

**Provisions on Issues Concerning the Implementation of the Measures
for the Administration of Domestic Securities and Futures
Investment by Qualified Foreign Institutional Investors and RMB
Qualified Foreign Institutional Investors**

For the implementation of the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* (CSRC Decree No. 176), relevant issues are provided as follows:

1. An applicant applying for the qualification as a Qualified Foreign Institutional Investor or an RMB Qualified Foreign Institutional Investor (hereinafter collectively referred to as a qualified foreign investor) shall fill in application forms on the official website of the China Securities Regulatory Commission (CSRC) and submit the following application documents to the CSRC through a domestic custodian (the custodian):
 - (1) An application signed by the applicant's legal representative or an authorized agent of the representative;
 - (2) Business license or certificate of incorporation, and evidence of business qualifications;
 - (3) A statement on whether or not the applicant has been subject to major penalties imposed by regulatory authorities in the latest 3 years or since its establishment;
 - (4) A power of attorney to the custodian;

(5) Other documents as required by the CSRC in accordance with the principle of prudential regulation.

The aforementioned legal representative refers to a natural person, such as the chairman of the board of directors or the chief executive officer, who is empowered by the board of directors, or by the articles of association, or by relevant legal provisions of the applicant's domicile country or region to represent the applicant in managing matters related to domestic securities investment by qualified foreign investors.

Where the application is signed by an authorized agent of the applicant's legal representative, a power of attorney issued by the legal representative to the agent shall be provided.

If the application documents are written in a foreign language, a Chinese translation shall be provided (the Chinese text is binding).

International organizations, sovereign funds, and pension funds applying for the qualification as a qualified foreign investor may, upon the approval of the CSRC, be exempt from providing the documents stipulated in Section (2) and (3) of the first paragraph of Article 1.

In the event of any circumstances prescribed in Article 22 of the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*, the applicant shall make a digital filing via the CSRC website in a timely manner.

2. The securities and futures business license issued to a qualified foreign investor shall remain valid unless otherwise stipulated by applicable laws and regulations or by the CSRC, or lawfully revoked by the CSRC.

3. A custodian, in its first undertaking of asset custodian services for a qualified foreign investor, shall file the following documents to the CSRC within 5 business days after signing the custodian agreement:

- (1) Filing report containing the custodian's basic profile, registered domestic address, duration of continuous domestic operation, compliance records in foreign exchange management business for the latest 3 years, and other relevant information, with a statement pledging the truthfulness, accuracy, completeness, and compliance of the application documents;
- (2) Information on the custodian's department for the domestic custodian business, including business operations, IT system, and full-time personnel for custodian business, etc.;
- (3) Duplicates (photocopies) of financial business licenses and business license;
- (4) Documents related to the management regime for custodian business, including management measures, compliance and risk management rules, work duties and operating procedures, code of conduct for employees, accounting methodology, and information system management rules etc.;
- (5) Description of the custodian's technical systems;

- (6) Photocopies of the first custodian agreement undertaken by the custodian for a qualified foreign investor;
- (7) Other documents as required by the CSRC in accordance with the principle of prudential regulation.

If the custodian has submitted all required documents, the CSRC shall conclude the filing procedure for the custodian by updating the list of custodians for qualified foreign investors on its website.

4. A qualified foreign investor shall entrust its custodian to apply for securities and futures accounts. A qualified foreign investor may open multiple securities and futures accounts, which shall correspond to its special RMB deposit account.

A qualified foreign investor shall open, use, and manage securities and futures accounts in accordance with business rules issued by the securities depository and clearing institutions, futures trading venues, and futures market monitoring institutions.

5. A qualified foreign investor shall invest in domestic securities and futures markets with proprietary funds or client funds under management, and apply for separate securities and futures accounts for proprietary and client funds respectively.

A qualified foreign investor's account invested with proprietary funds shall be named in the format of “Qualified Foreign Investor + Proprietary Funds”.

A qualified foreign investor's account invested with client funds under management shall be named in the format of “Qualified Foreign Investor + Client Name” or “Qualified Investor + Fund Name”; for any account deemed necessary to be named “Qualified Foreign Investor + Client Funds”, a qualified foreign investor shall, in accordance with the rules of securities depository and clearing institutions and the futures market monitoring institutions, report via the custodian relevant account information such as names of investors or funds and assets under custody.

Ownership of the assets in the “Qualified Foreign Investor + Client Name” accounts, “Qualified Foreign Investor + Fund Name” accounts or “Qualified Foreign Investor + Client Funds” accounts belong to the according client or fund, and shall be kept independent of the assets of the qualified foreign investor and the custodian.

A qualified foreign investor who opens other accounts shall report information in accordance with applicable requirements of the CSRC.

6. A qualified foreign investor may invest in the following financial instruments:

- (1) Stocks, depository receipts, bonds, bond repurchases, and asset-backed securities traded or transferred on stock exchanges;
- (2) Shares and other types of securities transferred on the National Equities Exchange and Quotations (NEEQ);
- (3) Products and derivatives on bonds, interest rates and foreign exchange

traded on the domestic inter-bank bond market which are deemed by the People's Bank of China (PBC) as eligible for qualified foreign investors;

- (4) Publicly offered securities investment funds;
- (5) Financial futures contracts listed and traded on the China Financial Futures Exchange (CFFEX);
- (6) Commodity futures contracts listed and traded on futures exchanges with approval of the CSRC;
- (7) Options listed and traded on exchanges with approval of the State Council or the CSRC;
- (8) Foreign exchange derivatives traded for hedging purposes which are deemed by the the State Administration of Foreign Exchange (SAFE) as eligible for qualified foreign investors;
- (9) Other financial instruments as approved by the CSRC.

