

China Issues Draft Guidelines On Yuan-denominated FDI

Description

[Jason's Comments: Foreign investors making investment in China using RMB has been mentioned before in MOFCOM's notices dated February, 2011, under which MOFCOM requires that application by foreign investors using RMB fund derived from cross-border trades and otherwise legally obtained overseas shall be referred to MOFCOM for approval first before proceeding further. With these new guidelines, the use of Yuan or RMB for investment purpose in mainland China will be more standardized and properly regulated, and therefore more practicable for foreign investors.]

BEIJING (Dow Jones)—China Monday released draft guidelines on foreign investors' use of yuan acquired overseas for direct investment in China, taking another significant step forward in further internationalizing the Chinese currency and opening the country's tightly-controlled capital account.

According to the guidelines issued by China's Ministry of Commerce on the so-called "yuan-denominated foreign direct investment", foreign investors can use yuan raised via cross-boarder trade settlements, offshore yuan bond issuance and share sales to invest in mainland China, the ministry said in a statement.

The yuan FDI scheme also allows foreign investors to make use of yuan-denominated earnings as well as proceeds from share transfers and asset sales that have been remitted overseas.

However, under the program, foreign investors aren't allowed to make investments in domestic securities, financial derivatives, trust loans or loan repayment, the ministry said in the statement posted on its website.

The ministry said it is seeking public opinion on the draft guidelines. The deadline for relevant feedback is Aug. 31.

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