Administrative Measures for QFII and RQFII Domestic Securities and Futures Investment of the PRC

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Promulgated by the China Securities Regulatory Commission on September 25, 2020
Effective: November 1, 2020

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Chapter I — General Provisions

Article 1 — These Measures are formulated in accordance with the relevant laws and administrative regulations for the purposes of regulating the conduct of qualified foreign institutional investors and RMB qualified foreign institutional investors in investing in domestic securities and futures, and promoting the steady and sound development of the capital market.

Article 2 — For the purposes of these Measures, the term "qualified foreign institutional investors" (hereinafter referred to as "QFIIs") shall mean foreign fund management institutions, commercial banks, insurance companies, securities companies, futures companies, trust companies, government investment management companies, sovereign wealth funds, pension funds, charitable funds, endowment funds and other institutional investors approved by the China Securities Regulatory Commission (hereinafter referred to as the "CSRC") to invest in domestic securities and futures markets.

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Article 3 — QFIIs and RMB qualified foreign institutional investors (hereinafter collectively referred to as "qualified investors") shall abide by laws and regulations, shall not evade foreign exchange controls or circumvent the provisions of these Measures, and shall comply with the principles of openness, fairness and good faith. The investment activities of qualified investors in domestic securities and futures shall be subject to the supervision and administration of the CSRC, the People's Bank of China and the State Administration of Foreign Exchange in accordance with the law.

Article 4 — A qualified investor shall entrust a domestic commercial bank or another institution qualified to act as a custodian to act as its custodian, and shall entrust a domestic securities company or futures company to conduct its securities and futures trading activities within the territory of China.

Article 5 — The CSRC and the People's Bank of China shall, in accordance with the law, exercise macro-prudential regulation over the investment activities of qualified investors in domestic securities and futures. Relevant departments may, in light of the macro-economic and financial situation, supply and demand in the foreign exchange market, and conditions of the opening-up of the financial market, impose macro-prudential regulation on the investment quota, the proportion of funds, capital control and other aspects of qualified investors.

Chapter II — Qualifications and Applications

Article 6 — An applicant for QFII qualification shall meet the following conditions: (1) having sound financial status and good credit standing, and meeting the asset size and other conditions required by the CSRC; (2) having sound governance structures, sound internal control systems and standardized business processes; (3) having stable and good business performance in the most recent three years or since its establishment; (4) having qualified business premises, safety precautionary facilities and other facilities appropriate for the business; (5) its employees meeting the qualifications required by the country or region where it is located; and (6) other prudential conditions as required by the CSRC.

Article 7 — An applicant for QFII qualification shall submit an application to the CSRC through its custodian. The application documents shall include: (1) an application form; (2) the business license or other proof of establishment in the country or region where the applicant is located; (3) the articles of association or equivalent organizational documents of the applicant; (4) the applicant's audited financial statements for the most recent fiscal year; and (5) other documents required by the CSRC.

Article 8 — The CSRC shall, within 20 working days from the date of acceptance of a complete set of application documents, make a decision on approval or disapproval. If the application is approved, the CSRC shall issue a QFII qualification license. If the application is disapproved, the CSRC shall notify the applicant in writing and state the reasons therefor.

Article 9 — An applicant for a QFII qualification license shall not: (1) have been subject to material administrative penalties by the regulatory authority of the country or region where it is located in the most recent three years; (2) have been subject to any major criminal or civil penalty; or (3) have other circumstances where, in the opinion of the CSRC, the applicant is unsuitable for making investments in domestic securities and futures.

Chapter III — Investment and Trading

Article 10 — A qualified investor may invest in the following financial instruments within the approved investment scope: (1) stocks, depositary receipts, bonds, bond repos, asset-backed securities and other products traded on stock exchanges or transferred on the inter-bank bond market; (2) securities investment funds, stock index futures, government bond futures and other derivatives traded on stock exchanges; (3) private investment funds offered by qualified fund managers; (4) warrants, options and other products traded on stock exchanges; (5) bond repos, money market instruments and other products traded on the inter-bank

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bond market; and (6) other products approved by the CSRC.

