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Chinese antitrust.

Review #10 (2022)

QUOTES

Internet regulation work must recognize the equal importance of regulation and development, proceed from people's need for well-being, strengthen the protection of businesses and consumers, and create a "Chinese model" of platform regulation.

National meeting on the regulation of Internet commerce,

March 31, 2022 ¹

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¹ Source: https://www.samr.gov.cn/xw/zj/202203/t20220331_340970.html

Online Commerce Regulation Meeting

On March 31st, SAMR held a nationwide meeting on e-commerce issues. In 2022, we need to focus on the “seven efforts”:

1) strenuously create a favorable environment for online marketplaces, recognizing the importance of successfully holding the 20th Congress of the Communist Party of China;

2) strengthen design at the “highest level” and propose policies on significant issues in the development of the platform economy;

3) strengthen the regulation of compliance platforms through the application of innovative and enhanced proactive measures;

4) strengthen the integrated management of platforms in relation to issues of greatest concern to the general public;

5) to more actively form the national platform of Internet regulation in the framework of the implementation of "smart" integrated online regulation;

6) more vigorously establish China-wide "model zones" of services and regulation of Internet markets, taking into account the equal importance of growing "life force" and maintaining order;

7) strengthen the administrative regulation of markets and contracts related to trade in goods, keeping in mind the regulation of markets and social justice.

Source: https://www.samr.gov.cn/xw/zj/202203/t20220331_340970.html

Which Chinese companies face delisting from US exchanges

The US Securities Commission has included Weibo Corporation (the operator of the Weibo microblog, which is considered the Chinese analogue of Twitter), the Baidu search service and iQiyi video hosting, to the list of candidates for delisting. Now companies are required to prove the absence of relevant risks. In the absence of evidence, they will end up on the final list and will be forced to leave the US exchanges. In total, there are currently 11 Chinese companies on the "preliminary" list, including BeiGene (biotechnology), Nocera (agricultural products), ACM Research (semiconductors), Futu Holdings (asset management), and others.

In 2020, the U.S. Congress passed the Holding Foreign Companies Accountable Act, which requires foreign entities listed on U.S. exchanges to report under U.S. law, but China prohibits foreign auditors from accessing working papers, citing national security concerns.

Source: <https://baijiahao.baidu.com/s?id=1728135286959915909&wfr=spider&for=pc>

National Meeting on Advertising Regulation

At the China SAMR meeting on advertising, it was noted that advertising activities also need to be "led" in the right direction, regulate and maintain order in the advertising markets, contributing to their high-quality development. To do this, it is necessary to strengthen regulation and enforcement in the field of advertising, strengthen “weaknesses” and create a solid regulatory framework. Emphasis is placed on the formation of a dignified image and strict adherence to party discipline in order to "purify" the market environment and social atmosphere on the eve of the 20th CCP Congress.

Source: https://www.samr.gov.cn/xw/zj/202203/t20220330_340926.html

China Telecom threatens US national security

The US Federal Communications Commission included Chinese telecommunications companies China Telecom (Americas) Corp. and China Mobile International USA Inc. in "List of communications equipment and services that pose a threat to national security." In response, the official representative of the Ministry of Commerce of the People's Republic of China, Shu Jueting, said that the United States must immediately correct its erroneous actions and stop politicizing trade and economic issues. The US side must ensure that companies from different countries, including Chinese companies, have a fair, stable and non-discriminatory market environment to operate in the US. According to her, this move violated basic market principles and international trade and economic rules. Shu Jueting noted that China will take the necessary measures to strongly protect the legitimate rights and interests of Chinese companies.

The list of US national threats also included the Russian company Kaspersky Lab.

Source: <http://russian.people.com.cn/n3/2022/0401/c31521-10078601.html>

Draft regulation of marketing live broadcasts

The China Cyberspace Administration, the State General Administration of Revenue and SAMR jointly submitted for public consultation a draft Opinion on further regulation of marketing live broadcasts to promote the healthy development of the industry. It is noted that streaming platforms are not sufficiently responsible for managing such activities, the rules of the streaming activity itself are not defined, there are cases of tax evasion, etc. It is proposed that platforms be given subjective responsibility (including the obligation to manage accounts according to their type and level, and report income from live broadcasts to provincial authorities); require leading commercial broadcasters not to boost sales with false data, and to clearly communicate the importance of meeting relevant tax obligations and prohibition of facilitating evasion.

Source: https://www.samr.gov.cn/xw/mtjj/202203/t20220331_340961.html

Metaverse for the education of party workers

The Chinese Academy of Management, which trains middle and high-level officials, launched the country's first Metaverse + Party Building system. It can be used to hold party meetings, interact with party members and study party history in virtual space, which, in turn, will help to reduce the financial and time costs of business trips, make party training more effective, and the learning process deeper. Users located in remote locations will be able to create 3D avatars and gather in a single space, as well as be 3D models of the real world - for example, to study cultural relics or collect various mechanisms.

Source: <http://www.eo-china.com.cn/news/202203/10256.html>

Checking the application of "feng shui" in the securities market

The National Securities Regulatory Committee of the People's Republic of China conducted an audit of the activities of brokers who use the heavenly stems and earthly branches calendar, the yin-yang concept, and the five elements of wuxing to analyze and predict trends in the securities market and develop investment strategies. The regulator emphasized that brokerage agencies should improve their professional skills, base their market research on objective and reliable data and real evidence, make assumptions with

caution and ensure that there are reasonable grounds for their conclusions. The committee declared "zero tolerance" for any violations - in particular, unscientific research results and careless handling of analytical methods - and the desire for a healthy development of the sector.

