Private Investment Fund Supervision and Administration Regulations of the PRC

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

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Chapter I — General Provisions

Article 1 — These Regulations are enacted, in accordance with the Securities Investment Fund Law of the People's Republic of China (hereinafter referred to as the Securities Investment Fund Law), the Trust Law of the People's Republic of China, the Company Law of the People's Republic of China, the Partnership Enterprise Law of the People's Republic of China, and other laws, for the purposes of standardizing the business activities of private investment funds (hereinafter referred to as private funds), protecting the lawful rights and interests of investors and other parties concerned, and promoting the standardized and sound development of the private fund industry.

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Article 2 — These Regulations apply to the raising of funds in a non-public manner within the territory of the People's Republic of China, the establishment of investment funds, or the establishment of companies or partnership enterprises in accordance with the law for the purpose of carrying out investment activities, where the funds are managed by private fund managers or general partners and invested for the benefit of investors.

Article 3 — The state encourages the standardized and sound development of the private fund industry and the performance of its role in serving the real economy and promoting scientific and technological innovation.

Engaging in private fund business activities shall follow the principles of voluntariness, fairness, and good faith, protect the lawful rights and interests of investors, and shall not violate laws, administrative regulations, or state policies, offend public order or good morals, or harm the interests of the state, the public interest, or the lawful rights and interests of others.

Private fund managers managing and utilizing private fund property, private fund custodians holding private fund property in custody, and private fund service institutions providing private fund services shall comply with the provisions of laws and administrative regulations, perform their duties with dedication, and fulfill the obligations of honesty, prudence, and diligence.

Private fund practitioners shall comply with the provisions of laws and administrative regulations, abide by professional ethics and standards of conduct, and undergo compliance and professional competence training as required.

Article 4 — Private fund property is independent of the inherent property of private fund managers and private fund custodians. Debts of private fund property shall be borne by the private fund property itself, unless otherwise provided by law.

Investors shall share in returns and bear risks in accordance with fund contracts, company articles of association, and partnership agreements (hereinafter collectively referred to as fund contracts).

Article 5 — Supervision and administration of private fund business activities shall implement the line, principles, and policies as well as decisions and arrangements of the Party and the state. The securities regulatory authority of the State Council shall, in accordance with laws and these Regulations, supervise and administer private fund business activities, and its dispatched offices shall perform their duties as authorized.

Where the state provides otherwise for the supervision and administration of private funds initiated and established or invested in with a certain proportion of government funds, such provisions shall prevail.

Article 6 — The securities regulatory authority of the State Council shall, based on the type of business, scale of assets under management, sustained compliance status, risk control status, and capacity to serve investors of private fund managers, implement differentiated supervision and administration over private fund managers, and implement categorized supervision and administration over different types of private funds such as equity investments including venture capital and securities investments.

Chapter II — Private Fund Managers and Private Fund Custodians

Article 7 — A private fund manager shall be a company or partnership enterprise established in accordance with the law.

Where a private fund is established in the form of a partnership enterprise and its assets are managed by a general partner, the provisions of these Regulations concerning private fund managers shall apply to the general partner.

Where the shareholders or partners of a private fund manager, or the controlling shareholders or actual controllers of such shareholders or partners, control or actually control another private fund manager, they shall comply with the provisions of the securities regulatory authority of the State Council.

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Article 8 — Under any of the following circumstances, a person shall not serve as a private fund manager, nor become a controlling shareholder, actual controller, or general partner of a private fund manager:

(1) any of the circumstances prescribed in Article 9 of these Regulations;

(2) being a private fund manager whose registration was canceled under item (3) of the first paragraph of Article 14 of these Regulations, where less than three years have elapsed since the cancellation of registration, or being a controlling shareholder, actual controller, or general partner of such a private fund manager;

(3) carrying on a business that has a conflict of interest with private fund management; or

(4) having a serious adverse credit record that has not yet been repaired.

