

**Measures for the Administration of Domestic Securities and Futures
Investment by Qualified Foreign Institutional Investors and RMB
Qualified Foreign Institutional Investors**

Article 1 For the purpose of supervising and regulating the investment activities of qualified foreign institutional investors and RMB qualified foreign institutional investors in China's securities and futures markets and promoting the steady and sound development of the securities and futures markets, the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*, hereinafter referred to as the *Measures*, is formulated in accordance with relevant laws and administrative regulations.

Article 2 The term of qualified foreign institutional investors and RMB qualified foreign institutional investors (hereinafter jointly referred to as “*qualified foreign investors*”) as mentioned in the *Measures* refers to foreign institutional investors who have been approved by China Securities Regulatory Commission (the CSRC) to invest in China’s securities and futures markets with funds raised overseas, including foreign fund management institutions, commercial banks, insurance companies, securities companies, futures companies, trust companies, government investment management companies, sovereign funds, pension funds, charity funds, endowment funds, international organizations and other institutions recognized by the CSRC.

Qualified foreign institutional investors are encouraged to invest in China’s securities and futures markets with offshore RMB funds.

Article 3 A qualified foreign investor shall entrust an eligible domestic institution which meets relevant requirements as the custodian of its assets, and entrust a domestic securities or futures company, in accordance with law, to carry out its investments in China's securities and futures markets.

Article 4 A qualified foreign investor shall establish and implement an effective internal control system and compliance management regime to ensure that its investment activities, funds management, and other activities conform to laws and regulations and other applicable rules in China.

Article 5 The CSRC and People's Bank of China (the PBC) shall, in accordance with law, oversee and regulate domestic securities and futures investment by qualified foreign investors. The PBC and State Administration of Foreign Exchange (the SAFE) shall, in accordance with law, monitor and regulate the qualified foreign investors' bank accounts in China, cross-border transfer of funds, and other relevant matters.

The CSRC will consult the PBC and the SAFE regarding the types of financial derivatives available for qualified foreign investors and related trading models, which will be released upon consent from the PBC and the SAFE.

Article 6 An applicant for the qualification as a qualified foreign investor shall meet the following requirements:

- (1) the applicant shall be in sound financial conditions and good credit standing with experiences in securities and futures investment;
- (2) the applicant's managerial personnel in charge of domestic investment shall meet relevant professional requirements of the foreign country or region where the applicant domiciles (if such requirements exist);
- (3) the applicant shall have sound and effective governance structure, internal control system, and compliance management regime, and, in accordance with relevant regulations, appoint a supervisor to oversee the legality and compliance of the applicant's domestic investment;
- (4) the applicant's operation is in compliance with relevant rules and regulations and has not been subject to any major punishments by regulatory authorities in the latest 3 years or since its establishment; and
- (5) no significant impact may thus be incurred to the operation of the domestic capital market.

Article 7 An applicant shall submit the application for eligibility as qualified foreign investors to the CSRC through its custodian.

The CSRC shall, within 10 business days of accepting the application, examine the application documents and make a decision to approve or deny the application. A successful applicant will receive an approval letter and be granted with securities and futures business license (the license). Rejected applications will be notified in writing.

Article 8 A custodian who provides asset custodian service for a qualified foreign investor for the first time shall, within 5 business days of signing a custodian agreement, file with the CSRC for record.

Article 9 A custodian shall perform the following duties:

- (1) safekeeping the entire assets entrusted by qualified foreign investors;
- (2) providing qualified foreign investors with services relating to investment clearing and settlement, foreign exchange settlement and sales, collection and payment of funds in foreign currencies, and RMB settlement;
- (3) monitoring the investment activities of qualified foreign investors, and reporting any violation of laws and regulations to the CSRC, the PBC, and the SAFE in a timely manner;
- (4) submitting relevant business reports and statements in accordance with requirements by the CSRC, the PBC and the SAFE about the qualified foreign investors' opening and closure of accounts, cross-border transfer of funds, and asset allocation in the domestic securities and futures markets etc.; and declaring balance of international payments statistics;
- (5) documenting records of remittance and repatriation of funds, conversion of currencies, collection and payment of funds in foreign currencies, fund transfers, and other information of the qualified foreign investor for no less than 20 years;

(6) other duties as prescribed by the CSRC, the PBC, and the SAFE pursuant to the principle of prudential regulation.

Article 10 A custodian shall, on a continuing basis, comply with the following requirements:

- (1) having a dedicated department for asset custodian business, and competent personnel, technical system, and necessary business rules required for such business;
- (2) having the qualifications to provide services relating to foreign exchange and RMB business;
- (3) having no record of major violations of laws or regulations that affect its custodian business;
- (4) other requirements as prescribed by the CSRC, the PBC, and the SAFE pursuant to the principle of prudential regulation.

Article 11 A custodian shall strictly segregate its proprietary assets from those under its custody, and set up individual accounts for the assets under its custody for separate management.

Article 12 A qualified foreign investor that has more than 2 custodians shall designate one of them as the principal reporter, who shall therefore be responsible for qualification application, reporting on material matters, information registration, and other matters on behalf of the qualified foreign investor. The qualified foreign investor shall, within 5 business days since designating the principle reporter, submit information on all

custodians via the principal reporter to the CSRC and the SAFE for record.

A qualified foreign investor may change its custodian. The CSRC and the SAFE may require a qualified foreign investor to change its custodian pursuant to the principle of prudential regulation.

Article 13 A qualified foreign investor shall apply to open securities and futures accounts according to law.

In order to trade on the securities and futures markets, a qualified foreign investor shall entrust an institution with corresponding clearing and settlement qualifications for settlement service.

Article 14 A qualified foreign investor may invest in eligible financial instruments using its principal and return on investments in the domestic markets.

A qualified foreign investor's investment in the domestic inter-bank bond market and participation in the domestic foreign exchange business shall conform to applicable rules and regulations of the PBC and the SAFE.

Article 15 Domestic securities investment by qualified foreign investors shall comply with restrictions stipulated by the CSRC on the percentage of securities investment and other applicable national rules and regulations.

Article 16 With regard to information disclosure, a qualified foreign investor is obliged to lawfully aggregate the interests of its shareholding

in a company, including the company's shares listed or admitted in the domestic markets and foreign shares listed overseas, and comply with relevant information disclosure rules.

A qualified foreign investor shall disclose relevant securities investments of persons acting in concert according to information disclosure rules.

Article 17 Securities companies, futures companies, and other related institutions shall keep qualified foreign investors' order records, trading records, and other materials for no less than 20 years.

Article 18 A qualified foreign investor's investment activities in the domestic securities and futures markets shall comply with applicable rules by the securities and futures trading venues, securities depository and clearing institutions, and securities and futures market surveillance and monitoring institutions.

Article 19 A qualified foreign investor shall set up a foreign exchange account and/or a special RMB deposit account with the custodian. The intended purposes of payments into and out of these accounts shall comply with relevant rules and regulations of the PBC and the SAFE.

Article 20 A qualified foreign investor shall make remittance of investment principal in accordance with relevant rules and regulations of the PBC and the SAFE. The investment principal remitted in the form of foreign exchange shall be in currencies tradable in China's foreign exchange market.

A qualified foreign investor may repatriate its funds in compliance with

rules and regulations of the PBC and the SAFE.

Article 21 The CSRC, the PBC and the SAFE may, in accordance with law, require qualified foreign investors, custodians, securities companies, futures companies, and other institutions to provide relevant information on the qualified foreign investors and carry out necessary inquiries and inspections.

Article 22 A qualified foreign investor shall file with the CSRC, the PBC, and the SAFE for record within 5 business days in the event of any of the following circumstances:

- (1) change of custodians;
- (2) change of controlling shareholders or actual controllers;
- (3) involvement in major litigation or other material events;
- (4) being subject to major punishments overseas;
- (5) other circumstances stipulated by the CSRC, the PBC, and the SAFE.

