

Legal Commentary

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Draft Amendment – Redrawing the Lines of Banking Supervision in China

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Introduction and Highlights

On December 27, 2025, the Standing Committee of the National People’s Congress announced the *Draft Amendment to the Law on the Supervision and Administration of the Banking Industry* (《银行业监督管理法(修订草案)》) (the “**Draft Amendment**”). It makes a comprehensive revision to the existing *Law on the Supervision and Administration of the Banking Industry* (《银行业监督管理法》), enacted in 2003 and amended in 2006 (the “**2006 Law**”), and represents a systemic effort to address the profound changes in the domestic and international environment of the banking sector and the increasing complexity of financial risks.

For banks, the highlights of the Draft Amendment include:

1. **Broadened scope of regulated entities:** the Draft Amendment extends the regulatory umbrella to PRC incorporated financial holding companies, consumer finance companies, and wealth management firms, which could be parents and subsidiaries of banks;
2. **Enhanced supervision of shareholders and actual controllers:** the Draft Amendment introduces “look-through” supervision, bringing major shareholders¹ and actual controllers of banks under direct regulatory scrutiny of National Financial Regulatory Administration (NFRA);
3. **Supervisors subject to personal accountability:** the Draft Amendment includes supervisors of banks in the scope of personnel subject to accountability, alongside directors and senior management;
4. **Well-established risk resolution framework:** the Draft Amendment sets up a full-process risk resolution framework, covering early rectification, reorganization and takeover of banks under risk;
5. **Forbidden enforcement of foreign discriminatory restrictions:** the Draft Amendment prohibits

¹ According to Article 9 of the *Interim Measures for the Equity Management in Commercial Banks*, major shareholders of a commercial bank refer to shareholders who hold or control 5% or more of the shares or voting rights of the commercial bank, or who hold less than 5% of the total capital or total shares but have a significant influence on the operation and management of the commercial bank.

The “**significant influence**” mentioned in the preceding paragraph shall include, but is not limited to, appointing directors, supervisors, or senior management personnel to the commercial bank, influencing the financial and operational management decisions of the commercial bank through agreements or other means, and other circumstances as determined by the China Banking Regulatory Commission or its local offices.

banks from enforcing or assisting in enforcing foreign discriminatory restrictions (e.g., sanctions) against Chinese persons or entities;

6. **Increased costs for non-compliance:** the Draft Amendment substantially provides higher fines and broader punitive measures at both institutional and individual levels against any violation;
7. **Recovery of remuneration from individuals:** the Draft Amendment empowers NFRA to order a recovery of remuneration from responsible individuals as a new punitive measure; and
8. **Banned cross-border information sharing:** the Draft Amendment prohibits banks from providing documents or information to foreign regulatory authorities without regulatory consents.

The public consultation period for the Draft Amendment is scheduled from December 27, 2025, to January 25, 2026. The key amendments most relevant to banks are further elaborated in Part II.

Key Amendments

I. Broadened Scope of Regulated Entities

Building on the scope of regulated entities under the 2006 Law, the Draft Amendment expands the coverage to include financial holding companies, auto finance companies, consumer finance companies, money brokerage firms and wealth management companies, while removing urban credit cooperatives from the regulatory scope. Banks should be aware that any of its parent or subsidiaries being one of foresaid regulated entities will be subject to the supervision regime of the Draft Amendment.

2006 Law	Draft Amendment
<p>Paragraph 2 of Article 2 For the purposes of this Law, banking financial institutions refer to financial institutions established within the territory of the People’s Republic of China that take public deposits, such as commercial banks, urban credit cooperatives, and rural credit cooperatives, as well as policy banks.</p>	<p>Paragraph 2 of Article 3 For the purposes of this Law, banking financial institutions refer to financial institutions established within the territory of the People’s Republic of China that take public deposits, such as commercial banks and rural credit cooperatives, as well as policy banks.</p>
<p>Paragraph 3 of Article 2 The supervision and administration of financial asset management companies, trust investment companies, finance companies, financial leasing companies, and other financial institutions established upon the approval of the banking supervision and administration institution of the State Council shall be governed by the provisions of this Law concerning the supervision and administration of banking financial institutions.</p>	<p>Paragraph 3 of Article 3 The supervision and administration of financial holding companies, financial asset management companies, trust companies, enterprise group finance companies, financial leasing companies, auto finance companies, consumer finance companies, money brokerage firms, wealth management companies, and other financial institutions established upon the approval of the banking supervision and administration institution of the State Council shall be governed by the provisions of this Law concerning the supervision and administration of banking financial institutions.</p>

