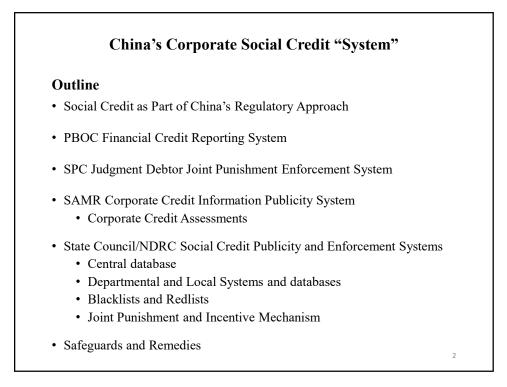
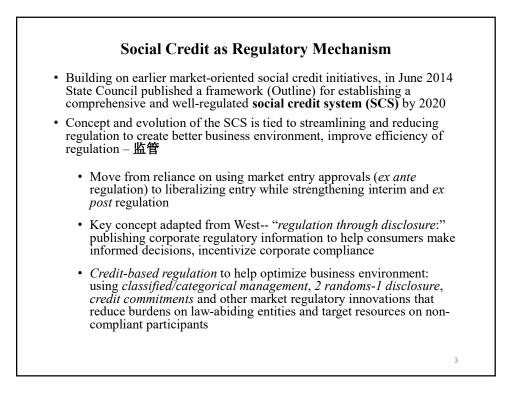
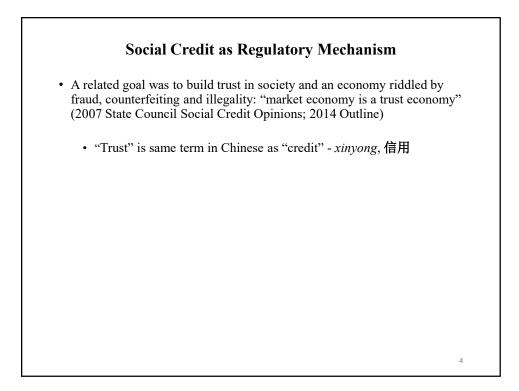
# China's Corporate Social Credit "System"

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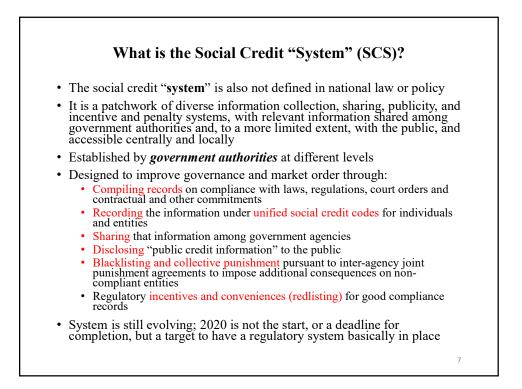


