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**Auction Law of the People’s Republic of China**
(Adopted at the 20th Meeting of the Standing Committee of the 8th National People’s Congress on July 5, 1996)

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Chapter I - General Provisions

Article 1
This Law has been formulated with a view to standardizing the auction behavior, safeguarding the auction order, and protecting the legitimate rights and interests of various parties involved in auction activity.

Article 2
This Law shall apply to the auction activity carried out by auction enterprises within the territory of the People's Republic of China.

Article 3
Auction means the buying and selling form through which designated articles or property rights are transferred, in the form of public bidding, to those providing the highest bidding price.

Article 4
Auction activity shall abide by relevant laws and administrative decrees, and follow the principle of openness, fairness, impartiality, honesty and credibility.

Chapter II - Auction Targets

Article 6
Auction target shall be articles or the property rights owned by trustees or disposable according to law.

Article 7
Articles or property rights whose purchase and sale are prohibited by laws and administrative decrees shall not be taken as auction targets.
Article 8

Articles or property rights whose transfer is subject to the examination and approval according to law or in accordance with State Council provisions shall, before being auctioned, go through examination and approval procedures according to law.

Cultural relics consigned for sale shall, before being auctioned, be assessed and permitted according to law by the cultural administrative department where the auctioneer resides.

Article 9

Should articles confiscated by the state administrative department according to law, articles used to pay taxes or fines and other kinds of articles be auctioned on consignment in accordance with State Council provisions, they shall be auctioned by the auctioneers designated by the people’s governments with districts where such property lies.

The auction of articles confiscated by a people’s court according to law, articles used to pay fines and found articles that cannot be returned are subject to the stipulation of the above paragraph.

Chapter Three - Parties Involved in Auction

Section III - Auctioneers

Article 10

An auctioneer is an enterprise legal person that has been established to engage in auction activity in accordance with this Law and the Corporate Law of the People’s Republic of China.

Article 11

An auction enterprise may be set up in a city with districts. The establishment of an auction enterprise is subject to the examination and approval by the department in charge of managing the auctioning industry as authorized by the people government of a province, an autonomous region and a municipality directly under the central government where it is located, and shall apply and register with the administrative department for industry and commerce receive a business license.

Article 12

Whoever establishes an auction enterprise shall meet the following requirements:

1. Having a registered capital of at least one million yuan;
2. Having his own name, organizational setup, residence and articles of association;
3. Having auctioneers and other staff qualified for the auctioning business;
4. Having formulated rules on the auction business that comply with this Law and the stipulations of other relevant laws;
5. Having the permit on a special industry issued by the public security department;
6. Complying with the State Council provisions regarding the development of the auctioning industry; and
7. Meeting other requirements as prescribed by laws and administrative decrees.
Article 13

Should an auction enterprise handle the auction of cultural relics, it shall have a registered capital of at least 10 million yuan and have personnel with the professional expertise of relics auction.

Article 14

Auction activity shall be presided over by an auctioneer.

Article 15

An auctioneer shall meet the following requirements:

1. Having a university or college education and professional expertise of auction;
2. Having worked in an auctioning enterprise for more than two years; and
3. Having a moral integrity.

Those who have been dismissed from their posts and those for whom five years have not passed since their auctioneer certificates were revoked, or those who have been meted out criminal punishment for deliberately committing a crime may not serve as auctioneers.

Article 16

The examinations for the qualification of auctioneers shall be organized exclusively by the auction Industry Association. Those passing the examinations shall be issued auctioneer qualification certificates by the Auctioning Industry Association.

Article 17

The Auctioning Industry Association is a mass organization legal person established according to law and a self-disciplining organization in the auctioning industry. The Auctioning Industry Association shall exercise supervision over auction enterprises and auctioneers in accordance with this Law and its articles of Association.

Article 18

An auctioneer has the right to ask the trustee to state the source and drawbacks of auction targets.

The auctioneer shall state the drawbacks of auction targets to the bidders.