II. Banned Information Provision to Foreign Authorities

Article 8 of the Draft Amendment prohibits banks from providing any file or document related to their business activities to foreign authorities without the consent of NFRA and competent authority(ies) designated by State Council (e.g., People’s Bank of China (PBoC) and Cyberspace Administration of China (CAC)). PBoC has previously provided similar bans with respect to personal financial information and KYC identity and trade information. The Draft Amendment codifies such ban and further expands it to all files and documents related to business activities of banks. Foreign funded banks (including subsidiary banks and foreign bank branches) should be noted that such consent would be required if they provide relevant information or document to offshore parents or affiliates which in turn provide same to foreign authorities.

III. Enhanced Supervision of Shareholders and Actual Controllers

Compared with the 2016 Law, the Draft Amendment introduces new provisions concerning equity management of major shareholders and actual controllers of banks, as well as the controlling shareholders and actual controllers of shareholders of banks, most of which are consistent with the existing regulatory requirements.

2006 Law	Draft Amendment	Implications to Banks
Corporate Compliance Requirements		
/	<p>Article 18 When the banking regulatory authority of the State Council approves the establishment of a banking financial institution, it shall review the following conditions:</p> <p>....</p> <p>(3) The major shareholders and actual controllers shall have sound financial status and a record of integrity, and shall meet the conditions under laws, administrative regulations, and the rules prescribed by the banking regulatory authority of the State Council.</p>	<ul style="list-style-type: none"> ■ The financial and integrity requirements for major shareholders of banks are not new. They have been provided under Article 5 of the <i>Interim Measures for the Equity Management in Commercial Banks</i> (《商业银行股权管理暂行办法》), the “Equity Management Measures”). ■ The financial and integrity requirements for actual controllers of banks are not explicitly provided in existing regulatory framework. The Draft Amendment for the first time

2006 Law	Draft Amendment	Implications to Banks
	...	extends equivalent regulatory requirements to actual controllers of banks.
/	<p>Article 19 The banking regulatory authority under the State Council shall examine and approve the following matters of change for banking financial institutions:</p> <p>...</p> <p>(7) Change of major shareholders or actual controllers;</p> <p>...</p>	<ul style="list-style-type: none"> ■ Article 24(5) of the <i>Commercial Banks Law (2015 Revision)</i> (《商业银行法(2015 修正)》), the “Commercial Banks Law”) only provides that any change in shareholders holding more than five percent (5%) of the total capital or total shareholding of a commercial bank (i.e., major shareholders) shall be subject to approval by NFRA. ■ The Draft Amendment further adds a change in the actual controller of banks as an approval item, while the change in actual controllers (whether the actual controllers of banks or actual controllers of shareholders of banks) is currently not subject to approval by NFRA but only needs to be reported and/or disclosed. Under the current regulatory framework, Article 36 of the Equity Management Measures requires major shareholders of a commercial bank to timely report to the commercial bank any change in their actual controllers; and Article 40 of the Equity Management Measures empowers NFRA to request information on the actual controllers of the shareholders from the bank. Banks are also required under Article 93 of the Corporate Governance Guidelines to disclose

2006 Law	Draft Amendment	Implications to Banks
		the change in the actual controllers of the banks within ten (10) business days of such change.
<p>Article 17 When an application is made to establish a banking financial institution, or when a banking financial institution changes its shareholder who holds more than the prescribed proportion of the total capital or total shares, the banking regulatory authority under the State Council shall examine the shareholder's source of funds, financial status, capital replenishment capability, and integrity status.</p>	<p>Article 21 When an application is made to establish a banking financial institution, or when a banking financial institution changes its major shareholder or actual controller, the banking regulatory authority under the State Council shall examine the major shareholder' and actual controller' source of funds, financial status, capital replenishment capability, equity structure, and integrity status.</p> <p>The major shareholder of the banking financial institution, and the controlling shareholder and actual controller of such major shareholders who are subject to examination in accordance with the preceding paragraph shall also meet the conditions stipulated by laws, administrative regulations, the State Council, and the banking regulatory authority under the State Council.</p>	<ul style="list-style-type: none"> ■ The 2016 Law focused on major shareholders while the Draft Amendment further brings actual controllers under direct regulatory scrutiny. The Draft Amendment also extends compliance obligations to the controlling shareholders and actual controllers of major shareholders of the banks. This aligns with Article 40 of the Equity Management Measures, which mandates NFRA to conduct look-through supervision on major shareholders alongside their affiliates, parties acting in concert, and ultimate beneficial owners.
/	<p>Article 27 Shareholders of a banking financial institution shall perform their capital contribution obligations in accordance with the law, using their own funds for capital contribution, unless otherwise stipulated by the state. No entity or individual shall, in violation of regulations, entrust others to hold or accept entrustment from others to hold equity in a banking financial institution.</p>	<p>This is not a new requirement. Similar requirements have been provided in Articles 10 and 12 of the Equity Management Measures, Article 16(1) of the <i>Corporate Governance Guidelines for Banking and Insurance Institutions</i> (《银行保险机构公司治理准则》), the “Corporate Governance Guidelines”), and Article 7 of the <i>Measures for the Supervision of the Conduct of</i></p>

2006 Law	Draft Amendment	Implications to Banks
		<p><i>Major Shareholders of Banking and Insurance Institutions (Trial)</i>(《银行保险机构大股东行为监管办法(试行)》), the “Supervision Measures of Major Shareholders”), which require shareholders to make capital contributions using their own funds and forbid entrusted or nominee shareholding arrangements.</p>
/	<p>Article 28 The major shareholders of a banking financial institution shall, in accordance with the relevant regulations, disclose to the banking financial institution, layer by layer, their shareholding structure up to the actual controller, as well as their affiliated relationships with other shareholders. They shall report any information regarding themselves, their controlling shareholders, actual controllers, or related parties that may affect the qualification of shareholders or result in changes to the shareholding structure of the banking financial institution, in a timely, accurate, and complete manner. The specific measures for administration shall be formulated by the banking regulatory authority of the State Council.</p>	<p>These look-through equity management requirements align with Articles 12 and 36 of the Equity Management Measures, Article 16(3) of the Corporate Governance Guidelines and Article 8 of the Supervision Measures of Major Shareholders.</p>
/	<p>Article 29 The shareholders and actual controllers of a banking financial institution shall not engage in the following acts:</p> <p>(1) Interfering with the management and operation of the banking financial institution in</p>	<ul style="list-style-type: none"> ■ Under the current regulatory framework, several different rules provide for the negative list governing the conduct of major shareholders of banks, controlling shareholders and actual controllers of major

2006 Law	Draft Amendment	Implications to Banks
	<p>violation of regulations;</p> <p>(2) Illegally occupying or appropriating the assets of the banking financial institution, or the funds of depositors and other clients;</p> <p>(3) Conducting related-party transactions with the banking financial institution in violation of regulations;</p> <p>(4) Making false contributions or withdrawing contributions improperly;</p> <p>(5) Transferring or pledging equity in violation of regulations;</p> <p>(6) Engaging in other acts in violation of laws, administrative regulations, or the rules prescribed by the banking regulatory authority of the State Council.</p> <p>The controlling shareholders and actual controllers of the major shareholders of a banking financial institution shall also not engage in any of the acts listed above.</p> <p>Banking financial institutions and their employees shall not assist the shareholders, actual controllers, or the controlling shareholders and actual controllers of major shareholders in engaging in the acts specified in the preceding two paragraphs.</p>	<p>shareholders of banks, and/or controlling shareholders and actual controllers of banks with varying degrees and with different focuses, such as Articles 18, 21, 22 and 23 of the Equity Management Measures, Article 14 of the Supervision Measures of Major Shareholders, Article 16 of the Corporate Governance Guidelines, and other related rules. The Draft Amendment introduces a unified negative list that equally applies to shareholders and actual controllers of banks, as well as the controlling shareholder and actual controller of each major shareholder of the bank.</p> <p>■ In addition, the Draft Amendment emphasizes that employees of banks shall not assist the aforementioned entities or persons to commit any violation, such as interfering with management or misappropriating funds.</p>
Reporting and Information Disclosure		