Article 9 — Under any of the following circumstances, a person shall not serve as a director, supervisor, senior manager, executive partner, or designated representative of a private fund manager:

(1) having been sentenced to criminal punishment for the crimes of embezzlement or bribery, dereliction of duty, infringement of property, or disrupting the order of the socialist market economy;

(2) having been subject to administrative punishment by a financial regulatory authority within the last three years for a major violation of laws or regulations;

(3) being a director, supervisor, factory director, senior manager, executive partner, or designated representative who bears personal liability for the bankruptcy liquidation of a company or enterprise in which the person held office due to poor management, or for the revocation of its business license due to violation of law, where less than five years have elapsed since the conclusion of the bankruptcy liquidation or the revocation of the business license;

(4) having a relatively large amount of debt that is due and unpaid, or having been included in the list of judgment debtors subject to enforcement;

(5) being an employee of a fund manager, fund custodian, securities or futures exchange, securities company, securities registration and settlement institution, futures company, or other institution, or a staff member of a state organ, who was dismissed for violation of law; or

(6) being a lawyer, certified public accountant, or employee of an asset appraisal institution, verification institution, or investment consulting institution whose practicing certificate was revoked or whose qualification was canceled for violation of law, where less than five years have elapsed since the revocation of the practicing certificate or cancellation of the qualification; or

(7) having served as the legal representative, executive partner, or designated representative, or a responsible senior manager, of a private fund manager whose registration was canceled under item (3) of the first paragraph of Article 14 of these Regulations, where less than three years have elapsed since the cancellation of the private fund manager's registration.

Article 10 — A private fund manager shall, in accordance with the law, submit the following materials to the institution entrusted by the securities regulatory authority of the State Council (hereinafter referred to as the registration and filing institution) to complete the registration formalities:

(1) its unified social credit code;

(2) its company articles of association or partnership agreement;

(3) the basic information of its shareholders, actual controllers, directors, supervisors, senior managers, general partners, executive partners, or designated representatives, and the beneficial owner information relating to its shareholders, actual controllers, and partners;

(4) a letter of credit commitment guaranteeing the truthfulness, accuracy, and completeness of the materials submitted and compliance with the provisions on supervision and administration; and

(5) other materials prescribed by the securities regulatory authority of the State Council.

Where a major matter such as a change in the controlling shareholder, actual controller, general partner, executive partner, or designated representative of a private fund manager occurs, the private fund manager shall complete the formalities for registering the change with the registration and filing institution as required.

The registration and filing institution shall publicize the relevant information of private fund managers that have completed registration.

Without registration, no entity or individual shall use the words "fund" or "fund management" or similar names to carry on investment activities, unless otherwise provided by laws, administrative regulations, or the state.

Article 11 — A private fund manager shall perform the following duties:

(1) raising funds in accordance with the law and completing the filing of private funds;

(2) managing and keeping separate accounts for the property of different private funds under its management and making investments;

(3) managing private funds and making investments in accordance with fund contracts, and establishing an effective risk control system;

(4) determining the income distribution plan of private funds in accordance with fund contracts and distributing income to investors;

(5) providing investors with information relating to private fund management business activities in accordance with fund contracts;

(6) keeping the records, account books, statements, and other relevant materials of private fund property management business activities; and

(7) other duties prescribed by the securities regulatory authority of the State Council and agreed upon in fund contracts.

Where an investment fund is established by raising funds in a non-public manner, the private fund manager shall also, in its own name, exercise litigation rights or carry out other legal acts for the benefit of the private fund property.

Article 12 — The shareholders, actual controllers, and partners of a private fund manager shall not commit any of the following acts:

(1) making false capital contributions, withdrawing registered capital, or entrusting others to make capital contributions or accepting entrusted capital contributions;

(2) arbitrarily interfering with the business activities of the private fund manager without following statutory procedures such as a resolution of the shareholders' meeting or the board of directors;

(3) requiring the private fund manager to use private fund property to seek benefits for itself or others, thereby harming the interests of investors; or

(4) other acts prohibited by laws, administrative regulations, or the provisions of the securities regulatory authority of the State Council.

Article 13 — A private fund manager shall continuously meet the following requirements:

(1) being in sound financial condition and having operating capital commensurate with the type of business and the scale of assets under management;

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(2) its legal representative, executive partner or designated representative, and the senior managers responsible for investment management holding a certain proportion of the equity or property share of the private fund manager in accordance with the provisions of the securities regulatory authority of the State Council, unless otherwise provided by the state; and

(3) other requirements prescribed by the securities regulatory authority of the State Council.

