

# **Interim Measures for Administration of Compliance Margins<sup>1</sup>**

## **Chapter 1 General Provisions**

**Article 1** (Purpose) To guarantee stable operation of payment and clearing business of Cross-border Interbank Payment System (CIPS), CIPS Co., Limited (referred to as “the Company”) formulate the measures in accordance with “Provisional Business Rules on Cross-border Interbank Payment System”, “Cross-border Interbank Payment System (CIPS) Operational Guidelines” and other relevant regulations.

**Article 2** (Scope of application) These Measures are applicable to overseas banking direct participants of CIPS that have no commercial presence in the People's Republic of China (referred to as “ODP with no commercial presence”) .

Commercial presence as referred to in these Measures refers to the establishment and operation of legal entities or branches, including parent banks, branches and subsidiaries, within the territory of the People's Republic of China, for the purpose of providing services.

**Article 3** (Definition and use) Compliance margins as referred to in these Measures refer to the RMB currency funds deposited with the Company by direct participants specified in Article 2 to ensure their compliance with laws, regulations and rules related to RMB cross-border

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<sup>1</sup> Note: In the event of any discrepancy between the English and Chinese version, the Chinese version shall prevail.

business and relevant business rules of CIPS, as well as to bear the losses caused by their violation of rules and agreements.

## **Chapter 2 Deposit of Compliance Margins**

**Article 4** (Amount verification) The amount of compliance margins to be deposited by an ODP with no commercial presence shall not be less than 15% of the minimum funding of the direct participant. Under special circumstances, the amount should be verified with the consent of the relevant financial regulatory authority.

The minimum funding requirement is the minimum liquidity requirement for the direct participant to inject into its CIPS accounts before business processing, and is calculated by the Company based on the scale of the direct participant's cross-border RMB business and other things.

**Article 5** (Deposit requirement) ODP with no commercial presence should deposit compliance margins on time and in full in accordance with the amount, payment deadline and account information required by the Company.

**Article 6** (Treatment of failure to deposit) Failure of an overseas direct participant to deposit the compliance margins on time and in full will constitute breach of contract. The Company may, depending on the circumstances, take measures such as written notification, suspension of business handling permissions, and require the relevant overseas direct

participant to pay penalty fees at a certain percentage of the overdue amount.

### **Chapter 3 Adjustment and Return of Compliance Margins**

**Article 7** (Circumstances for adjustment of amount) If there is a change in the minimum funding requirement for an overseas direct participant, or under circumstances deemed by the Company as necessary for change, the Company may adjust the amount of compliance margins.

**Article 8** (Notice of adjustment) The Company should send a notice of adjustment to the overseas direct participant after altering the amount of compliance margins payable by the overseas direct participant.

**Article 9** (Compliance margins increase) Overseas direct participants that need to pay additional compliance margins should make additional payment on time and in full according to the notice of the Company.

**Article 10** (Compliance margins decrease) Overseas direct participants that can reduce the amount of compliance margins should apply in writing to the Company for the transfer of funds back.

**Article 11** (Termination of compliance margins obligation) When an overseas direct participant no longer belongs to the target of compliance margin payment or no longer has the qualification of CIPS direct participant, it should submit *Application for Cancellation of CIPS Compliance Margins Dedicated Account* (Attachment) and relevant certificates and materials to the Company.

Obligation of the overseas direct participant to deposit the compliance margin should terminate on the date when the Company agrees to the cancellation of its special account for compliance margin.

**Article 12** (Return of compliance margins) Upon termination of the obligation to deposit compliance margins, the Company should return to the relevant overseas direct participant the balance of funds (including accrued interest) in its special account for compliance margin.

#### **Chapter 4 Management and Use of Compliance Margins**

**Article 13** (deposit of compliance margins) The Compliance Margin should be deposited in a special account opened by the Company in the People's Bank of China.

**Article 14** (Management of dedicated account) The Company should manage and independently account for the compliance margin deposited by each overseas direct participant in a dedicated account.

The Company is responsible for recording and maintaining the changes in the balance of the special account of the compliance margins of the overseas direct participant, and sending statements to the overseas direct participant on a regular basis. Overseas direct participants may also initiate a written application to the Company to enquire about the balance of their dedicated accounts.

**Article 15** (Calculation of interest) The compliance margins paid by the overseas direct participants shall be calculated with interest in accordance with the relevant regulations of the People's Bank of China on

the management of central bank deposit accounts.

**Article 16** (Use of compliance margins) If ODP with no commercial presence have caused serious impact on the system operation and business processing due to the violation of relevant laws and regulations, CIPS related rules and agreements, the Company may use the compliance margins to cover the loss, return the remaining amount and send a written notice to overseas direct participants.

**Article 17** (Replenishment of compliance margins) After deducting the amount of loss compensation, if the balance of the compliance margins account of the overseas direct participant is lower than the amount to be deposited, the overseas participant should replenish the compliance margins on time and in full according to the notification of the Company.

### **Chapter 5 Supplementary Provisions**

**Article 18** The relevant arrangements for overseas FMI direct participants should be implemented with reference to the Measures, depending on their business models.

**Article 19** The Measures shall be interpreted by the Company.

**Article 20** The Measures shall take effect from the date of issuance.

Appendix

## Application for Cancellation of CIPS Compliance Margins Dedicated Account

CIPS Co., Ltd.:

Because \_\_\_\_\_ (supporting documents are provided in the form of attachments with this application), our bank (CIPS code: ) no longer qualified as a compliance margins payee, we hereby apply for the cancellation of our bank's CIPS compliance margin dedicated account, please approve.

Direct participants:

Signature/Seal:

Date: