

## **View from China: Shanghai Announces Regulations on the Shanghai Pilot Free Trade**

Article By:

George Qi

Dawn (Dan) Zhang

---

On July 25, 2014, the Stand Committee of Shanghai People's Congress published the *Regulations on China (Shanghai) Pilot Free Trade Zone* (the Regulations), just before the first anniversary of the debut of the Shanghai Pilot Free Trade Zone (the FTZ). The Regulations went into effect August 1, 2014.

The Regulations introduce several reforms and principles that will be implemented in the FTZ, including reforms in the areas of foreign investment, outbound investment, international trade, financial services and foreign exchange.

### **Foreign Investment and Outbound Investment**

The Regulations state the principle that in the FTZ restrictions on investments (including investor qualification requirements, limitations on foreign shareholding percentage and limitations on business scope) in the areas including financial, shipping, trading, professional, culture and social services will be suspended, relaxed or eliminated.

Further, the FTZ will implement the "Negative List" model with respect to the supervision of foreign investments. Foreign investments in industries outside of those stated on the Negative List will only be subject to record-filing requirements, instead of being subject to governmental approval.

With respect to outbound investments, the Regulations state the principle that investors in the FTZ may engage in multiple forms of outbound investments, and that in principle outbound investments, will only be subject to record-filing requirements.

### **International Trade**

With respect to international trade, the Regulations provide different levels of regulatory control depending on the areas between which the trade occurs. Trading activities between the FTZ and areas outside of China are referred to as "front-line" trades, and trading activities between the FTZ and other parts of China are referred to as "second-line" trades. The Regulations state the regulatory

principle of “opening up for the front-line, safe and efficient control of the second-line and free flow within the FTZ.”

The Regulations also state certain concrete international trade measures to be implemented in the FTZ, including (but not limited to):

- The establishment of a Customs supervision system based on the status of goods that will be managed based on an electronic network;
- Paperless clearance with low-risk, high-speed release;
- The customs declaration procedure can be done after the goods to be imported are shipped into the FTZ; and
- No time limitation will be imposed on goods under bonded warehousing in the FTZ.

## Financial Services

With respect to financial services, the Regulations state the general principle that, under the assumption that the risks are controllable, the FTZ will gradually implement RMB conversion for capital items, the marketization of financial market interest rates, cross-border use of RMB and foreign exchange reforms.

The Regulations provide that a free trade account system will be set up in the FTZ. Residents and non-residents in the FTZ may open free trade accounts. Funds between free trade accounts and between a free trade account and an overseas account can be freely transferred. Cross-border financings and guarantees can be conducted under free trade accounts in accordance with relevant regulations.

The Regulations also provide that the foreign exchange process for cross-border direct investments will be simplified.

## Other Areas

In addition to the above, the Regulations have provisions relating to merger control, tax collection, immigration matters and other comprehensive supervision measures to facilitate business in the FTZ. The Regulations also encourage professional service firms, such as accounting firms, law firms and intellectual property agent firms, to develop business opportunities in the FTZ.

©2025 Greenberg Traurig, LLP. All rights reserved.

---

National Law Review, Volume IV, Number 347

Source URL: <https://natlawreview.com/article/view-china-shanghai-announces-regulations-shanghai-pilot-free-trade>