Article 11 — When a qualified investor conducts securities or futures trading within the territory of China, it shall open a special RMB account and a special foreign exchange account at the custodian.

Article 12 — The principal invested by a qualified investor in the domestic securities and futures market shall be foreign exchange funds remitted from abroad, or RMB funds lawfully obtained within the territory of China.

Article 13 — The funds remitted inward or outward by a qualified investor shall be registered with the State Administration of Foreign Exchange, and shall not be remitted inward or outward without registration. The custodian shall, on behalf of the qualified investor, handle the registration, settlement, sale and purchase of foreign exchange, opening of accounts, remittance of funds and other matters with the State Administration of Foreign Exchange.

Article 14 — A qualified investor may remit the investment principal and proceeds out of the country, subject to compliance with the relevant provisions on foreign exchange administration. The cumulative net remittance of funds inward by a qualified investor shall not exceed the approved amount, unless otherwise provided by the State.

Chapter IV — Custody and Administration

Article 15 — A custodian shall meet the following conditions: (1) being a domestic financial institution approved by the State financial regulatory authority; (2) having a dedicated fund custody department; (3) having sufficient qualified personnel familiar with the custodian business; (4) having the technical systems and facilities for the safe custody and efficient liquidation of funds and securities; and (5) having other conditions required by the CSRC and the State Administration of Foreign Exchange.

Article 16 — A custodian shall perform the following duties: (1) keeping all assets entrusted by the qualified investor for safe custody; (2) handling the settlement and delivery, account opening and other matters relating to the qualified investor; (3) supervising the investment operations of the qualified investor and reporting to the CSRC and the State Administration of Foreign Exchange in a timely manner if the investment instructions of the qualified investor are found to be in violation of laws and regulations; (4) preparing and submitting business reports, financial reports and foreign exchange administration-related statements and reports on the qualified investor to the CSRC, the People's Bank of China and the State Administration of Foreign Exchange; and (5) other duties required by the CSRC, the People's Bank of China and the State Administration of Foreign Exchange.

Article 17 — A custodian shall strictly separate its inherent property from the property of the qualified investor under its custody, and shall separately manage the property of different qualified investors under its custody, and shall not misappropriate the property of the qualified investor.

Chapter V — Supervision and Administration

Article 18 — The CSRC, the People's Bank of China and the State Administration of Foreign Exchange shall, in accordance with the law, supervise and administer the investment activities of qualified investors and may require qualified investors and custodians to submit relevant materials and explanations.

Article 19 — A qualified investor shall submit annual reports to the CSRC and the State Administration of Foreign Exchange within three months after the end of each fiscal year. A custodian shall submit monthly custodian reports to the CSRC and the State Administration of Foreign Exchange within eight working days after the end of each month.

Article 20 — Where a qualified investor has any of the following circumstances, it shall report to the CSRC and the State Administration of Foreign Exchange within five working days: (1) change of custodian; (2) change of controlling shareholder or actual controller; (3) merger or division; (4) material litigation or

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investigation; or (5) other material matters.

Article 21 — Where a qualified investor or a custodian violates the provisions of these Measures, the CSRC and the State Administration of Foreign Exchange shall, in accordance with the law, take regulatory measures such as ordering corrections, issuing a warning, imposing a fine, and may suspend or revoke the business qualification in the case of serious circumstances.

Chapter VI — Supplementary Provisions

Article 22 — These Measures shall apply, by reference, to the investment of RMB qualified foreign institutional investors in domestic securities and futures.

Article 23 — The CSRC, the People's Bank of China and the State Administration of Foreign Exchange shall be responsible for the interpretation of these Measures.

Article 24 — These Measures shall enter into force on November 1, 2020. The Administrative Measures for Domestic Securities Investment by Qualified Foreign Institutional Investors promulgated on August 26, 2006, and the Pilot Measures for Domestic Securities Investment by RMB Qualified Foreign Institutional Investors promulgated on March 1, 2013 shall be repealed simultaneously.

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