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To: Transport Industry Operators

Financing NVOCC deposit in PRC

There are three ways of fulfilling the deposit requirement of the Ministry of Transport (“MOT”) in the People’s Republic of China (“PRC”) for your NVOCC license.

- 1) Cash
- 2) Bank guarantee
- 3) NVOCC deposit liability insurance

Before October 2013, either cash deposit or Bank guarantee is acceptable to MOT for NVOCC license application. Either ways, such money is all but a frozen and unproductive asset. The opportunity costs of these two methods are not just that cash flow is tied up, or interest expenses incurred, but also liquidity loss. Liquidity can be an essential part of financial management for business expansion.

NVOCC deposit liability insurance as substitute to cash deposit or bank guarantee was first introduced by MOT in 2010 on trial and was not widely known to NVOCCs. At long last, the promulgation of the MOT notice on 14 October 2013 has formally legitimized this option as one of the three acceptable securities to back up NVOCC registration in the PRC.

See (http://www.moc.gov.cn/zfxxgk/bnssj/syj/201310/t20131014_1496222.html) for the notice.

Not all but deposit insurances fulfilling the following conditions will be admitted by the MOT:

1. PRC licensed insurers only
2. Endorsed by China Insurance Regulatory Commission (“CIRC”)
3. Insurance policy terms filed and approved by MOT and CIRC.

It is understood the insurance fee per annum is around 3.75% of the deposit amount required. The deposit amount is RMB 800,000 for the licence holder plus RMB200,000 for each branch.

Many believe that registration with MOT is necessary only when a HBL is issued in the PRC. The fact is that all NVOCCs trading to and from the PRC are required to file their bills of lading with the MOT or else that NVOCC is illegal. It is also known that unregistered NVOCCs often times are denied from space booking by trunk carriers. Unregistered NVOCCs may implicate their partner forwarding agents who issue the unregistered HBL in China. A simple registration will kill all these problems in one shot.

This latest option has provided a handy alternative financial instrument for NVOCC registration in the PRC.

Please feel free to check with us if you have any questions.

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