

Chinese Draft Administrative Regulations to Improve Efficiency of Company Formation and Deregistration

The State Administration for Market Regulation (SAMR) on June 15, 2020, issued a *Circular on Seeking Public Comments on the Administrative Regulations of the People's Republic of China on Registration of Commercial Entities* (Draft) (http://www.samr.gov.cn/hd/zjdc/202006/t20200615_317040.html) (the Administrative Registration Regulations). The proposed Administrative Registration Regulations are intended to resolve ongoing problems caused by inconsistency of registration rules, standards, and procedures for different commercial entities. The proposed new rules are expected to streamline and expedite the processing of company formation.

A total of 102 articles comprise the Administrative Registration Regulations. These are divided into six categories, including General Provisions, Registration Items, Registration Procedures, Supervision and Administration, Legal Liabilities, and Supplementary Provisions.

Changes to the current *Administrative Regulations of the People's Republic of China on Company Registration* in the draft Administrative Registration Regulations include the following:

- The new draft clarifies the nature of commercial entities' registration procedures and emphasizes to the regulatory authorities that the focus is on business qualifications of the proposed entity. The Administrative Registration Regulations further confirm that the registration authority merely conducts a format review instead of a substantive review on the application materials submitted by the commercial entities, which means such registration is no longer a type of government approval but merely confirmation that the proposed commercial entity complies with the law.
- The proposed Administrative Registration Regulations aim to build a flexible and convenient market access system by introducing various measures for commercial system reform. These could include e-registration, e-business license, shortening the establishment approval time, integration of multiple certificates, separation of business license and industrial permit, one business license with multiple operation addresses, and name registration reform. Such measures will greatly reduce the bureaucracy when filing the company registrations and facilitate business activities of commercial entities.
- The draft rules also aim to build an efficient and safe market exit system by simplifying the general liquidation process. It establishes a simple deregistration procedure and business shutdown registration system. It also provides more guidance on the procedures for registration cancellation and clarifies the application for and legal consequences of compulsory revocation of business registration. The Administrative Registration Regulations also highlight that, after the business license of a commercial entity is revoked, its liquidation committee shall undertake the legal obligations and complete the required deregistration process.
- The draft rules focus on building a new regulatory mechanism with creditworthiness and financial solvency as an essential component. This inclusion is intended to strengthen the sense of responsibility and enhance the self-discipline of commercial entities as well as to build a social credit system and give full play to the basic role of credit ratings in economic activities.
- The rules are also intended to correct and solve the problems discovered in handling user complaints in accordance with relevant laws and regulations. The draft rules will strengthen measures regarding the annual reporting system and the list of abnormal operations and illegal enterprises. They will also make

the credibility of an enterprise the key reference for enterprise administration and supervision, including license administration, qualification granting, certification, recordal, tax receipt administration, government procurement, bidding, assets allocation, loan, title awarding, and grade evaluation.

The public is encouraged to email (at djjzdc@samr.gov.cn) or post comments on the draft Administrative Registration Regulations through the "Collection Survey" item in the "Interaction" column on the home page of the website of SAMR (<http://www.samr.gov.cn>) by July 15, 2020.

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