

Your World First



TMC Sector in China Predictions for 2017





Facts & Figures:

- **60 offices**
- **59 cities**
- **38 countries**
- **Europe:** Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, France, Germany, Hungary, Italy, Luxembourg, Montenegro, The Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, Ukraine and United Kingdom
- **Outside Europe:** Algeria, Brazil, Chile, China, Columbia, Hong Kong, Iran, Mexico, Morocco, Oman, Peru and United Arab Emirates
- **> 880 partners**
- **> 3,400 fee earners**
- **> 6,000 total staff**
- Combined annual turnover:
EUR 1.01bn (2015)

Overview

You may be wondering what developments will be impacting your business in the TMC sector in China for 2017. We have reflected on what happened in 2016 and what is likely to happen this year and set out in this guide our top 10 predictions for the coming year.

We will be keeping a close watch on these developments and providing you with regular updates on them through our free eAlert service, Law-Now. If you are interested in receiving Law-Now on China related legal matters, full details on how you can update your Law-Now profile, and subscribe to Law-Now generally, can be found at the end of this guide.

We hope you find our predictions useful. If you have any specific questions on any of the developments mentioned and also future questions, please do let me know.

Kind regards,



Nick Beckett

Managing Partner, Beijing Office

T +86 10 8527 0287

M +86 186 1842 8030

E nick.beckett@cms-cmck.com

Our top 10 predictions...



1. Cybersecurity: The PRC Cybersecurity Law will take effect from 1 June 2017. The Law has very broad application and sets out a series of regulatory requirements concerning the establishment, operation, maintenance, and use of networks in China. Along with the publication of more implementation rules and technical standards, we expect to see business operators taking measures to ensure their operational activities are compliant with the new Law.



2. E-commerce: While the total volume and growth rate of e-commerce will continue to increase in 2017, more diversified business models are expected. In particular, big data accumulated in the past will enable the offering of more customer-targeted products, as well as more context-focused O2O services. A more comprehensive regulatory regime, as indicated by the Draft E-commerce Law, will also facilitate further development of e-commerce.



3. Artificial intelligence: China has formulated a three-year (2016-2018) action plan for the development of artificial intelligence. In 2017, the focus will likely shift gradually from concept testing and basic R&D to the application level. It is likely we will see more intelligent robots being used in labour intensive or pattern-repeating work and with the introduction of advanced machine learning technologies, there may even be more human-AI interactions.



4. Cloud computing: To better regulate the rapid development of cloud computing services, the government has revised the telecom service catalogue and formulated several draft administrative rules in the last two years. It is very possible that the rules will be finalised in 2017 to provide clearer guidance on licensing and other compliance requirements. Operators may also get further clarification on whether the operation of SaaS, PaaS and IaaS are subject to different foreign investment restrictions.



5. Credit evaluation: Vast amounts of data concerning people's behaviour has been generated in various online contexts. Such data enables operators to conduct comprehensive evaluation on a particular person's credit worthiness. The data-driven results are valuable for the operation of internet financial services, as well as the establishment of a nation-wide social credit system. The government encourages the evaluations in general, and will likely this year strengthen the protection of privacy and personal information as a result.



6. Usage-based insurance: Connected vehicle systems significantly increase a usage-based insurance issuer's ability to differentiate and reward safe drivers by enabling insurers to conduct big data analysis of drivers' behaviours and patterns. Attracted by this effective and efficient way to negotiate policies, more crossover cooperation among intelligent device manufacturers, telecom service operators and insurance companies may occur in 2017. Further, it is likely that such cooperation will not be limited to vehicle insurance, but also life and health insurance.



7. Blockchain: As a distributed database that maintains a continuously growing list of records secured from tampering, blockchain can be widely used in internet financial services. Despite still being at the concept stage, business operators have gradually realised its potential in areas such as online payments, clearing and settlements, securities and smart contracts. Blockchain remains unregulated under the current Chinese law but we expect to see more discussion between legislators and business operators in this area.



8. Online content: The significant number of internet and mobile users in China has created high demand for online content. The 'hot IP' phenomena will likely continue in 2017. Popular IP can be fully explored by using online publications, audio-visual programmes and games, which generate significant profits for IP owners. Meanwhile, the government's strict regulation, especially the multi-level licensing requirements, on the distribution of online content will likely be further emphasised.



9. Sharing economy: Didi's leading car hailing business suggests that there will be continued success in 'sharing economy' business models. The number of knowledge sharing platforms is rapidly increasing, and more users are willing to pay for sharing knowledge. Following the issuance of more detailed regulations on P2P lending and crowdfunding activities, finance sharing platforms will develop in a healthier environment. In one way or another, around 500 million people in China have participated in the sharing economy and the number will continue to grow in 2017.



10. Data protection: Numerous high-profile data leaks have occurred in the past few years and have made data protection a mainstream issue. Huge amount of IoT devices connected to networks make the likelihood of a data breach even higher, since the vulnerability of some devices can affect the entire network. As such, high-standard manufacturing and using secure and reliable devices will likely become important regulatory requirements. Meanwhile, business operators will seek to establish an effective data breach response mechanism to mitigate potential losses.

Need help getting ready for the new Cybersecurity Law in China on 1 June 2017?

Taking effect from 1 June 2017, the Cybersecurity Law will impact both domestic and foreign network operators and online service providers in China.

If your organisation engages in any of the following activities, you will need to consider the relevant requirements to be compliant:

- operation or administration of networks;
- provision of online services;
- supply or use of devices and equipment in networks;
- collection, processing or use of personal data;
- operation of 'critical information infrastructure';
- distribution of content through networks;
- use of networks in any other ways.

CMS can help you ensure you are compliant by conducting a Compliance Audit of your business. To find out more, please do contact us.



Nick Beckett
Managing Partner, Beijing Office
T +86 10 8527 0287
M +86 186 1842 8030
E nick.beckett@cms-cmck.com



Amanda Ge
Associate
T +86 10 8590 0769
E amanda.ge@cms-cmck.com

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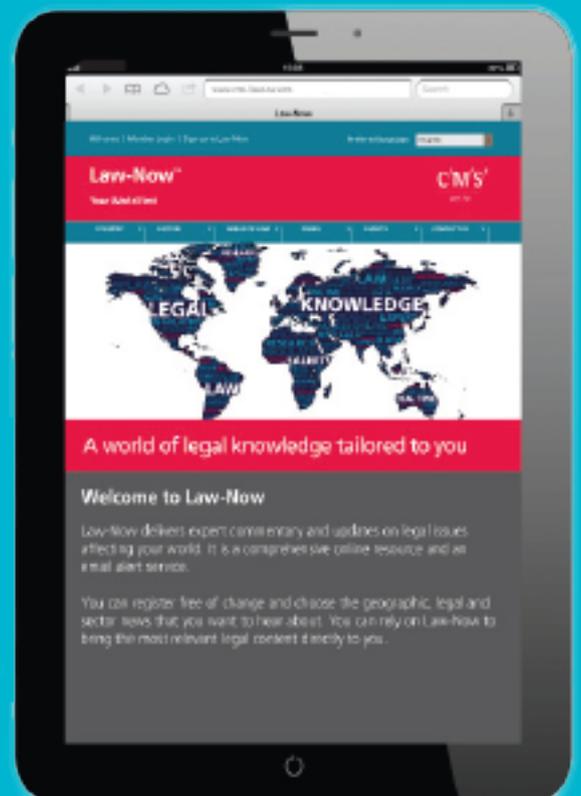
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