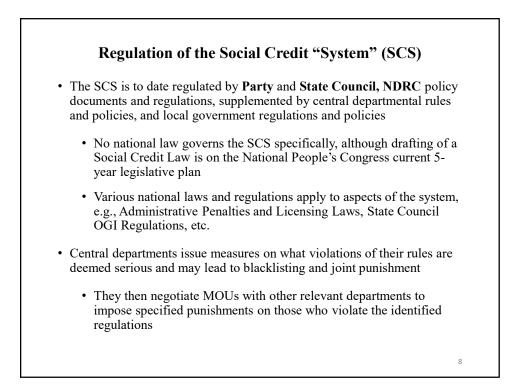


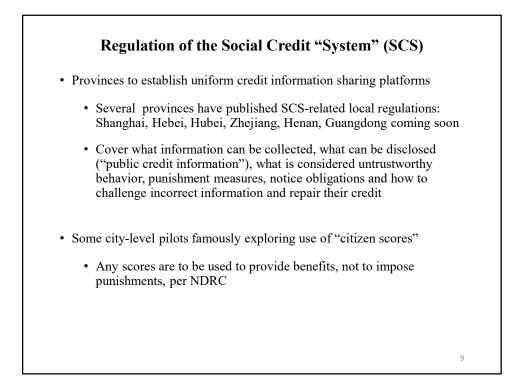


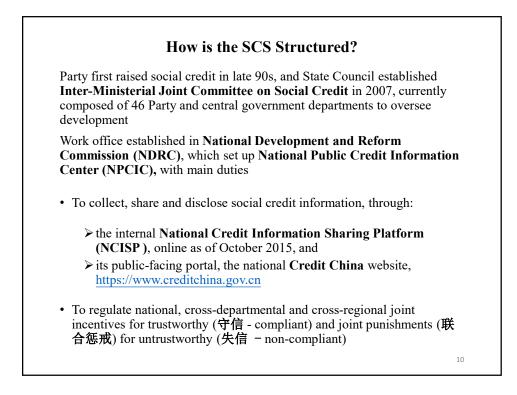


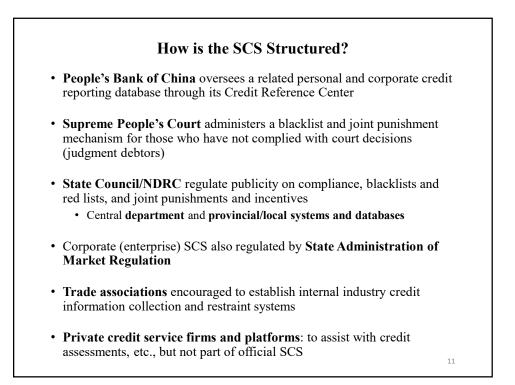
What is Social Credit?
<ul> <li>"Social credit" (社会信用) is not defined in the Outline or any other national document governing the SCS; Chinese regulators recognize this leads to misunderstandings and some errors in implementation</li> </ul>
<ul> <li>Shanghai and other provincial-level social credit regulations define it to mean "the status of <i>compliance</i>:</li> <li>by natural persons with full civil capacity, legal persons and non-legal persons ("Information" or "Credit" Subjects)</li> <li>with <i>legally prescribed obligations or performance of contractual obligations</i> in social and economic activities"</li> </ul>
• Shanghai and other regulations define "Social Credit Information" to mean <i>objective data and materials</i> that can be used to identify, analyze and judge the status of a person's compliance with law and performance of agreements
• Several provincial and local social credit regulations divide Social Credit Information into <b>Public</b> (regulatory, produced by government, courts, other public entities) and <b>Market</b> (produced by business, financial, NGO and other entities in course of their work) Credit Information
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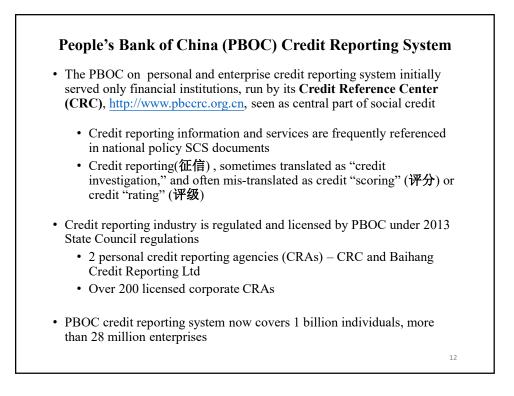