Article 14 — Under any of the following circumstances of a private fund manager, the registration and filing institution shall promptly cancel the private fund manager's registration and publicize the cancellation:

(1) applying on its own initiative for cancellation of registration;

(2) being dissolved, revoked, or declared bankrupt in accordance with the law;

(3) being held legally liable for major violations of law such as illegal fund-raising and illegal business operation;

(4) failing to file its first private fund within 12 months from the date of registration;

(5) failing to file a new private fund within 12 months from the date of completion of liquidation after all private funds under its management have been liquidated; or

(6) other circumstances prescribed by the securities regulatory authority of the State Council.

Before canceling a private fund manager's registration, the registration and filing institution shall notify the private fund manager to liquidate the private fund property or transfer the private fund management duties to another registered private fund manager in accordance with the law.

Article 15 — Unless otherwise agreed in the fund contract, private fund property shall be held in custody by a private fund custodian. Where private fund property is not held in custody, institutional measures to safeguard the safety of the private fund property and a dispute resolution mechanism shall be clearly specified.

Article 16 — Where private fund property is held in custody, the private fund custodian shall perform its duties in accordance with the law.

The private fund custodian shall establish a segregation mechanism between its custody business and other businesses in accordance with the law, so as to ensure the independence and safety of private fund property.

Chapter III — Fund Raising and Investment Operation

Article 17 — A private fund manager shall raise funds on its own and shall not entrust others to raise funds, unless otherwise provided by the securities regulatory authority of the State Council.

Article 18 — A private fund shall be offered or transferred to qualified investors, and the cumulative number of investors of a single private fund shall not exceed the number prescribed by law. A private fund manager shall not circumvent the limit on the number of investors prescribed by law by means such as establishing multiple private funds for a single financing project, and shall not lower the standards for qualified investors by means such as splitting and transferring private fund shares or income rights.

The qualified investors mentioned in the preceding paragraph refer to entities and individuals that have reached the prescribed scale of assets or level of income, possess the corresponding ability to identify and bear risks, and whose subscription amount is not less than the prescribed limit.

The specific standards for qualified investors shall be prescribed by the securities regulatory authority of the State Council.

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Article 19 — A private fund manager shall fully disclose investment risks to investors and match private fund products of different risk levels to investors according to their ability to identify and bear risks.

Article 20 — A private fund shall not be offered or transferred to entities or individuals other than qualified investors, and shall not be offered or transferred to investors holding shares on behalf of others. A private fund shall not be publicized or promoted to unspecified targets through mass media such as newspapers, radio, television, or the internet, or through telephone, text messages, instant messaging tools, e-mail, leaflets, or through lectures, briefing sessions, or analysis sessions; shall not be publicized or promoted in a false, one-sided, or exaggerated manner; shall not be publicized or promoted in the name of the private fund custodian; and shall not promise investors that the principal will not suffer losses or promise minimum returns.

Article 21 — When a private fund manager uses private fund property to make investments, it shall indicate the name of the private fund when opening accounts in the name of the private fund manager, entering the register of shareholders of the invested enterprise, or holding the property of other private funds.

Article 22 — A private fund manager shall, within 20 working days from the date of completion of the raising of a private fund, submit the following materials to the registration and filing institution to complete the filing:

(1) the fund contract;

(2) the custody agreement or the institutional measures to safeguard the safety of the private fund property;

(3) documents evidencing the private fund property;

(4) the basic information of investors, their subscription amounts, the number of fund shares held, and the relevant beneficial owner information; and

(5) other materials prescribed by the securities regulatory authority of the State Council.

A private fund shall have a scale of paid-in raised capital sufficient to guarantee basic investment capacity and risk-bearing capacity. The registration and filing institution shall, based on circumstances such as the scale of capital raised by the private fund, implement categorized publicity, and shall report to the securities regulatory authority of the State Council where the total amount of capital raised or the number of investors reaches the prescribed standards.

Article 23 — The securities regulatory authority of the State Council shall establish and improve a private fund monitoring mechanism to centrally monitor private funds and the holding of investors' shares therein, and the specific measures shall be prescribed by the securities regulatory authority of the State Council.

Article 24 — Investment of private fund property includes the purchase and sale of shares of companies limited by shares, equity of limited liability companies, bonds, fund shares, other securities and their derivatives, and other investment targets that comply with the provisions of the securities regulatory authority of the State Council.