Article 23 A qualified foreign investor shall apply to modify or change its license in any of the following circumstances:

- (1) change of information in the license;
- (2) merger through absorption by another institution;

(3) other circumstances as prescribed by the CSRC, the PBC and the SAFE.

During the application for a modification or change of license, the qualified foreign investor may continue to trade securities and futures, unless the CSRC regards a suspension of trading activities as necessary pursuant to the principle of prudential regulation.

Article 24 A qualified foreign investor shall surrender its license to the CSRC for cancellation in the event of any of the following circumstances:

- (1) the qualified foreign investor is dissolved, enters into the bankruptcy proceedings or is taken over by a receiver;
- (2) the qualified foreign investor applies for cancellation of its license;
and
- (3) other circumstances stipulated by the CSRC, the PBC, and the SAFE.

Article 25 In any of the following circumstances, the CSRC, the PBC, and the SAFE can take regulatory measures on a qualified foreign investor, such as order for rectification, regulatory talks, and issuing warning letters; and can take regulatory measures on the person directly in charge and others directly responsible, such as regulatory talks, issuing warning letters, and order for periodic reporting:

- (1) failing to comply with relevant rules and regulations in opening an account;

- (2) failing to comply with relevant rules and regulations in carrying out domestic securities and futures investment activities;
- (3) failing to comply with relevant rules and regulations in fulfilling information disclosure obligations;
- (4) failing to comply with relevant rules and regulations in effectively and efficiently implementing internal control system and compliance management regime;
- (5) failing to comply with relevant rules and regulations in the modification, change or surrender of the license;
- (6) failing to comply with relevant rules and regulations in the remittance and repatriation of funds, foreign exchange settlement, purchases and sales of foreign exchange;
- (7) failing to comply with relevant rules and regulations in the submission of relevant reports and materials; or, the submission contains false record, misleading statement, or major omission;
- (8) failing to cooperate with inspections, refusing to provide or stalling the provision of relevant materials; or
- (9) violating other provisions of the *Measures*.

If the qualified foreign investor violates *Securities Law of the People's Republic of China, Regulation on the Administration of Futures Trading, Regulations on Foreign Exchange Administration of the People's*

Republic of China, and other laws and administrative regulations, it will be subject to administrative punishments in accordance with applicable rules. Where a violation is suspected of constituting a criminal offense, the case will be transferred to judicial authorities for prosecution of criminal liability in accordance with law.

Article 26 If a qualified foreign investor commits major violations of laws and regulations in the process of carrying out domestic securities and futures investment, the CSRC may suspend trading activities of relevant securities and futures accounts or take other regulatory measures according to law.

Article 27 Where a custodian fails to file with the relevant authority as required, fails to perform duties as stipulated in Article 9, or violates requirements as stipulated in Article 10 of *the Measures*, the CSRC can take regulatory measures against the custodian, such as order for rectification, regulatory talks, and issuing warning letters; and can take regulatory measures on the person directly in charge and others directly responsible, such as regulatory talks, issuing warning letters, and order for periodic reporting. If the custodian violates relevant laws and administrative regulations, it will be subject to administrative punishments in accordance with applicable rules. Where a violation is suspected of constituting a criminal offense, the case will be transferred to judicial authorities for prosecution of criminal liability in accordance with law.

Article 28 The *Measures* is applicable to institutional investors incorporated in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan Region who

engage in securities and futures investment in the mainland market.

Article 29 The *Measures* shall take effect on November 1st, 2020. The *Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors* promulgated by the CSRC, the PBC, and the SAFE on August 24th, 2006 and the *Measures for the Pilot Program of Domestic Securities Investment by RMB Qualified Foreign Institutional Investors* promulgated by the CSRC on March 1st, 2013 shall be simultaneously invalidated.