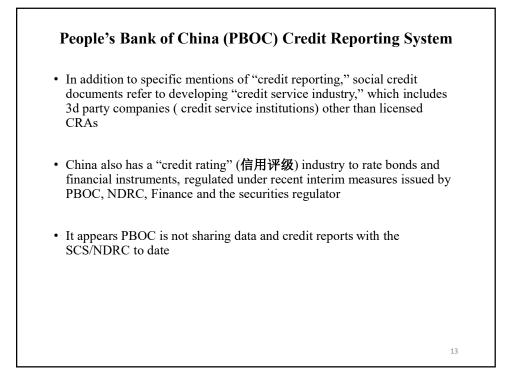


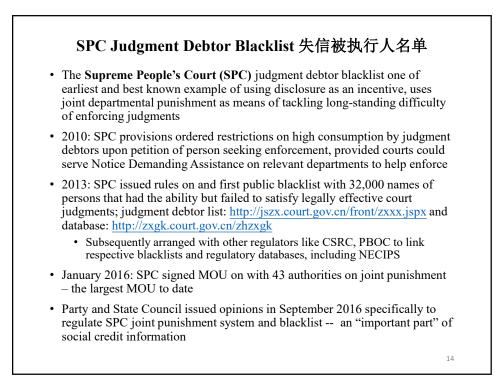












### National Enterprise Credit Information Publicity System (NECIPS) 国家企业信用信息公示系统

- NECIPS (国家企业信用信息公示系统) was established by State Council Enterprise Information Publicity Interim Regulations, effective October 2014
  - Now operated by SAMR, <u>http://www.gsxt.gov.cn/index.html</u>
  - Part of SCS yet operated autonomously
- Enterprises to submit annual reports by June 30 for publication
  - Unlisted companies need not make public employee and financial information, but must be reported
- Enterprises also to report within 20 business days:
  - Capital contributions, equity transfers and changes
  - Secured transactions (mortgages, pledged assets)
  - Regulatory information (administrative punishments, licensing)
- **Government departments** to report regulatory information, including registration and recordation information, chattel mortgage and equity pledge registration information, administrative punishment and license information, inspection results, within 7 business days of collection
  - To be published within 20 business days
  - And sent to NCISP and Credit China
  - Later documents urge NECIPS interconnection with local government affairs platforms as well

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## National Enterprise Credit Information Publicity System 国家企业信用信息公示系统

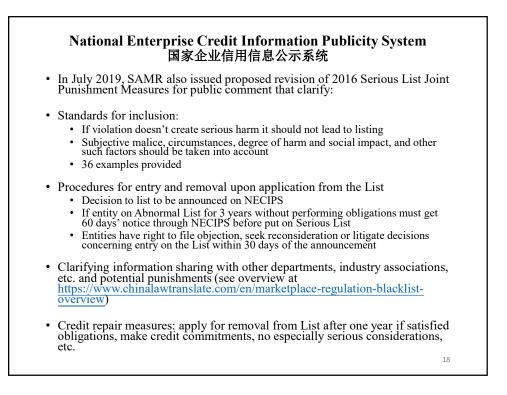
- · SAMR manages two lists pursuant to Regulations and related rules
- Abnormal Operations List (经营异常名录):
  - Failures to disclose required information, or to do so truthfully, accurately and timely,
  - Repeated punishments (per 2016 rules)
- Enterprise Serious Illegal and Untrustworthy Acts List (严重违法失 信企业名单) ("Serious List"):
  - · Continued failure to disclose properly for 3 years
  - · Had registration revoked due to fraud
  - Been punished 3 or more times within 2 years for listed serious market violations
- Enterprise information to be shared with other departments, taken into account for regulatory purposes like access to public procurement, etc.
  - Those on Serious List subject to "key supervision" (重点关注)
  - Legal rep/person in charge of enterprise on Serious List cannot serve in similar position in another enterprise for 3 years

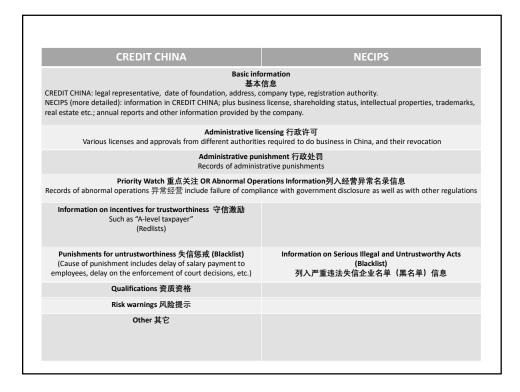
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### National Enterprise Credit Information Publicity System 国家企业信用信息公示系统