2006 Law	Draft Amendment	Implications to Banks
<p>Article 33 For the purpose of performing its regulatory functions, the banking regulatory authority shall have the power to require banking financial institutions to submit, in accordance with relevant regulations, balance sheets, profit and loss statements and other materials related financial accounting, statistical statements and operational and management, as well as audit reports issued by certified public accountants.</p>	<p>Paragraph 1 of Article 45 For the purpose of performing its regulatory functions, the banking regulatory authority shall have the power to require banking financial institutions to submit, in accordance with relevant regulations, financial accounting reports, statistical statements, and other documents and materials related to business operations and management. It may also require the major shareholders and actual controllers of banking financial institutions to provide relevant documents and materials within a specified time limit.</p> <p>Documents and materials submitted or provided by banking financial institutions and their major shareholders and actual controllers to the banking regulatory authority shall be true, accurate, and complete.</p>	<p>Compared with the 2006 Law, the reporting obligations have been expanded from banks to their major shareholders and actual controllers. This should not cause additional reporting obligations for major shareholders of banks, as Article 40 of the Equity Management Measures already requires all shareholders of banks to report relevant information as required by NFRA, but the actual controllers of banks are not subject to express reporting obligations under the current regulatory framework.</p>
<p>Article 36 The banking regulatory authority shall order banking financial institutions to truthfully disclose to the public, in accordance with regulations, their financial and accounting reports, risk management status, changes in directors and senior management personnel, and other material matters.</p>	<p>Article 50 Banking financial institutions shall, in accordance with regulations, truthfully disclose to the public their financial and accounting reports, risk management status, equity and related-party transaction information, changes in directors, supervisors, and senior management personnel, and other material matters.</p> <p>The major shareholders and actual controllers of banking financial institutions shall cooperate with the banking financial institutions in fulfilling the</p>	<ul style="list-style-type: none"> Compared with the 2006 Law, the Draft Amendment expands the scope of disclosure to include equity structures, related-party transactions, and change in supervisors. However, these requirements are not new as they have been provided under existing rules, such as the Equity Management Measures and the <i>Information Disclosure Measures for Commercial Banks</i> (《商业银行信息披露办法》).

2006 Law	Draft Amendment	Implications to Banks
	<p>information disclosure obligations stipulated in the preceding paragraph.</p>	<ul style="list-style-type: none"> ■ The Draft Amendment further adds that major shareholders and actual controllers of banks shall cooperate with banks on information disclosure, which is not new for major shareholders and those actual controllers of banks which are also actual controllers of bank shareholders, as similar requirement has been provided under Article 48 of the Equity Management Measures.
Regulatory Measures		
<p>Article 35 The banking regulatory authority may, in light of the needs of performing its duties, conduct regulatory talks with the directors and senior management personnel of banking financial institutions, and require them to make explanations on the major matters concerning the business activities and risk management of such institutions.</p>	<p>Article 49 In order to guard against risks and maintain market order, the banking regulatory authority may take measures such as issuing risk warnings, putting forward regulatory opinions, and conducting regulatory talks against banking financial institutions as well as their directors, supervisors, senior management personnel, major shareholders, actual controllers, and other relevant personnel.</p>	<p>Under the 2006 Law, NFRA may take regulatory measures against directors and senior management, while the Draft Amendment empowers NFRA to adopt wider regulatory measures against banks and additional persons, including supervisors, major shareholders, actual controllers, and other relevant personnel. The scope of “other relevant personnel” is not clearly defined, but it is likely that business head, key persons of specific business or anyone else who takes direct responsibility would be deemed relevant personnel.</p>
<p>Article 37 Where a banking financial institution violates the rules of prudent operation, the banking regulatory authority under the State Council or its provincial-level dispatched office shall order it to make corrections within a prescribed period. If</p>	<p>Article 51 Where a banking financial institution violates the rules of prudent operation, the banking regulatory authority under the State Council or its provincial-level dispatched office shall order it to make corrections within a prescribed period. If</p>	<ul style="list-style-type: none"> ■ The Draft Amendment empowers NFRA to take more regulatory measures against violations, such as restricting banks from paying remuneration to directors, supervisors and senior management personnel; restricting

