Interim Provisions on the Administration of Foreign-Invested Securities Companies

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Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Law of the People's Republic of China on Foreign-Invested Enterprises, the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures, and other relevant laws and administrative regulations for the purpose of adapting to the needs of opening up of the securities market, strengthening and improving the administration of foreign-invested securities companies, and clarifying the conditions, procedures, and supervision for the establishment of foreign-invested securities companies.

Article 2 — For the purposes of these Provisions, "foreign-invested securities company" means a securities company established within the territory of China through foreign investment in accordance with Chinese

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laws and regulations, operating as a Sino-foreign equity joint venture. The foreign investor in a foreign-invested securities company shall be a financial institution whose main business is securities business.

Article 3 — The China Securities Regulatory Commission (hereinafter referred to as "CSRC") shall be responsible for the supervision and administration of foreign-invested securities companies. The establishment of a foreign-invested securities company shall be subject to the approval of the CSRC.

Chapter II — Conditions for Establishment

Article 4 — To establish a foreign-invested securities company, the following conditions shall be met: (1) the registered capital shall comply with the provisions of the Securities Law on comprehensive securities companies; (2) the foreign investor shall have been continuously engaged in financial business for more than 20 years and have been subject to effective supervision by the securities regulatory authority of its home country or region; (3) the foreign investor shall have a sound internal control system and maintain a good business record in the three years prior to the application, with no record of major violations of laws or regulations; (4) the foreign investor shall have an internationally recognized credit rating and good business performance; (5) the foreign investor's capital contribution ratio in the foreign-invested securities company shall not be less than 25% and shall not exceed one-third; (6) the Chinese investor shall meet the conditions for establishing a comprehensive securities company prescribed by the CSRC; (7) professional and technical personnel who meet the requirements shall be employed; and (8) other conditions prescribed by the CSRC.

Article 5 — A foreign-invested securities company shall have a term of operation not exceeding 20 years. Upon expiration of the term, an application for extension may be filed.

Chapter III — Approval and Registration Procedures

Article 6 — To establish a foreign-invested securities company, the investors shall submit the following documents to the CSRC: (1) an application signed by the legal representatives of the investors; (2) a feasibility study report, business plan, and articles of association; (3) the business license or approval document, creditworthiness certificate, and certificate of compliance with laws and regulations of each investor; (4) the audited financial statements of each investor for the most recent three years; (5) the capital verification report from a legally qualified capital verification institution; (6) the resumes, qualification certificates, and proofs of business experience of the proposed directors, supervisors, and senior management personnel; (7) the business premises and information management system meeting the prescribed requirements; and (8) other documents required by the CSRC.

Article 7 — The CSRC shall complete the examination within six months from the date of receipt of all application documents. If the application is approved, a securities business license shall be issued. If the application is not approved, the reasons shall be given in writing.

Article 8 — After obtaining the securities business license, the foreign-invested securities company shall go through registration formalities with the administrative department for industry and commerce and obtain a business license. It shall file with the CSRC for the record within 15 days from the date of obtaining the business license.

Chapter IV — Business Scope

Article 9 — A foreign-invested securities company may engage in the following businesses: (1) underwriting and sponsoring of stocks (including A shares, B shares, H shares, and other types of shares) and bonds (including government bonds, corporate bonds, and other types of bonds); (2) brokerage of foreign shares (such as B shares and H shares) and bonds (including government bonds and corporate bonds); (3) asset management business; (4) investment consulting and other consulting businesses related to securities

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trading and investment activities; and (5) other businesses approved by the CSRC.

Article 10 — A foreign-invested securities company shall not engage in the brokerage business of A shares, nor shall it engage in securities self-operated business beyond the scope approved by the CSRC.

Article 11 — A foreign-invested securities company shall comply with the provisions of the Securities Law and relevant CSRC regulations in operating its securities business. It shall establish a sound internal management system, risk control system, and information disclosure system.

Article 12 — A foreign-invested securities company shall allocate a trading risk reserve fund in accordance with the law and maintain adequate net capital that meets the requirements of the CSRC.

Chapter V — Supervision and Administration

Article 13 — The CSRC shall exercise supervision and administration over foreign-invested securities companies in accordance with the law. Foreign-invested securities companies shall accept the supervision and inspection of the CSRC and shall truthfully provide relevant materials and information.

Article 14 — A foreign-invested securities company shall submit the following documents to the CSRC within three months after the end of each fiscal year: (1) an annual report; (2) financial accounting reports audited by an accounting firm; (3) a net capital calculation table and related explanatory materials; and (4) other materials required by the CSRC.

Article 15 — Where a foreign-invested securities company undergoes a change in shareholders, equity structure, registered capital, business scope, domicile, legal representative, or other major matters, it shall apply to the CSRC for approval and go through the change registration formalities in accordance with the law.

Article 16 — Where a foreign-invested securities company is dissolved, liquidated, or bankrupt, it shall be handled in accordance with the Company Law, the Securities Law, and other relevant laws and regulations, and shall be reported to the CSRC for approval.

Article 17 — Where a foreign-invested securities company violates the provisions of laws, regulations, or these Provisions, the CSRC may order it to make rectification, confiscate illegal gains, impose a fine, or suspend or revoke its securities business license based on the circumstances.

Chapter VI — Supplementary Provisions

Article 18 — Securities companies established with investment from investors in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region shall be governed by these Provisions with reference thereto.

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

Article 20 — These Provisions shall come into force on July 1, 2002.

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