Article 19

An auctioneer has the obligation of taking care of articles submitted by the trustee for auction.

Article 20

Upon accepting trust, an auctioneer shall not trust other auctioneers for auction unless approved by the trustee.

Article 21

Should a trustee or a buyer ask to keep secret of his or her identity, the auctioneer shall keep secret for him or her.
Article 22

An auctioneer and other personnel shall not, in the capacity of bidders, participate in the auction activity organized by them, and shall not trust others to bid for them.

Article 23

An auctioneer shall not auction his or her own articles or property rights in the auction activity organized by him or her.

Article 24

After an auction is completed, the auctioneer shall, as agreed upon, pay the sum of money of the auction targets to the trustee, and shall, as agreed upon, transfer the auction targets to the buyer.

Section Two - Trustees

Article 25

An trustee means a citizen, a legal person or an organization trusting the auctioneer to auction his or her articles or property rights.

Article 26

Trustees may independently handle trust auction procedures, and may also ask their agents to handle trust auction procedures for them.

Article 27

An trustee shall state the source and drawbacks of his or her auction targets to the auctioneer.

Article 28

An trustee has the right to set the retentive price of an auction target to the auctioneer.

Should the auction of state-owned assets require the evaluation according to law or in accordance with State Council provisions, such assets shall be evaluated by an evaluation agency established according to law and the retentive price of an auction target shall be set in line with the evaluation result.

Article 29

Before an auction begins, an trustee may withdraw his or her auction targets. Should a trustee withdraw his or her auction targets, he or she shall pay costs as agreed upon to the auctioneer. In the absence of an agreement, he or she shall pay the auctioneer reasonable costs paid for an auction.

Article 30

Trustees shall not participate in bidding or trust others to providing bidding for them.

Article 31

Should an auction target be transferred as agreed upon, after the
auction is completed, the trustee shall transfer the auction target to the buyer.

Section Three - Bidders

Article 32

A bidder means a citizen, a legal person or an organization participating in bidding for auction targets.

Article 33

should laws and administrative decrees spell out stipulations on buying and selling requirements for auction targets, any bidder shall meet the prescribed requirements.

Article 34

Bidders may participate in bidding on their own, or may trust their agents to participate in bidding for them.

Article 35

A bidder has the right to know the drawbacks of an auction target, to check the said auction target and consult relevant auction data.

Article 36

Once the bidding price is announced, a bidder shall not withdraw it. When other bidders providing higher bidding prices, his bidding price shall no longer be valid.

Article 37

Bidders shall not viciously collaborate with other bidders and auctioneers shall not do so with auctioneers to damage the interests of others.

Section Four - Buyers

Article 38

A buyer means a bidder who purchases an auction target with the highest bidding price.

Article 39

A buyer shall pay the sum of money for an auction target as agreed upon. Whoever fails to pay such a sum as agreed upon shall bear the liabilities of breaking a contract, or with the approval of the trustee, the auctioneer may re-auction the auction target.

In the case of re-auctioning an auction target, the original buyer shall pay the commission himself or herself and the trustee shall pay for the auction for the first time. Should the price of a re-auction be lower than the price of the original auction price, the original buyer shall pay for the balance.

Article 40

Should a buyer fail to obtain an auction target as agreed upon, he or she has the right to demand that the auctioneer or the trustee bear the liabilities of breaking a contract.

Should a buyer fail to take back an auction target as agreed upon, he or she shall pay the storage costs arising thereafter.
Chapter IV - Auction Procedures

Section One - Auction Trust

Article 41

Should a trustee trust an auctioneer to auction articles or property rights, he or she shall provide his or her identity certificate, or the certificate of the ownership of the auction target as required by the auctioneer, or the certificate or other data which can demonstrate that he or she can dispose of the auction target.

Article 42

An auctioneer shall verify the relevant documents and data provided by his trustee. Should the auctioneer accept a trust, he or she shall sign a written contract on trust auction with the trustee.

