

6.3. Company Bank accounts and Treasury procedures (RC)

Introduction

While in other countries often banking business transactions are mostly done digitally and are often highly connected to your backend systems, certain challenges in the way how Chinese banks operate often require an intense contact between your staff and the staff of the bank, including very regular visits at the bank itself.

It is not uncommon to have a cashier who goes to the bank at least once a week for the business where an appearance in person is required.

Local banks vs. International banks

While local and international banks both have to adhere to the same rules and regulations, international banks are often somewhat limited in their service scope, e.g. not offering cash services or have to utilize local partners for certain transactions. Local banks tend to offer a broad range of services but might be lacking in specialized services that are required to handle in a multi-national group.

This often results in local banks being used for regular domestic and international transactions where the transactions are pretty straightforward while international banks are often used for special transactions which require a higher degree of explanation or knowledge about how business works in international corporations. Additionally, given the limited number of branches of international banks using a local bank with a branch nearby often makes more sense considering that in many transactions the original documents have to be presented.

Foreign currency registered capital account

When your business is a pretty new one, your primary source of liquidity is probably the registered capital injection that you received from your shareholder. During opening this bank account, you also have to choose in which currency the account should be

opened. Be warned that it is not possible to transfer e.g. USD to a Euro-Account. Under certain circumstances, the transfer of RMB is possible though.

Due to the restricted currency area in China, using this capital injection for your first business was pretty restricted: You could only monthly exchange to Renminbi for small-scale payments without Fapiao or for large-scale payments if you were able to provide a correct Fapiao: This put the risk of changing exchange rates completely on the company since the spot exchange rate will be used on the day of the payment.

In July 2014 the State Administration of Foreign Exchange (SAFE) allowed to exchange of foreign currency to a Renminbi registered capital account, provided that it will not be changed back to foreign currency. Also, the control of the capital account would be the same as mentioned above.

Since the regulations can change suddenly, please consult with your bank if you have specific inquiries.

All transactions have to be applied on paper, an Online-Operation is not possible.

The bank might allow you to make Prepayments under very strict conditions, e.g. that you can do one Prepayment, but before you can make a second Prepayment for another contract you have to provide the Fapiao of the first Payment.

Since asking for a Downpayment before delivery is common practice for investment goods, this might bring you into the tight position that you do not have access to the cash on your bank account when you actually want to pay a supplier since you did not receive the Invoice/Fapiao for the prior payment yet.

Basic RMB Account

The basic Renminbi-Account can usually be used via Online-Banking, supports setting certain user limitations and is the primary account for daily business operations in local currency. Usually a Two-Factor-Authentication is used, requiring for every user to have a username, a password and the second factor

which usually is either a key generator which shows numbers or a USB stick which digitally can release payments.

While each bank will have a different setup, it is pretty common to separate the salary payments which is in the responsibility of HR and other payments in the responsibility of finance.

In this case, a typical authority structure might look like this:

Release authority	General Manager	
	HR Manager	Finance Manager
Payment Application authority	HR Employee	Finance Employee

Figure 3: Online Banking Authorities Example

In a structure like this, HR employees cannot see the detailed payments by Finance and vice versa while the general manager can release all payments if one of the Managers is not available.

Automatic debit is mostly quite uncommon in China, meaning most of the bank transactions have to be actively done by yourself.

Exceptions can be:

- Taxes
- Social Insurance
- Energy supply and utilities
- Telephone fees.

While some of these get automatically deducted from the bank account, others first have to be calculated and/or confirmed in a separate system of the supplier and will then be processed by deduction.

General RMB Account

A company can have RMB accounts in several banks but only one basic RMB account, all others are called "general RMB account". They can usually serve special functions, e.g. receiving or giving loans or diversifying bank deposits at other banks.

Foreign exchange accounts

For each currency there will be a separate account. Money on these accounts can only be used for transferring to other accounts which do not belong to the company itself if the bank has approved these payments. Since banks require documentation for this, these transactions typically take place in person at the desk in the bank if you are using a local bank or by using an express delivery service for sending the documents to the branch of the international bank. See the chapter about SAFE and international money transfers for details.

Using your liquidity in Low-Risk investments

If your liquidity is very high and you have some cash to spare, consider using some low-risk investments by the bank, e.g. fixed deposit accounts. Be sure to check with your headquarters first if this is acceptable from their side and make sure that you can get the money back without penalties if you have sudden, unplanned need for cash.

Common pitfalls

- For business that does not fall in usual daily business operations, the process can get awfully complicated. You usually communicate with the staff at the service desk or their manager who do not possess the knowledge or authority for non-standard business. Escalating up the chain to get your requirements fulfilled can be a painful and long process.
- Getting information on, updating authorities or holders of authorization devices for Online Banking can also be a long process. Many companies prefer to not update this information due to this if there is a change of key personnel.
- Integration of banking systems with accounting systems (e.g. SAP) can come for a high price. Companies often are shy to invest this money leading to additional manual workload.
- Since Finance is responsible for Cash Flow, it must be ensured that the HR payments

are considered in the cash flow planning and that their payments are also signed off by the financial manager.

- If your IT Infrastructure is provided by your headquarters, you might have challenges of using localized banking websites since they often require Plugins or additional software to work, USB sticks might be restricted in your computers and performance via german proxy servers might make the banking websites unusable.
- Some banks do not allow more than one Two-Factor-Authentication device with the same payment application rights which can lead to payment delays if the respective employee is not available.
- Chinese banks often have a problem to verify the authenticity of western signatures and might be quick to reject an application if the signature does not exactly match their specimen card. If possible, consider registering a name chop with the bank instead of your personal signature if your personal signature varies a lot.