifying the customers.

Transaction records that shall be kept by each financial institution include data, business vouchers, accounting vouchers for each transaction, and contracts, business vouchers, bills, business correspondence and other materials that reflect the circumstances of the actual transactions.

Article 28 Financial institutions shall take necessary managerial and technical measures to prevent the loss, destruction, damage or leakage of customer identity materials and transactions records.

Financial institutions shall take feasible measures to keep customer identity materials and transaction records to facilitate AML investigation and supervision.

Article 29 Financial institutions shall keep customer identity materials and transaction records for the following period of time:

At least five years for customer identity materials since the termination of business relationship or the date of the book entries of the occasional transaction.

At least five years for transactions records since the date of the book entries of the transaction.

If the customer identity materials or transaction records relate to suspicious activities under investigation and the anti-money laundering investigation cannot be completed before the above time limit, the customer identity materials and transaction records should be kept until the investigation is finished.

For the medium on which customer identity data or transaction records with different keeping terms are kept, it shall be kept for the longest required period of time. If one set of customer identity data or transaction record is kept on different mediums, at least one medium with such data and record shall be kept for the required period of time.

If other laws, administrative regulations and rules provides longer period of time for keeping customer identity materials and transaction records, the other laws, administrative regulations and rules shall be applied.

Article 30 In the case that a financial institution goes bankruptcy or is closed, the customer identity materials and transaction records shall be transferred to institutions designated by China Banking Regulatory Commission, China Securities Regulatory Commission, or China Insurance Regulatory Commission.

#### Chapter 4 Legal Liabilities

Article 31 In case of any violation of the Rule by a financial institution, sanctions shall be imposed in line with article 31 and 32 of the AML Law by the People's Bank of China. Based on the circumstances, the PBC shall propose to the China Banking

Regulatory Commission, China Securities Regulatory Commission, or China Insurance Regulatory Commission to take the following measures:

Order the financial institution to stop its operations for internal rectification or revoke its business license;

Disqualify the directors, senior managers and other person(s) directly responsible for the misconduct of the financial institutions from taking the positions in financial sector, or prohibit them from engaging in financial businesses; or

Order the financial institution to impose disciplinary sanctions on the directors, senior managers, and other person(s) directly responsible for the misconduct.

Where a sub-branch of a county (prefecture) of the People's Bank of China finds that any financial institution has violated the Rules, it shall report to the branch office of the PBC at the next higher level, which shall impose penalties or put forward a proposal according to the preceding Paragraph.

#### Chapter 5 Supplementary Provisions

Article 32 The Rules are not applicable to the insurance companies to identify customer while doing re-insurance business.

Article 33 The terminologies in the Rules shall be interpreted as follows:

Basic Identity information of a natural person includes names, gender, nationality, occupation, domicile address or business address, contact info, and type, number and period of validity of the identity card or other identity document. In case that the customer's regularly live in a place other than his domicile, the regular residency shall be regarded as his domicile address.

Basic Identity information of a legal person, other organization, and self-employed entity includes name; address; business scope; organization or institution code; tax registration certificate; titles, numbers and period of validity of licenses, certificates or documents that certify the customer is legally established and qualified to do business or carry out social activities; names, and type, number and period of validity of identity cards or other identity documents of the controlling shareholders or actual controllers, legal representatives, person(s) in charge and person(s) authorized to act on behalf of the entity.

Article 34 The Rules shall be interpreted by the PBC together with China Banking Regulatory Commission, China Securities Regulatory Commission, and China Insurance Regulatory Commission.

Article 35 The Rules enter into force as of August 1, 2007.