Article 43

Should an auctioneer deem it necessary to verify an auction target, he or she may do so.

Should the verification conclusion contradict the conditions of an auction target stated in an auction contract, the auctioneer has the right to demand a change or rescind the contract.

Article 44

A contract on a trust auction shall contain the following:

(1) The names of the trustee and the auctioneer and their residences;

(2) The name, specification, number and quality of an auction target;

(3) The retentive price set by the trustee;

(4) The time and site of the auction;

(5) The delivery of the auction target or the time and form of transferring such an target;

(6) The form and the time limit for paying commissions;

(7) The liabilities of breaking the contract;

(8) Other matters as agreed upon by both parties.

Section Two - The Auction Notice and Display

Article 45

An auctioneer shall release an auction notice seven days before the auction day.

Article 46

An auction notice shall define the following matters:

(1) The time and place of the auction;

(2) Auction targets;

(3) The display time and place of auction targets;

(4) The procedures that those participating in the bidding shall handle;

(5) Other matters that need to be announced.
Article 47
An auction notice shall be issued via newspapers or other mass media.

Article 48
An auctioneer shall display auction targets before an auction, and provide conditions necessary for inspecting auction targets, as well as relevant data.
The display time of auction targets shall not be fewer than two days.

Section Three - The Implementation of Auctions

Article 49
An auctioneer shall announce auction rules and matters needing attention before an auction.

Article 50
Should an auction target have no retentive price, an auctioneer shall make this clear before an auction.
Should an auction target have the retentive price, while the highest bidding price for the auction target fails to reach the retentive price, the price shall not become valid and the auctioneer shall stop auctioning the auction target.

Article 51
The highest bidding price of a bidder shall indicate the conclusion of the auction after being confirmed by the auctioneer dropping the hammer or by other open forms indicating the completion of a deal.

Article 52
After an auction is completed, the buyer and auctioneer shall sign a deal conclusion letter.

Article 53
While proceeding with an auction, an auctioneer shall make a written auction record. The written auction record shall be signed by the auctioneer and the recorder; in the case of the conclusion of an auction, the record shall also be signed by the buyer.

Article 54
A buyer shall properly keep complete account books related to his or her business and operational activities, the written auction record and other relevant data.
The duration prescribed in the above paragraph for keeping account books, the written auction record and other relevant data shall begin to be computed from the date when the trust auction contract is terminated and shall not be fewer than five years.

Article 55
Should an auction target need to handle, according to law, the procedures of change in the certificate and the transfer of property rights, the trustee and buyer shall handle necessary procedures with the relevant administrative department, on the strength of the
auction completion certificate and relevant materials produced by the auctioneer.

Section Four - Commission

Article 56

A trustee and a buyer may jointly set the commission ratio together with an auctioneer.

If the trustee, the buyer and the auctioneer have not set the commission ratio, while the auction is completed, the auctioneer may collect commissions not in excess of five percent of the auction completion price from the trustee and buyer, respectively. The ratio of commissions to be collected shall be set in accordance with the principle of making an inverse ratio to the auction completion price.

In the absence of the completion of an auction, an auctioneer may collect charges as agreed upon from the trustee; and in the absence of any agreement, the auctioneer may collect from the trustee rational charges as auction expenses.

Article 57

If the auction of articles as stipulated in Article 9 of this Law is completed, the auctioneer may collect from the buyer commissions not exceeding five percent of the auction completion price. The ratio of commissions to be collected shall be set in accordance with the principle of making an inverse ratio to the auction completion price.

In the absence of the completion of an auction, the stipulation of Section 3 of Article 56 of this Law shall apply.

Chapter V - Legal Liabilities

Article 58

Should a trustee violate the stipulation of Article 6 of this law by trusting the auction of articles or property rights of which he or she does not have the ownership or of which he or she may not dispose according to law, he or she shall bear liabilities arising thereafter according to law. Should an auctioneer clearly know that a trustee has no ownership of the articles or property rights for auction or that the trustee may not dispose such articles or property rights according to law, he or she shall bear implicative liabilities.