Private fund property shall not be used to carry on, or carry on in disguised form, the business of fund lending, loans, or similar activities. A private fund manager shall not increase government implicit debt in disguised form by means such as requiring local people's governments to promise repurchase of the principal.

Article 25 — The investment layers of private funds shall comply with the provisions of the financial regulatory authorities of the State Council. However, a private fund that invests the main part of its fund property in other private funds and meets the conditions prescribed by the securities regulatory authority of the State Council shall not be counted as an investment layer.

The investment layers of venture capital funds and the private funds prescribed in the second paragraph of Article 5 of these Regulations shall be prescribed by the relevant departments of the State Council.

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Article 26 — A private fund manager shall follow the principle of professional management and employ senior managers with relevant professional experience to be responsible for investment management, risk control, compliance, and other work.

A private fund manager shall follow the principle of giving priority to investors' interests and establish management systems for the declaration, registration, review, and handling of employees' investments, so as to prevent the transfer of benefits and conflicts of interest.

Article 27 — A private fund manager shall not entrust its investment management duties to others for performance.

Where a private fund manager entrusts another institution to provide securities investment advisory services for a private fund, the entrusted institution shall be a fund investment advisory institution prescribed by the Securities Investment Fund Law.

Article 28 — A private fund manager shall establish and improve a management system for connected transactions, shall not engage in improper transactions or transfer benefits with connected parties using private fund property, and shall not conceal such transactions by multi-layer nesting or other means.

Where a private fund manager uses private fund property to conduct transactions with itself, investors, other private funds under its management, private funds managed by other private fund managers controlled by its actual controller, or other parties with which it has a major interest relationship, it shall perform the decision-making procedures agreed upon in the fund contract and promptly provide the relevant information to investors and the private fund custodian.

Article 29 — A private fund manager shall, in accordance with regulations, engage an accounting firm to audit the private fund property, provide the audit results to investors, and submit them to the registration and filing institution.

Article 30 — A private fund manager, private fund custodian, and their employees shall not commit any of the following acts:

(1) mixing their inherent property or the property of others with private fund property;

(2) using private fund property or the convenience of their positions to seek benefits for persons other than investors;

(3) embezzling or misappropriating private fund property;

(4) disclosing undisclosed information obtained through the convenience of their positions, and using such information to engage in, or explicitly or implicitly suggesting that others engage in, related securities or futures trading activities; or

(5) other acts prohibited by laws, administrative regulations, or the provisions of the securities regulatory authority of the State Council.

Article 31 — In the course of fund raising and investment operation, a private fund manager shall provide information to investors in accordance with the provisions of the securities regulatory authority of the State Council and the fund contract.

Where private fund property is held in custody, the private fund manager shall promptly provide the private fund custodian with the basic information of investors, evidential materials for changes in the ownership of investment targets, and other information in accordance with the provisions of the securities regulatory authority of the State Council and the custody agreement.

Article 32 — The information provided and submitted by a private fund manager, private fund custodian, and their employees shall be true, accurate, and complete, and they shall not commit any of the following acts:

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(1) making false records, misleading statements, or major omissions;

(2) forecasting investment performance;

(3) promising investors that the principal will not suffer losses or promising minimum returns; or

(4) other acts prohibited by laws, administrative regulations, or the provisions of the securities regulatory authority of the State Council.

Article 33 — A private fund manager, private fund custodian, and private fund service institution shall, in accordance with the provisions of the securities regulatory authority of the State Council, submit information such as private fund investment operation to the registration and filing institution. The registration and filing institution shall, based on the different types of private funds, prescribe the content and frequency of the information submitted, summarize and analyze the situation of the private fund industry, and submit relevant information on the private fund industry to the securities regulatory authority of the State Council.

The registration and filing institution shall strengthen risk warnings and, upon discovering the possible existence of major risks, take timely measures and report to the securities regulatory authority of the State Council.

The registration and filing institution shall keep confidential the information prescribed in the first paragraph of this Article and shall not provide it externally, except where otherwise provided by laws or administrative regulations.

Article 34 — Where a private fund cannot operate normally or is terminated because the private fund manager is unable to perform its duties normally or because a major risk arises, other professional institutions as agreed in the fund contract or determined by relevant provisions shall exercise the powers of replacing the private fund manager, amending or terminating the fund contract in advance, and organizing the liquidation of the private fund.

