

Administrative Provisions on Resident Representative Offices of Foreign Securities Institutions of the PRC

Dan Young Business Consultancy — www.danyoungcpa.com
Unofficial English translation prepared for reference only. The official Chinese text prevails.

Contents

Table of Contents	1
Chapter I — General Provisions	1
Chapter II — Establishment and Registration	2
Chapter III — Change and Dissolution	2
Chapter IV — Supervision and Administration	3
Chapter V — Legal Liability	3
Chapter VI — Supplementary Provisions	4

Issued by the China Securities Regulatory Commission on May 16, 2018 (CSRC Order No. 152)

Effective: May 16, 2018

Table of Contents

- Chapter I — General Provisions
- Chapter II — Establishment and Registration
- Chapter III — Change and Dissolution
- Chapter IV — Supervision and Administration
- Chapter V — Legal Liability
- Chapter VI — Supplementary Provisions

Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the Securities Law of the People's Republic of China and the Regulation on the Administration of Resident Representative Offices of Foreign Enterprises, for the purpose of regulating the establishment and operations of resident representative offices of foreign securities institutions within the territory of the People's Republic of China, and protecting the lawful rights and interests of investors.

Article 2 — The term "foreign securities institutions" as used in these Provisions refers to securities institutions that are legally established, registered, and licensed in a foreign country or region, including securities companies, securities investment fund management companies, securities investment consulting institutions, securities exchanges, securities registration and settlement institutions, and other securities institutions recognized by the China Securities Regulatory Commission (CSRC).

Article 3 — The CSRC shall, in accordance with law, supervise and administer the resident representative offices (hereinafter referred to as "representative offices") of foreign securities institutions within the territory of China. The dispatched offices of the CSRC shall assist the CSRC in the supervision and administration of representative offices within their respective jurisdictions.

Chapter II — Establishment and Registration

Article 4 — To establish a representative office within the territory of China, a foreign securities institution shall meet the following conditions:

- (1) the country or region where it is located has a sound legal and regulatory system for securities;
- (2) it is legally established, has been engaged in securities business for a continuous period of no less than 3 years, and enjoys a good reputation and business record;
- (3) its registered capital or net assets are not less than the amount prescribed by the CSRC;
- (4) it has not been subject to major penalties imposed by the securities regulatory authorities of the country or region where it is located or by the CSRC in the past 3 years;
- (5) it has a genuine need for establishing a representative office within the territory of China; and
- (6) other conditions prescribed by the CSRC.

Article 5 — The application for the establishment of a representative office shall be submitted by the foreign securities institution to the CSRC. The application materials shall include the following:

- (1) an application signed by the chairman of the board of directors or the general manager of the applicant;
- (2) the business license or certificate of registration legally issued by the securities regulatory authority or the relevant authority of the country or region where the applicant is located;
- (3) the articles of association or the main partnership agreement of the applicant;
- (4) a list of the directors and major senior management personnel of the applicant;
- (5) the audited financial reports for the past 3 years prepared by the applicant;
- (6) an opinion letter on the applicant issued by the securities regulatory authority of the country or region where the applicant is located;
- (7) a feasibility study report and a business plan for the proposed establishment of the representative office;
- (8) a letter of appointment for the chief representative of the proposed representative office, and the curriculum vitae and identity certification documents of the chief representative; and
- (9) other documents required by the CSRC.

Article 6 — The CSRC shall, within 6 months from the date of acceptance of the application, make a decision on whether to approve or not approve the application in accordance with statutory conditions and procedures. Where approval is not granted, the reasons shall be stated.

Article 7 — Within 6 months from the date of receipt of the approval document, the foreign securities institution shall complete the industrial and commercial registration and tax registration procedures for the representative office, and shall report to the CSRC for filing within 10 working days after completion of the registration.

Chapter III — Change and Dissolution

Article 8 — Where a representative office intends to change its name, chief representative, or business address, it shall submit an application to the CSRC and complete the change registration procedures in

accordance with law.

Article 9 — Where a representative office intends to be dissolved, it shall submit an application to the CSRC 30 days before the proposed dissolution and complete the cancellation registration procedures in accordance with law. Before the cancellation of the representative office, outstanding matters shall be settled.

Chapter IV — Supervision and Administration

Article 10 — A representative office and its staff shall not engage in any profit-making business activities or disguised profit-making business activities within the territory of China, except as otherwise provided by laws, administrative regulations, or the provisions of the CSRC.

Article 11 — A representative office may conduct the following non-profit-making activities within the territory of China:

- (1) engaging in liaison and market research related to the business of the foreign securities institution it represents;
- (2) engaging in exchanges and cooperation in the securities field with relevant domestic institutions;
- (3) providing information on the Chinese securities market to the foreign securities institution it represents; and
- (4) other activities approved by the CSRC.

Article 12 — A representative office shall, within 3 months after the end of each fiscal year, submit a work report on its activities in China for the preceding year to the CSRC. The report shall include the activities carried out by the representative office in China during the year, changes in its staff, and other matters.

Article 13 — Where a foreign securities institution undergoes a material change that affects the qualification conditions of its representative office, the representative office shall report to the CSRC in a timely manner.

Article 14 — The CSRC may, in accordance with law, conduct on-site or off-site inspections of representative offices. Representative offices shall cooperate with the inspections and provide relevant documents and materials.

Chapter V — Legal Liability

Article 15 — Where a representative office or its staff engages in profit-making business activities or disguised profit-making business activities in violation of these Provisions, the CSRC shall issue a warning and impose a fine; where the circumstances are serious, the CSRC may revoke the approval for the establishment of the representative office.

Article 16 — Where a representative office fails to submit work reports or provide information as required, or fails to cooperate with inspections, the CSRC shall order corrections within a prescribed time limit; where corrections are not made within the prescribed time limit, a fine shall be imposed.

Article 17 — Where a representative office commits any of the following acts, the CSRC may revoke its approval for establishment:

- (1) the foreign securities institution that established the representative office has been legally dissolved or has had its business license revoked;
- (2) the foreign securities institution has applied for cancellation;
- (3) the representative office has been ordered to suspend operations for rectification and has failed to make corrections within the prescribed time limit; or

(4) other circumstances prescribed by the CSRC.

Chapter VI — Supplementary Provisions

Article 18 — The establishment of resident representative offices in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region by securities institutions from these regions shall be handled with reference to these Provisions.

Article 19 — The CSRC shall be responsible for the interpretation of these Provisions.

Article 20 — These Provisions shall come into force on the date of promulgation. The Administrative Provisions on Resident Representative Offices of Foreign Securities Institutions issued on April 22, 1999 shall be repealed simultaneously.

Disclaimer: This English translation is provided for reference purposes only. While every effort has been made to ensure accuracy, the original Chinese text of the Administrative Provisions on Resident Representative Offices of Foreign Securities Institutions (CSRC Order No. 152, 2018) shall prevail in all legal matters. For matters requiring legal interpretation or application, readers are advised to consult the official Chinese text and seek professional legal advice. Dan Young Business Consultancy makes no warranty as to the accuracy or completeness of this translation and accepts no liability for any reliance placed upon it.