Article 59

Should a state department violate the stipulation of Article 9 of this Law by disposing illicitly of articles that should be auctioned by an auctioneer designated by the people's government of a province, an autonomous region or a municipality directly under the central government of by the people's government of a city with districts where property lies, relevant personnel in charge who are held directly responsible and other personnel who are also held directly responsible shall be meted out administrative punishment according to law, and those who have caused losses to the state shall also bear the liability of compensation.

Article 60

Whoever violates the stipulation of Article 11 of this Law by establishing an auction enterprise without approval or registration shall have his or her enterprise banned and his or her illegal incomes confiscated by the administrative department for industry and com-
merce, and may be given a fine that ranges from 100 percent to 500 percent of his or her illegal earnings.

Article 61

Should an auctioneer and a trustee violate the stipulation of the second paragraph of Article 18 and Article 27 of this Law by failing to state the drawbacks of an auction target, thus causing a loss to a buyer, the buyer has the right to demand compensation from the auctioneer; Should the responsibility rest with the trustee, the auctioneer has the right to demand compensation from the trustee.

Should an auctioneer and a trustee state before an auction that they cannot guarantee the genuineness or fakery or the quality of an auction target, they shall not bear the liability for guaranteeing the drawbacks.

If no statement is made on the fact that an auction target has drawbacks, the procedural duration for demanding compensation shall be one year and shall begin to be computed from the date when the party concerned knows or should know that his or her right is damaged.

The procedural duration for demanding compensation for personal and property damages caused by the drawbacks of an auction target is subject to the relevant stipulations of the "Product Quality Law of the People's Republic of China" and other laws.

Article 62

Should an auctioneer and other staff violate the stipulation of Article 22 of this Law by participating in bidding or trusting others to participating in bidding for them, the administrative department for industry and commerce shall give the auctioneer a warning and may impose on him or her a fine that ranges from 100 percent to 500 percent or his or her auction commissions; where cases are serious, his or her business license shall be revoked.

Article 63

Should an auctioneer violate the stipulation of Article 23 of this Law by auctioning his or her articles and property rights in the auction activity organized by himself or herself, the administrative department for industry and commerce shall confiscate his or her earnings from the auction.

Article 64

Should a trustee violate the stipulation of Article 30 of this Law by participating in the bidding or trusting others to participating in the bidding for him or her, the administrative department for industry and commerce may impose on the trustee a fine that is up to 30 percent of his or her auction completion price.

Article 65

By violating the stipulation of Article 37 of this Law, if bidders viciously collaborate with other bidders or if bidders do so with auctioneers, thus causing losses to others, the auction shall become null and void and they shall bear the liability of compensation according to law. The administrative department for industry and commerce shall impose on the bidders participating in vicious collaboration a fine that is 10 percent to 30 percent of the highest bidding price; and impose on the auctioneers participating in vicious collaboration a fine that 10 percent to 50 percent of the highest bidding price.
Article 66

By accepting commissions in violation of the stipulation of Section Four of Chapter Four of this Law concerning the ratio of commissions, an auctioneer shall return that part in excess of the reasonable amount to the trustee and the buyer. The price control department may impose on the auctioneer a fine that is 100 percent to 500 percent of the commissions.

Chapter Six - Supplementary Articles

Article 67

This Law is applicable to foreigners, foreign enterprises and foreign organizations trusting auctions or participating in bidding within the territory of the People's Republic of China.

Article 68

Should auction enterprises established before the implementation of this Law do not meet the requirements as prescribed in this Law, shall meet the requirements as stipulated in this Law within the prescribed time limit; those still failing to meet the prescribed requirements after the time limit shall have their registrations revoked and their business licenses taken back by the administrative department for industry and commerce. Specific implementation measures shall be formulated by the State Council separately.

Article 69

This Law shall come into force from January 1, 1997.