Chapter IV — Special Provisions on Venture Capital Funds

Article 35 — The venture capital funds referred to in these Regulations mean private funds that meet the following conditions:

(1) the scope of investment is limited to unlisted enterprises, except for the untransferred portion of the shares held by the fund after the invested enterprise is listed and the portion acquired through allotment;

(2) the name of the fund contains the words "venture capital fund," or the business scope of the company or partnership enterprise contains the words "engaging in venture capital activities";

(3) the fund contract reflects a venture capital strategy;

(4) no leveraged financing is used, unless otherwise provided by the state;

(5) the minimum duration of the fund complies with the relevant provisions of the state; and

(6) other conditions prescribed by the state.

Article 36 — The state shall give policy support to venture capital funds, encourage and guide them to invest in growing and innovative startups, and encourage long-term capital to invest in venture capital funds.

The development and reform department of the State Council shall be responsible for organizing the formulation of policies and measures to promote the development of venture capital funds. The securities regulatory authority of the State Council and the development and reform department of the State Council shall establish and improve a mechanism for sharing information and supportive policies and strengthen coordination between the supervision and administration policies and development policies for venture capital funds. The registration and filing institution shall promptly submit information relating to venture capital funds to the securities regulatory authority of the State Council and the development and reform

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department of the State Council.

The investment of venture capital funds enjoying state policy support shall comply with the relevant provisions of the state.

Article 37 — The securities regulatory authority of the State Council shall implement differentiated supervision and administration over venture capital funds as distinguished from other private funds:

(1) optimizing the business environment for venture capital funds and simplifying registration and filing formalities;

(2) implementing differentiated supervision and administration over venture capital funds that raise funds lawfully, invest in compliance with regulations, and operate with integrity, in respect of fund raising, investment operation, risk monitoring, and on-site inspection, and reducing the frequency of inspections; and

(3) providing facilitation in investment exit and other aspects for venture capital funds primarily engaged in long-term investment, value investment, and the transformation of major scientific and technological achievements.

Article 38 — The registration and filing institution shall implement differentiated self-discipline management over venture capital funds, as distinguished from other private funds, in respect of registration and filing and changes in matters.

Chapter V — Supervision and Administration

Article 39 — The securities regulatory authority of the State Council shall supervise and administer private fund business activities and perform the following duties in accordance with the law:

(1) formulating rules and regulations concerning the supervision and administration of private fund business activities;

(2) supervising and administering private fund managers, private fund custodians, and other institutions engaging in private fund business activities, and investigating and punishing violations of law;

(3) guiding, inspecting, and supervising registration and filing and self-discipline management activities; and

(4) other duties prescribed by laws and administrative regulations.

Article 40 — In performing its duties in accordance with the law, the securities regulatory authority of the State Council shall have the power to take the following measures:

(1) conducting on-site inspections of private fund managers, private fund custodians, and private fund service institutions, and requiring them to submit relevant business materials;

(2) entering premises where suspected violations of law have occurred to investigate and collect evidence;

(3) questioning the parties and entities and individuals concerned with the matter under investigation, and requiring them to provide explanations on matters related to the matter under investigation;

(4) consulting and reproducing materials such as property rights registration and communication records related to the matter under investigation;

(5) consulting and reproducing the securities trading records, registration and transfer records, financial accounting materials, and other relevant documents and materials of the parties and of entities and individuals concerned with the matter under investigation; documents and materials that may be transferred, concealed, or destroyed may be sealed for safekeeping;

(6) inquiring, in accordance with the law, into the account information of the parties and of entities and individuals concerned with the matter under investigation; and

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(7) other measures prescribed by laws and administrative regulations.

For the purposes of preventing private fund risks and maintaining market order, the securities regulatory authority of the State Council may take measures such as ordering rectification, conducting regulatory interviews, and issuing warning letters.

Article 41 — When the securities regulatory authority of the State Council conducts supervision, inspection, or investigation in accordance with the law, the personnel conducting the supervision, inspection, or investigation shall be no fewer than two, and shall present their law enforcement credentials and the notice of supervision, inspection, or investigation or other law enforcement documents. They shall be legally obligated to keep confidential the trade secrets and personal privacy learned in the course of supervision, inspection, or investigation.