2006 Law	Draft Amendment	Implications to Banks
<p>such institution fails to make corrections by the deadline, or if its conduct seriously endangers its sound operation or harms the legitimate rights and interests of depositors and other customers, the following measures may be taken, depending on the circumstances, upon approval by the person in charge of the banking regulatory authority under the State Council or its provincial-level dispatched office:</p> <ol style="list-style-type: none"> (1) Order the suspension of certain business activities and cease the approval of new business operations; (2) Restrict the distribution of dividends and other income; (3) Restrict the transfer of assets; (4) Order the controlling shareholder to transfer its equity or restrict the rights of relevant shareholders; (5) Order the replacement of directors or senior management personnel, or restrict their rights; (6) Cease the approval for establishing new branches. <p>After rectification, the banking financial institution shall submit a report to the banking regulatory authority under the State Council or its provincial-level dispatched office. If, upon inspection and acceptance, the institution is found to be in</p>	<p>such institution fails to make corrections by the deadline, or if its conduct seriously endangers its sound operation or harms the legitimate rights and interests of depositors and other customers, the following measures may be taken, depending on the circumstances, upon approval by the person in charge of the banking regulatory authority under the State Council or its provincial-level dispatched office:</p> <ol style="list-style-type: none"> (1) Restrict or suspend certain business activities, cease the approval of new business operations, and cease the approval for establishing new branches; (2) Restrict the distribution of or restrict the distribution of dividends to relevant shareholders, and restrict the payment of remuneration and provision of benefits to directors, supervisors, and senior management personnel; (3) Restrict the transfer of assets, significant expenditures, or the creation of other rights on assets; (4) Order the transfer of assets or business; (5) Order major shareholders to replenish capital within a prescribed period in accordance with regulations; (6) Order the responsible shareholders or actual controllers to transfer their equity or shift actual 	<p>banks from making major expenses or creating any rights over assets, ordering banks to transfer assets or business, ordering major shareholders to supplement capital, ordering responsible shareholders or actual controllers to transfer equity or actual control or restricting their rights, etc.</p> <ul style="list-style-type: none"> ■ Notably, while the 2006 Law primarily targeted institutional-level violations, the Draft Amendment expands its regulatory radar to all shareholders and actual controllers of banks, which, if found to abuse their rights and violate the Draft Amendment, can be the subject of regulatory measures taken by NFRA.

2006 Law	Draft Amendment	Implications to Banks
<p>compliance with the relevant rules of prudent operation, the relevant measures specified in the preceding paragraph shall be lifted within three days from the date of completion of the inspection.</p>	<p>control within a prescribed period, or restrict their rights;</p> <p>(7) Order the replacement of directors, supervisors, or senior management personnel, or restrict their rights;</p> <p>(8) Other measures as stipulated by laws and administrative regulations.</p> <p>Where the shareholders or actual controllers of a banking financial institution abuse their shareholder rights or control, thereby harming the legitimate rights and interests of the banking financial institution, depositors, and other customers, the banking regulatory authority under the State Council or its provincial-level dispatched office shall order them to make corrections within a prescribed period. If they fail to make corrections by the deadline or if the circumstances are serious, the measures specified in the first paragraph may be taken, depending on the circumstances, and they may be prohibited from investing in banking financial institutions again.</p> <p>After rectification, the banking financial institution or its relevant shareholders or actual controllers shall submit a report to the banking regulatory authority under the State Council or its provincial-level dispatched office. If, upon inspection and acceptance, the institution is found to have met the corresponding rectification requirements, the</p>	

