

Alerts & Publications

China Launches Nationwide Company Credit Information System

November 4, 2014



KEY CONTACTS

Lining Shan

Beijing

D: +86-10-6563-4247

China's State Administration of Industry and Commerce ("SAIC") has launched the National Company Credit Information System [1], an online resource that provides free information about companies to the public. This system represents an important step in improving transparency and corporate credibility. At a time when China is strengthening its data privacy laws, this company credit information system is especially important as a means to obtain information on companies in China in connection with doing transactions, and for compliance purposes.

The online system covers companies registered with the SAIC or local AICs in the 31 provinces, autonomous regions and municipalities across the country. The current design of the system will cover three broad categories: (i) information obtained by the AICs and that is required to be disclosed by the AICs; (ii) information to be disclosed by the companies themselves; and (iii) information to be disclosed by government agencies other than the AICs.

The AICs are to disclose certain information on companies within their jurisdictions within 20 working days after the information is generated, including basic corporate registration data, record filing, chattel mortgage registration, equity pledge registration, and administrative penalties levied by the AICs, among other things. At present, most AICs have only uploaded information regarding basic corporate registration and record filing.

Companies are expected to file a copy of their annual reports through the online system and disclose information in their annual reports (except for sensitive business information such as revenues, debt, profits, and total assets), shareholders and capital contributions, changes in equity interest, administrative licenses, intellectual property rights ("IPR") pledge registration, administrative penalties, etc. Companies are required to file their 2013 annual reports and disclose relevant information in their 2013 annual reports between October 1, 2014 and June 30, 2015. Filing and disclosure regarding annual reports for subsequent years should be made between January 1 and June 30 of the following year. Information other than annual report information is to be disclosed within 20 working days after the information is generated.

The companies themselves are responsible for the authenticity and legality of the information they disclose. The AICs will do spot checks on the disclosed information, and third parties may report any information they suspect is false to the AICs. Companies that fail to disclose their annual reports or other required information within the specified time frame or that commit fraud in their information disclosure will be recorded in the directory of companies with abnormal business operations. Companies that fail to fulfill their disclosure obligations for three years will be recorded in the directory of companies with serious illegal conduct, and their legal representative or person-in-charge will be prohibited from becoming a legal representative or person-in-charge of any other company for three years. Companies listed on either directory will be disclosed on the Nationwide Company Credit Information System, and they will be barred from government projects, including government procurement and land transfer.

The information to be disclosed by other government agencies mainly covers administrative licenses and administrative penalty information. Based on O'Melveny's spot check in the system as of the time of this alert, such information has not yet been made available.

The online National Company Credit Information System is expected to help make finding corporate information more transparent. Prior to this system becoming available, an inquirer had to go to an AIC office to request the information registered by the company. However, under the SAIC rules, only lawyers who presented case initiation notices from a court had standing to ask the AICs to check information registered by a company, and then only in the context of a lawsuit. With the new system, consumers, trading partners and even competitors of a company can simply log into the system and access relevant financial, asset and legal liabilities information.

This online system greatly improves transaction safety. For example, administrative penalty information is an important indicator of a company's creditworthiness and integrity, but until now such information was not readily available other than to the penalty-issuing authority and the penalized company.

In addition, the requirement on governmental authorities to disclose information about administrative penalties and administrative licenses curbs the tendency for administrative 'discretion' in such matters and promotes transparency.

Finally, it is worth noting that the Shanghai High Court announced on July 23, 2014 that corporate registration information obtained from the system may be used to establish the status of a corporate entity for the purposes of filing a lawsuit before Shanghai courts, and may be used as evidence.

[1] The system was launched on March 31, 2014 . More information is available (in Chinese) at <http://gsxt.saic.gov.cn>

This memorandum is a summary for general information and discussion only and may be considered an advertisement for certain purposes. It is not a full analysis of the matters presented, may not be relied upon as legal advice, and does not purport to represent the views of our clients or the Firm. Qiang Li, an O'Melveny partner licensed to practice law in New York, Bingna Guo, an O'Melveny partner licensed to practice law in New York, and Lining Shan, a senior legal consultant in O'Melveny's Beijing office, contributed to the content of this newsletter. The views expressed in this newsletter are the views of the authors except as otherwise noted.

O'Melveny & Myers LLP is a foreign law firm registered with the Ministry of Justice of the People's Republic of China. Under current Chinese regulations, we are allowed to provide information concerning the effects of the Chinese legal environment, but we are not authorized to practice Chinese law or to render legal opinions in respect of Chinese law. We work in cooperation with a number of Chinese law firms. Should you require a legal opinion in respect of any Chinese law matter, we would be happy to assist you in obtaining one from a Chinese firm.

Portions of this communication may contain attorney advertising. Prior results do not guarantee a similar outcome. Please direct all inquiries regarding our conduct under New York's Code of Professional Responsibility to O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY, 10036, Phone:+1-212-326-2000.

© 2014 O'Melveny & Myers LLP. All Rights Reserved.