The entities and individuals subject to inspection or investigation shall cooperate with the supervision, inspection, or investigation conducted by the securities regulatory authority of the State Council in accordance with the law, truthfully provide relevant documents and materials, and shall not refuse, obstruct, or conceal.

Article 42 — Where the securities regulatory authority of the State Council discovers that a private fund manager has violated laws or regulations, or that its internal governance structure and risk control management do not comply with the provisions, it shall order rectification within a prescribed time limit. Where rectification is not made within the time limit, or where the conduct seriously endangers the sound operation of the private fund manager or harms the lawful rights and interests of investors, the securities regulatory authority of the State Council may, according to the circumstances, take the following measures against it:

(1) ordering the suspension of part or all of its business;

(2) ordering the replacement of directors, supervisors, senior managers, executive partners, or designated representatives, or restricting their rights;

(3) ordering responsible shareholders to transfer their equity and responsible partners to transfer their property shares, and restricting the exercise of rights by responsible shareholders or partners; or

(4) ordering the private fund manager to engage or designate a third-party institution to audit the private fund property, with the relevant expenses borne by the private fund manager.

Where a private fund manager operates in violation of law or a major risk arises, seriously endangering market order and harming investors' interests, the securities regulatory authority of the State Council may, in addition to taking the measures prescribed in the preceding paragraph, take measures such as designating another institution to take over the private fund manager and notifying the registration and filing institution to cancel the registration.

Article 43 — The securities regulatory authority of the State Council shall record the integrity information of private fund managers, private fund custodians, private fund service institutions, and their employees in the capital market integrity database and the national credit information sharing platform. The securities regulatory authority of the State Council shall, together with the relevant departments of the State Council, establish and improve in accordance with the law a system of joint punishment for private fund managers and relevant responsible parties that have lost trust.

The securities regulatory authority of the State Council shall, together with other financial regulatory authorities and other relevant departments of the State Council and the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government, establish a coordination mechanism for sharing private fund supervision and administration information, submitting statistical data, and handling risks. In the course of handling risks, the relevant local people's governments shall take effective measures to maintain social stability.

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Chapter VI — Legal Liability

Article 44 — Whoever, without completing the registration formalities in accordance with Article 10 of these Regulations, uses the words "fund" or "fund management" or similar names to carry on investment activities shall be ordered to make rectification, have the illegal gains confiscated, and be fined not less than one time but not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 100,000 but not more than RMB 1 million shall be imposed. The directly responsible person in charge and other directly responsible persons shall be given a warning and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 45 — Where the shareholders, actual controllers, or partners of a private fund manager violate Article 12 of these Regulations, they shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than one time but not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 100,000 but not more than RMB 1 million shall be imposed. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 46 — Where a private fund manager violates Article 13 of these Regulations, it shall be ordered to make rectification; where it refuses to make rectification, it shall be given a warning or criticized in a circulated notice, fined not less than RMB 100,000 but not more than RMB 1 million, ordered to cease its private fund business activities, and announced to the public. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 47 — Where, in violation of the second paragraph of Article 16 of these Regulations, a private fund custodian fails to establish a business segregation mechanism, it shall be ordered to make rectification, given a warning or criticized in a circulated notice, and fined not less than RMB 50,000 but not more than RMB 500,000. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 48 — Whoever violates the provisions of Articles 17, 18, and 20 of these Regulations concerning the administration of qualified investors and fund-raising methods of private funds shall have the illegal gains confiscated and be fined not less than one time but not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 100,000 but not more than RMB 1 million shall be imposed. The directly responsible person in charge and other directly responsible persons shall be given a warning and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 49 — Where, in violation of Article 19 of these Regulations, a person fails to fully disclose investment risks to investors and misleads them into investing in private fund products that do not match their ability to identify and bear risks, the person shall be given a warning or criticized in a circulated notice and fined not less than RMB 100,000 but not more than RMB 300,000; where the circumstances are serious, the person shall be ordered to cease private fund business activities and announced to the public. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 100,000.

Article 50 — Where, in violation of the first paragraph of Article 22 of these Regulations, a private fund manager fails to complete the filing of a private fund upon completion of the raising thereof, a fine of not less than RMB 100,000 but not more than RMB 300,000 shall be imposed. The directly responsible person in charge and other directly responsible persons shall be given a warning and fined not less than RMB 30,000 but not more than RMB 100,000.