Source: http://finance.ce.cn/stock/gsgdbd/202203/31/t20220331_37449509.shtml

Technological confrontation between the US and China

The US Senate passed a bill on confrontation with China in the technical field. The bill provides for the allocation of \$ 52 billion from the budget for the development of semiconductor production in the country to increase the competitiveness of the States. This will be followed by the preparation of the final version of the document and its signing by the President of the country. Beijing called on Washington to stop considering and promoting the relevant initiative.

Source: <https://tass.ru/mezhdunarodnaya-panorama/14210477>

Plan for scientific and technological innovation in the transport sector

China has published a plan for the long- and medium-term development of scientific and technological innovation in the transport sector until 2035. It outlines milestone goals for every five years, upon completion of which, by 2035, China's transport innovation will reach the world's leading level and make the country a "strong transport power." This emphasizes the autonomy and controllability of key technologies. The plan considers three dimensions: transport infrastructure, technical equipment and services.

Source: <https://news.cnstock.com/news,bwqx-202203-4853070.htm>

Development of the social credit system

China's central government has published guidelines for promoting the quality development of the social credit system. China will strictly investigate and punish serious cases of stock market fraud, market manipulation, false claims and insider trading. Creditworthiness will be an important indicator in identifying financial risks. China is also streamlining exit mechanisms and will explore a mandatory delisting system.

Particular attention is paid to the protection of intellectual property rights, in particular to the suppression of trade in scientific works and the improvement of the system for the protection and enforcement of IP rights. The management calls for measures to be taken to control quality and build trust in brands, as well as to expand the supply of quality products and services in the domestic market. China intends to develop exemplary enterprises, distinguished by conscientious production and economic activities and impeccable reputation. It is also necessary to create conditions for conscientious consumption and investment. In addition, the guide calls for building a credit system for the capital market.

Sources:

<https://www.globaltimes.cn/page/202203/1257134.shtml>

<http://russian.people.com.cn/n3/2022/0330/c31521-10077527.html>

Fight against overpricing of battery materials

The Ministry of Industry and Informatization called for intensifying the fight against stockpiling in excess of demand, speculation and other anti-competitive practices in the circulation of raw materials for the production of electric vehicle batteries. Vice Minister Xin

Guobin said firms in all parts of the supply chain should work together for win-win development to bring prices of critical materials back to a reasonable level. The scale of the rise in battery prices is "beyond imagination," said the chairman of Chinese electric car brand XPENG Motors.

Source: <https://www.globaltimes.cn/page/202203/1256930.shtml>

Taobao is testing WeChat Pay

The Taobao marketplace, owned by digital giant Alibaba, is testing payments through WeChat Pay, a payment service of its competitor Tencent, which was previously unavailable on the platform. Previously, this function has already been launched on other Alibaba platforms - the food delivery service Ele.me, Youku video hosting, etc. There has not yet been an official statement on expanding cooperation from the companies, but some users have already noticed that when choosing the "help a friend with payment" option You can copy the payment link (or QR code) in WeChat Pay and send it to another contact. Thus, the function is not yet fully integrated, but this measure is a new step towards meeting the requirement of the Chinese authorities, presented in 2021: to ensure interoperability and remove "barriers" between digital platforms.

Source: https://m.thepaper.cn/baijiahao_17373249

3 penalties for inconsistent M&A transactions

The SAMR decision concerns three foreign companies that made a takeover without filing a petition with the regulator: AGRE Asia Link Operating Platform (investment management), Apollo Asia Real Estate Management (investment management) and BNP Paribas Personal Finance (banking, financial and insurance services, real estate) . However, following an investigation, the market authority acknowledged that these transactions did not restrict competition. The total fine for the three cases was 1.1 million yuan (≈\$170,000)

Sources:

https://www.samr.gov.cn/fldj/tzgg/xzcf/202203/t20220329_340896.html

https://www.samr.gov.cn/fldj/tzgg/xzcf/202203/t20220329_340897.html

https://www.samr.gov.cn/fldj/tzgg/xzcf/202203/t20220329_340898.html

Administrative monopoly in Chongqing

The Chongqing Municipal Market Office released information on three cases of administrative abuse to restrict or eliminate competition (violation of Article 32 of the PRC Antimonopoly Law).

- The Liangjiang New Region State Assets Management and Supervision Authority required local state-owned companies to open ordinary checking accounts only with banks whose taxes are paid and financial indicators are calculated by the district authorities.
- The Fuling District Committee for Agriculture and Rural Affairs stated that it would only issue subsidies for the purchase of agricultural machinery to card companies of the Postal Savings Bank of China.
- The Hechuan District Educational Affairs Committee appointed Xuezi as the sole authorized organization for producing teaching aids, purchasing school uniforms, supplying stationery, and arranging insurance for junior and high schools, as well as organizing and conducting monitoring and training.

All three departments were notified of their violation, after which they independently canceled their decisions and pledged to strengthen control over administrative decisions.

Sources:

https://www.samr.gov.cn/fldj/tzgg/qlpc/202203/t20220330_340929.html

https://www.samr.gov.cn/fldj/tzgg/qlpc/202203/t20220330_340931.html

https://www.samr.gov.cn/fldj/tzgg/qlpc/202203/t20220330_340933.html