2006 Law	Draft Amendment	Implications to Banks
	<p>relevant measures specified in the preceding two paragraphs shall be lifted within three days from the date of completion of the inspection.</p>	
<p>Article 40 Where a banking financial institution is placed under take-over, restructuring, or is revoked, the banking regulatory authority under the State Council has the power to require the directors, senior management personnel, and other employees of said institution to perform their duties in accordance with the requirements of the banking regulatory authority.</p> <p>During the period of take-over, restructuring, or liquidation upon revocation, the following measures may be taken against the directly responsible directors, senior management, and other directly responsible personnel, subject to the approval of the responsible person of the banking regulatory authority under the State Council:</p> <p>(1) Where the departure of directly responsible directors, senior management, or other directly responsible personnel from the country will cause significant loss to national interests, notice shall be sent to the exit control</p>	<p>Article 63 Where a banking financial institution encounters major risks, the banking regulatory authority under the State Council has the power to require the directors, supervisors, senior management personnel, and other employees of said institution to perform their duties, in accordance with the requirements of the banking regulatory authority under the State Council.</p> <p>Subject to the approval of the responsible person of the banking regulatory authority under the State Council, the following measures may be taken against the directly responsible directors, supervisors, senior management, and other directly responsible personnel, as well as shareholders, actual controllers, and other institutions and personnel suspected of violating the law:</p> <p>(1) Where their departure from the country will cause significant loss to national interests, notice shall be sent to the immigration</p>	<p>The Draft Amendment significantly enhances regulatory intervention capabilities and broadens the scope of personal accountability compared to the 2006 Law:</p> <ul style="list-style-type: none"> ■ Regarding the timing of intervention, the 2006 Law permits NFRA to step in during the take-over, restructuring, or liquidation of a bank, while the Draft Amendment permits the regulatory intervention as early as a major risk arises to a bank. ■ In terms of the personnel subject to restrictive measures, the 2006 Law primarily targets directors, senior management, and other directly responsible personnel. The Draft Amendment additionally subject supervisors, shareholders, actual controllers, and other institutions or personnel suspected of violating the law to the same restrictive measures.

2006 Law	Draft Amendment	Implications to Banks
<p>authorities to block their departure in accordance with the law;</p> <p>(2) Apply to the judicial authorities to prohibit them from moving or transferring property, or from creating other rights over their property.</p>	<p>management authorities to block their departure in accordance with the law;</p> <p>(2) Apply to the judicial authorities to prohibit them from moving or transferring property, or from creating other rights over their property.</p>	

IV. Overall Equity Investment Approval System to be Established

Article 43 of the Commercial Banks Law provides that banks shall not invest in any non-banking financial institutions or enterprises, unless otherwise stipulated by the state. Articles 20 and 25 of the Draft Amendment provides that NFRA shall formulate detailed rules on the equity investment by banks. Currently, NFRA has formulated relevant administrative approval guidelines for banks to invest in or establish domestic or overseas financial institutions, but there are no clear unified rules governing the investment in non-financial institutions. The changes in the Draft Amendment may indicate an overall equity management approval system applicable to domestic and overseas equity investment by banks will be rolled out after the Draft Amendment takes into effect.

V. Strengthened Rule of Conduct of Employees

Article 30 of the Draft Amendment, for the first time, introduces a dedicated provision setting out requirements for the conduct, professional competence, and ethical standards of employees in banks.

In addition to the prohibited conduct of employees mentioned in paragraph 3 of Article 29, Article 31 further specifies following prohibited conduct for banks and their employees: (1) funneling benefits through related-party transactions; (2) failing to fulfill due diligence and risk management obligations in lending and other business activities; (3) conducting business in violation of, or by circumventing, regulatory indicators and classification requirements; (4) using false or misleading advertising to defraud depositors and other customers. (5) infringing upon the legal rights of customers through illegal fees or the withholding of funds; (6) disclosing, selling, or illegally providing others with state secrets, work secrets, trade secrets, or personal information of depositors and customers obtained during business; and any other acts that seriously violate the rules of prudential operation.

VI. Forbidden Enforcement of Foreign Discriminatory Restrictions

Article 44 of the Draft Amendment explicitly prohibits banks from enforcing or assisting in enforcing discriminatory restrictions imposed by foreign countries against Chinese citizens, legal persons and other organizations. This echoes the existing regulatory requirement under Article 12 of the *Anti-foreign Sanctions Law* (《反外国制裁法》). Banks should take caution when it comes to dealing with clients subject to foreign sanctions to avoid potential non-compliance with PRC laws or give rise to claims from injured parties.

VII. Well-established Risk Resolution Framework

The Draft Amendment sets up a full-process risk resolution mechanism for banks, covering early rectification, reorganization, and takeover, and clearly defines the applicable conditions, procedures, and time limits for each risk resolution.