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Article 51 — Whoever, in violation of the second paragraph of Article 24 of these Regulations, uses private fund property to carry on, or carry on in disguised form, the business of fund lending, loans, or similar activities, or requires a local people's government to promise repurchase of the principal, shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than RMB 100,000 but not more than RMB 1 million. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 52 — Where, in violation of Article 26 of these Regulations, a private fund manager fails to employ senior managers with relevant professional experience to be responsible for investment management, risk control, compliance, and other work, or fails to establish management systems for the declaration, registration, review, and handling of employees' investments, it shall be ordered to make rectification, given a warning or criticized in a circulated notice, and fined not less than RMB 100,000 but not more than RMB 1 million. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 53 — Where, in violation of Article 27 of these Regulations, a private fund manager entrusts its investment management duties to others for performance, or entrusts an institution that does not comply with the Securities Investment Fund Law to provide securities investment advisory services, it shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than RMB 100,000 but not more than RMB 1 million. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 54 — Where, in violation of Article 28 of these Regulations, a private fund manager engages in connected transactions, it shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than RMB 100,000 but not more than RMB 1 million. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 55 — Where a private fund manager, private fund custodian, or any of their employees commits any of the acts listed in Article 30 of these Regulations, the person shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than one time but not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 100,000 but not more than RMB 1 million shall be imposed. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 56 — Where a private fund manager, private fund custodian, or any of their employees fails to provide or submit relevant information in accordance with these Regulations, or commits any of the acts listed in Article 32 of these Regulations, the person shall be ordered to make rectification, given a warning or criticized in a circulated notice, have the illegal gains confiscated, and be fined not less than RMB 100,000 but not more than RMB 1 million. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 300,000.

Article 57 — Where a private fund service institution or any of its employees violates the provisions of laws or administrative regulations and fails to perform its duties with dedication and diligence, it shall be ordered to make rectification, given a warning or criticized in a circulated notice, and fined not less than RMB 100,000 but not more than RMB 300,000; where the circumstances are serious, it shall be ordered to cease its private

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fund service business. The directly responsible person in charge and other directly responsible persons shall be given a warning or criticized in a circulated notice and fined not less than RMB 30,000 but not more than RMB 100,000.

Article 58 — Where a private fund manager, private fund custodian, private fund service institution, or any of their employees violates these Regulations or the relevant provisions of the securities regulatory authority of the State Council, and the circumstances are serious, the securities regulatory authority of the State Council may take measures barring the relevant responsible persons from the securities and futures markets.

Whoever refuses or obstructs the securities regulatory authority of the State Council or its staff members in exercising their powers of supervision, inspection, and investigation in accordance with the law shall be ordered by the securities regulatory authority of the State Council to make rectification and fined not less than RMB 100,000 but not more than RMB 1 million; where the act constitutes a violation of public security administration, the public security organ shall impose a public security administration punishment in accordance with the law; and where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 59 — Staff members of the securities regulatory authority of the State Council and the registration and filing institution who neglect their duties, abuse their powers, practice favoritism or commit irregularities, or take advantage of their positions to demand or accept property from others shall be given sanctions in accordance with the law; where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 60 — Where a person who violates these Regulations and a fund contract is liable for civil compensation in accordance with the law and is also required to pay fines and have illegal gains confiscated, and the person's property is insufficient to pay all of them simultaneously, the civil compensation liability shall be borne first.

Chapter VII — Supplementary Provisions

Article 61 — The measures for the administration of foreign-invested private fund managers shall be formulated by the securities regulatory authority of the State Council together with the relevant departments of the State Council in accordance with the laws and administrative regulations on foreign investment and these Regulations.

Overseas institutions shall not directly raise funds from domestic investors to establish private funds, unless otherwise provided by the state.

Where a private fund manager carries out private fund business activities overseas, it shall comply with the relevant provisions of the state.

Article 62 — These Regulations shall come into force on September 1, 2023.

Disclaimer: This is an unofficial translation of the Private Investment Fund Supervision and Administration Regulations of the People's Republic of China, provided for reference only. In the event of any discrepancy, the official Chinese text shall prevail. This translation is provided for informational purposes only and does not constitute legal advice.