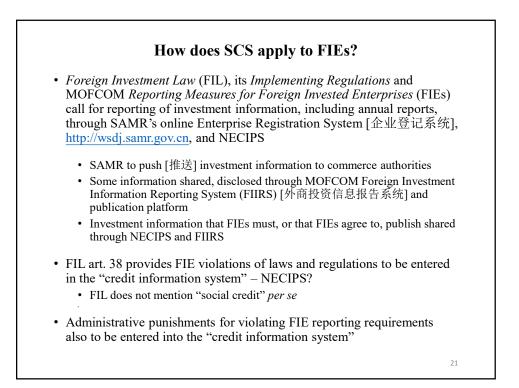
- SAMR issued proposed revised Regulations for public comment June 2019 that:
  - Expand types of regulatory information to be disclosed by **government** instead of companies, including entry & removal from blacklists, judicial enforcement and inspection results; reduce those by enterprise;
  - Add failure to cooperate with investigations to Abnormal Operations
     List
  - Add violations to Serious List and other relatively minor amendments
  - More detailed procedures for getting off the 2 Lists, including credit repair and credit commitments
  - Expand personnel barred from serving at other enterprises to include directors, supervisors and senior management
  - Encourage "social forces" including industry associations, platform operators and CRAs to use enterprise information to provide credit services to public

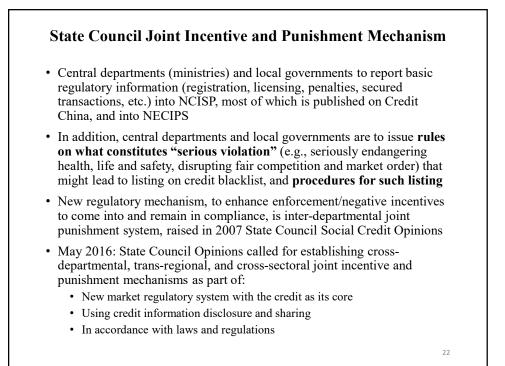
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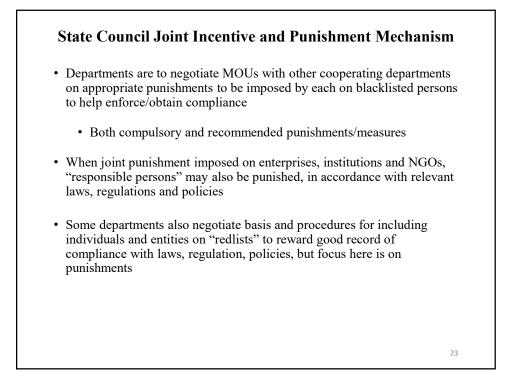


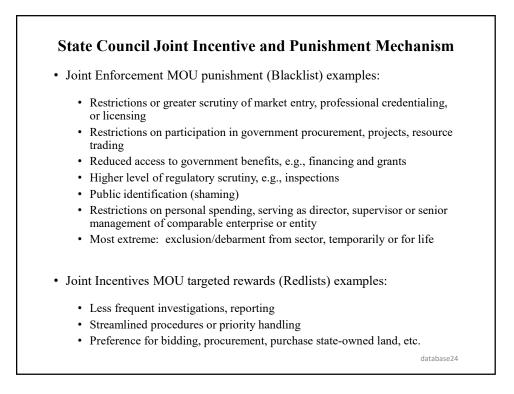


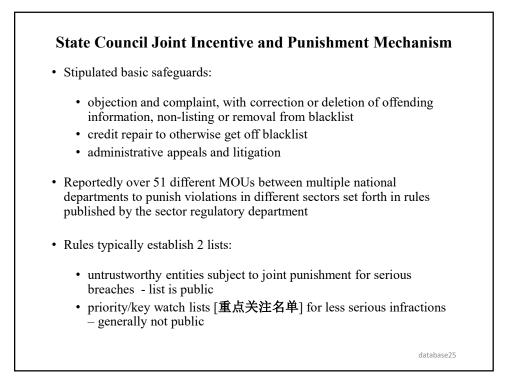




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Available Safeguards and Remedies	
<b>Public participation</b> : Draft laws, regulations and standards, inclurelating to social credit matters, generally made public for comment	
• Under FIL and State Council regulations, departments are to cor trade associations, chambers of commerce, companies when dra rules that will impact business	
• Normal rule is 30-day comment period	
Notice:	
<ul> <li>Recent local regulations provide that authorities must notify created subject before putting on a blacklist, including basis and reasons</li> </ul>	
• In other cases, remedy is raising objection to erroneous information/blacklisting after the fact	
<ul> <li>SPC judgment debtors listing also requires advance notice (SPC provisions, 2016 CCP-State Council Opinions)</li> </ul>	