Specifically, Article 54 introduces statutory procedures for early correction and comprehensive risk resolution in case of risk hazards (风险隐患) identified with respect to any bank. Article 55 permits NFRA to appoint a rectification team to monitor the bank's operation and management activities for a six-month period if such bank is found to have major risk hazards (重大风险隐患) such as deterioration in operation and management, severe disorder in corporate governance, etc. Where such bank fails to resume normal operation upon the expiry of the rectification period, NFRA shall be able to take, or

facilitate the taking of, measures such as reorganization, takeover, license cancellation and bankruptcy. Therefore, after the enactment of the Draft Amendment, NFRA will be empowered to step in the management of banks as early as any risk hazard is identified before the reorganization and takeover take place.

VIII. Enhanced Legal Accountability and Increased Penalties

The Draft Amendment significantly overhauls the chapter on legal liabilities (Articles 65-76), addressing the limited punitive power under the 2006 Law by substantially increasing the cost of non-compliance and broadening the scope of accountability. Key revisions include:

1. **Expanded Scope of Institutional Liability:** Article 68 of the Draft Amendment define the following acts as violations for which banks may be penalized:
 - (a) Banks provide documents or information to foreign regulatory authorities without required consents.
 - (b) Directors or senior management of banks perform their duties without obtaining the required qualifications.
 - (c) Banks fail to suspend or terminate cooperation with relevant banking service institutions as required by NFRA.
2. **Expanded Scope of Individual Liability:** According to Article 70 of the Draft Amendment, supervisors are additionally included among those subject to accountability, alongside directors, senior management personnel, and other responsible persons.

Besides existing penalties such as high fines, disqualification from holding office, and lifetime bans in the banking sector, NFRA may order banks to recover remuneration from the accountable individuals as an additional punitive measure.

3. **Legal Liabilities of Shareholders and Actual Controllers:** Articles 69 and 71 of the Draft Amendment focus on the legal liabilities of shareholders and actual controllers of banks as following:

Violations	Penalties
Failure by banks, major shareholders, or actual controllers of the banks to submit reports, statements, or required data.	Ordered to rectify; failure to rectify within the prescribed time limit or serious circumstances may result in a fine ranging from RMB 200,000 to RMB 2,000,000.
(1) Becoming major shareholders or actual controller of banks without regulatory approval; (2) Failing to fulfill capital contribution obligations as shareholders of banks; (3) Illegally entrusting others, or accepting entrustments, to hold equity in a bank; (4) Major shareholders of banks failing to report equity-related information as required under	<ul style="list-style-type: none"> ■ Ordered to rectify; illegal gains shall be confiscated, and a fine of one to ten times the amount of the illegal gains may be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine ranging from RMB 500,000 to RMB 5,000,000 may be imposed. ■ Where the circumstances are serious or rectification is not made within the prescribed

Violations	Penalties
<p>Article 28 of the Draft Amendment;</p> <p>(5) Banks, their shareholders and actual controllers, as well as the controlling shareholders and actual controllers of major shareholders, engaging in any prohibited conduct listed in the negative list under Article 29 of the Draft Amendment;</p> <p>(6) Failing to cooperate with the bank in fulfilling prescribed information disclosure obligations;</p> <p>(7) Major shareholders or actual controller of banks refusing to comply with regulatory measures under Article 51 of the Draft Amendment.</p>	<p>time limit, the relevant shareholders may be ordered to return dividends distributed within a specified period.</p> <ul style="list-style-type: none"> ■ Responsible officers and other directly responsible personnel may be given a warning and fined RMB 50,000 to RMB 500,000.

4. **New Penalties for Employees:** According to Article 74 of the Draft Amendment, NFRA may issue warnings and impose fines ranging from RMB 50,000 to RMB 500,000 on bank employees who violate the law. For severe violations, NFRA may revoke the qualifications of directly responsible directors and senior management for a specified period or permanently, and may prohibit relevant responsible personnel from engaging in banking activities for a specified period or permanently.

Conclusion

The Draft Amendment represents a fundamental overhaul of China’s banking supervision law. It signals a clear regulatory intent to move towards a more comprehensive, penetrating, and stringent supervisory regime. The focus on shareholder and actual controller accountability, employee conduct, systemic risk disposal, and restrictions on information provision to foreign authorities will necessitate a thorough review and potential adjustment of internal governance, compliance, and risk management frameworks within banks.

Important Announcement

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