

Financial Management Regulations
THEKEY Scientific Research Fund

July 1st 2018

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Financial Management Regulations

THEKEY Scientific Research Fund

(Approved by the 1st Management Meeting of the Management Committee of THEKEY Scientific Research Fund dated on July 1st 2018)

Chapter I General Provisions

Article 1 In order to standardize the use and management of funds for the projects funded by THEKEY Scientific Research Fund (hereinafter referred to as “the Project”), improves the efficiency of the use of funds, it is formulating the Financial Management Regulations in accordance with the Articles of Association of the Management Committee of THEKEY Scientific Research Fund.

Article 2 The Project Fund referred in this document, is the fund granted to qualified applicant by THEKEY Scientific Research Fund (hereinafter referred to as “THEKEY Fund” or “the Fund”) in accordance with the Articles of Association of the Management Committee of THEKEY Scientific Research Fund. It is specifically used for implementation of the project approved by the Fund and to support scientists and policy experts to carry out project activities: basic research, scientific frontier exploration and policy making research with the development and application of blockchain technology in social insurance services. The project activities will also include capacity building and team building.

Article 3 The Management Committee of THEKEY Scientific Research Fund (hereinafter referred to as “the Management Committee”) is responsible for the project establishment and approval according to the fund development plan, and is responsible for the management and supervision of the Project Funds.

Article 4 The host institutions take the main responsibility of project financial

management, the system of Project Funds management should be established, and internal control and supervision system should be in place. The responsibility and authority of each department should be assigned rationally: scientific research, financial, personnel, assets management, audit, supervision and other departments. The management and supervision of project funds should be strengthened.

The host institution should fulfill its commitment on the self-raised funds and other supporting conditions for the project implementation.

Article 5 The project applicant is the project leader, and is the direct responsible person for the use of the Project Funds, and will take the legal responsibility for the compliance, rationality, integrity of the use of funds.

The applicant should compile the project budget and final statement in accordance with the law and regulations. Using the funds should be in accordance with the budget approved, work plan and related management regulations of the project. It will be supervised and audited by the relevant government agencies.

Article 6 The Quota Subsidy Scheme with fixed amount will be generally adopted for financing the Project.

Article 7 The Project Fund will be granted by the Fund in RMB or US dollars.

Chapter II Project Expenditures Covered by the Fund

Article 8 Project Expenditure refers to the expenditure related to project activities in the project implementation process, which is paid by Project Funds. The Project Expenditure is divided into direct and indirect costs.

Article 9 Direct Cost refers to the expenses directly used for the project activities, including:

1. Equipment: it refers to the purchase or trial production fees of special instruments and equipment, the upgrading cost of the existing instruments and equipment, and leasing cost for the equipment and instrument from other institutions.

2. Experimental materials: it refers to the expenses and fees of purchasing, transportation, loading and unloading, processing and packaging of all kinds of raw materials, auxiliary materials, low value consumables during project implementation.

3. Testing and processing fee: the cost of inspection, testing and processing paid to the third parties.

4. Fuel power cost: the cost of water, electricity, gas and fuel consumption that can be measured separately for the operation of large instruments and equipment, special scientific equipment.

5. Travel expenses: domestic travel expenses and in-city traffic expenses related to project activities.

6. Conference expenses: the cost of conference, seminar and workshops.

7. International cooperation and exchange fees: the cost of project team members going to other countries, Hong Kong, Macao and Taiwan, and foreign experts and the experts from Hong Kong, Macao and Taiwan come to China to work in the mainland.

8. Publishing / document / information / intellectual property rights: the costs of publishing, information, special software purchase, literature retrieval, professional communication, patent applications and other intellectual property rights.

9. Labor service fee: the labor costs of graduate students, post-doctoral and temporary recruits who have no wage income and are paid as the members of the project team, as well as the social insurance contributions for temporary employees.

10. Expert consultation fee: the fees paid to consultants.

11. Other expenditures: the expenses other than those mentioned above shall be shown and approved separately when preparing the budget.

Direct costs should be managed in the unified financial management of the host institutions, but accounting separately, and exclusively use for the project.

Article 10 Indirect cost refers to the related expenses incurred but cannot be listed in direct cost by the host institution during project implementation. It is mainly used to compensate the existing instruments and houses provided by the host institution, utilities consumption of water, electricity, gas and heat, management fee and performance payment. Performance payment refers to the performance based incentives paid by host institution in order to improve the performance of scientific research.

Article 11 Considering the features of different disciplines, the indirect cost is generally calculated in a certain proportion of the direct cost after deducting the equipment purchase. The specific proportion is as follows:

1. 20%, the post deduction direct cost is below 5 million RMB or equivalent foreign currency;

2. 13%, for the part above 5 million and below 10 million RMB or equivalent foreign currency;

3. 10%, for the part above 10 million RMB or equivalent foreign currency.

Performance payment should not exceed 5% of the post deduction direct cost.

Article 12 Indirect costs are managed by the host institution.

Chapter III Budget Preparation and Approval

Article 13 Project Leader (or the applicant) should prepare the budget of the project income and expenditure according to the principle of objective relevance, policy compliance and economic rationality.

Income budgets should be filled in according to the total amount of funds obtained from various channels. It includes funds funded by THEKEY Fund and funds obtained from host institution and other sources.

The budget for expenditure should be compiled according to the needs of the project and in accordance with the scope of fund expenditure, and the purposes and reasons for the direct expenses shall be explained.

Article 14 The host institution should examine the project budget. The project leaders (or applicants) and the participants of the cooperative partners shall prepare budget separately according to their respective project activities. After the respective partner signed, the project leaders (or the applicants) shall compile the integrated budget.

Article 15 The applicants to apply for project financed by the Fund shall prepare the project budget in accordance with the articles 8, 9, 10, 11. , and submit to the management committee after approval of the host institution.

Article 16 For projects funded by the quota subsidy scheme, the Management Committee organizes the evaluation panel to review the project and budget, and determines the amount of the project funding according to the expert review and the average funding intensity of the similar projects.

Article 17 The host institution shall lead the applicant to adjust the project budget according to the approved funding amount and complete the budget within 20 days from the date of receipt of the award notice, and send to the Management Committee for final approval.

Chapter IV Budget Execution and Final Accounts

Article 18 Project Funds are directly paid to the supporting units according to the approved budget and the Project Financing Agreement between the Fund and the host institution.

Article 19 The Applicant should strictly follow the budget approved by the Management Committee. The project budget is generally not adjustable, and if it is necessary to adjust, it should be submitted for approval in advance. The budget adjustment should be explained in the project progress report and final report.

Article 20 If the budget needs to be adjusted in the following cases, it should be reported to the Management Committee for approval through host institution.

1. The total budget needs to be adjusted due to major changes in project activities or project plans.
2. The fund allocation between need to be adjusted different activities within the same project.

Article 21 Items of direct cost need to be adjusted according to the following

provisions:

1. If the total amount of the project budget remain the same, any adjustments of the material fee, testing processing fee, fuel power fee, publication / literature / information / intellectual property transaction costs and other expenditure budgets based on the actual needs of project activities, the project leader should report to the Management Committee for approval.

2. Conference fees, travel expenses, international cooperation and exchange fees can be adjusted if not exceeding the prior total budget of the three expenditures.

3. Equipment budget, expert consultation fee and labor cost budget cannot be increased in principle.

The budget of the indirect cost shall not be adjusted.

Article 22 The cost of equipment, bulk materials, testing and processing, labor and expert consultation fee should be settled through bank transfer in principle.

Article 23 The applicant shall handle the payment strictly in accordance with the Project Expenditure scope and the standard of the fund expenditure.

Article 24 For the project more than one year, in the mid-term review, a professional team will be organized by the Management Committee to do financial review and evaluation for the use and management of the Project Funds. The results of mid-term review will be the basis for budget adjustments.

Article 25 By the end of the project, the project leader should promptly make the final financial statement of the project funds. The host institution shall examine the final financial report of the Project Funds and report to the Management Committee.

Article 26 For the project more than one year, the host institution shall apply for final acceptance to the Management Committee after receiving the 3rd party auditing report. The Management Committee shall organize a professional team to do the final financial acceptance.

Article 27 The host institution should prepare annual financial statement of the Project Funds. The annual revenue and expenditure report will be submitted to the Management Committee before March 1st next year.

Article 28 If the project pass the final acceptance with good credibility, the remaining Project Funds could be managed by the host institution for the research activities related to the project in 2 years after the final financial acceptance. If there is still surplus in Project Funds after 2 years, it should be returned to the Fund.

The remaining Project Funds should be returned to the Fund within 30 days after the final conclusion notice if the project failed in the final acceptance or pass the final acceptance after rectification, or the poor credit rating of the host institution.

If the project leader is willing to continue to use the remaining fund after final acceptance of the project, he could apply to the Management Committee.

Article 29 During implementation of the project, the balance fund should be returned to the Fund if the project is terminated.

If the project has been revoked in accordance with the law, the Project Fund paid should be fully returned back to the Fund. If there is any difficulty in returning funds due to special situation, an application shall be submitted to the Management Committee by the host institution for approval.

Article 30 The fixed assets formed by the Project Funds belong to the Fund, which are generally used and managed by the host institute. The Management Committee has the right to re-allocate it.

The intangible assets such as intellectual property rights formed by Project Funds shall be managed in accordance with relevant regulations of Chinese government, and will subject to mutual agreement between the Fund and the applicant.

Chapter V Supervision and Inspection

Article 31 The use and management of the Project Funds in the host institution shall be audited and supervised by government agencies and the Management Committee.

Article 32 A performance management systems should be built by the Management Committees and the host institution. Performance evaluation on financial management of the Project will be done together with financial audit and final financial acceptance.

Article 33 A promise based mechanism will be established for management of the Project Funds. Both host institute and the applicant will commit to fulfill the responsibilities of Project Fund management.

Article 34 Credit Rating systems will be established for the management of Project Funds.

Article 35 The Management Committees shall promptly announce the project budget arrangements to the fund sponsors and participants.

Article 36 Any organization or individual has the right to report or accuse if irregularities are discovered in the process of use and management of the Project

Funds.

Article 37 In the process of project implementation, any irregularities in budget implementation will be handled according to the relevant laws and regulations. If a crime is suspected, it shall be transferred to the judicial organ for handling.

Chapter VI Supplementary Provisions

Article 38 These Articles shall be interpreted by the management committee of THEKEY Scientific Research Fund.

Article 39 These Articles shall come into force on July 1, 2018.