A qualified foreign investor can participate in the subscription for new share issuance, bond issuance, asset-backed securities issuance, follow-on share offerings, and rights issue on stock exchanges and the NEEQ. It can also engage in margin trading and securities financing on stock exchanges, and securities lending to securities finance company.

A qualified investor can invest in a private investment fund lawfully founded by a securities or futures institution, or by a private fund

manager registered at Asset Management Association of China. The investment scope of such private investment funds invested by a qualified investor shall conform to Paragraphs 1 and 2 of Article 6.

The specific types of products eligible for qualified foreign investors, i.e. financial futures contracts, commodity futures contracts, and options contracts, and relevant trading models, shall be proposed by securities and futures trading venues to the CSRC for approval.

A qualified foreign investor can appoint a domestic private securities, investment fund manager, which is under its control or under the same control with it, as its investment adviser.

7. Domestic securities investment by a qualified foreign investor or any other foreign investors is subject to the following ownership limits:

- (1) The shareholding of a single qualified foreign investor or any other foreign investor must not exceed 10% of the total shares of an exchange-listed or a NEEQ-admitted company;
- (2) The aggregate shareholding of all qualified foreign investors and other foreign investors must not exceed 30% of the total shares of an exchange-listed or a NEEQ-admitted company.

Strategic investment in listed companies by qualified foreign investors and other foreign investors in accordance with law is not bound by the ownership limits in the preceding paragraph.

Stricter limits on shareholding by qualified foreign investors and other

foreign investors separately imposed by applicable laws, administrative regulations, or industrial policies in PRC, if any, shall prevail.

8. A qualified foreign investors shall trade financial futures in compliance with applicable rules of the CFFEX.

The CFFEX shall supervise the financial futures trading of qualified foreign investors, and submit periodic reports on such trading to the CSRC and the SAFE.

The CFFEX shall submit reports on the treasury bond futures trading by qualified foreign investors as required by the CSRC and the PBC in accordance with the principle of prudential regulation.

9. A qualified foreign investor and its custodian(s) shall, in accordance with the rules of securities and futures trading venues, securities depository and clearing institutions, and futures market monitoring institutions, determine the trading and settlement model for the qualified foreign investor to trade securities and futures, specify the rights and obligations of each party in trade execution, fund transfer, clearing and settlement, accounting, and margin deposit etc., and establish safekeeping mechanisms for assets and funds.

10. Custodians, securities companies, and futures companies shall continuously monitor the trading activities and fund flows of qualified foreign investors, and make timely reports on abnormal events and violations of laws and regulations to the CSRC, the PBC, and the SAFE.

Custodians shall report the investment operations of qualified foreign

investors to the CSRC within 10 business days following the end of each month and within 3 months following the end of each year.

The CSRC can, based on its regulatory needs, require a qualified foreign investor to report information on its overseas hedging positions and other information related to its domestic securities and futures investment.

11. Where a foreign investor's domestic securities investment under the name of a qualified foreign investor triggers a disclosure obligation, the foreign investor shall, as the obligor of information disclosure, submit the disclosure document to the trading venues through the qualified foreign investor. A qualified foreign investor shall have full knowledge of the domestic securities holdings of the foreign investors under its name, and is obliged to urge such foreign investors to strictly comply with relevant information disclosure rules.

12. A qualified foreign investor may exercise shareholder's rights by itself or through its custodian, a domestic securities company, an independent director or the secretary of the board of directors of an exchange-listed or a NEEQ-admitted company, or a foreign investor under its name.

13. When exercising shareholder's rights, a qualified foreign investor shall provide the following certification documents to the exchange-listed company or the NEEQ-admitted company:

(1) Photocopies of the securities and futures business license of the qualified foreign investor;

- (2) Proof of identification of the person exercising the right; and
 - (3) Where the qualified foreign investor delegates other person to exercise shareholder's rights, in addition to the aforementioned documents, it shall provide a power of attorney signed by the authorized representative of the qualified investor. Where the qualified foreign investor delegates a foreign investor under its name to exercise shareholder's rights, a shareholding statement signed by the authorized representative of the qualified foreign investor shall be provided.
14. A qualified foreign investor shall designate a person who is proficient in applicable laws and regulations of the domestic securities and futures markets and has high professional integrity as the supervisor to oversee the legality and compliance of the operations of the qualified foreign investor.
15. The supervisor's responsibilities include:
- (1) Reviewing the application documents and operation reports to be submitted to the CSRC;
 - (2) Examining the compliance of clients and products;
 - (3) Supervising the investment, trading, and information disclosure of the qualified foreign investor;
 - (4) Conducting periodic and random inspections on the investment and trading of the qualified foreign investor;

- (5) Organizing training on relevant laws and regulations; and
- (6) Promptly stopping any violations of domestic laws and regulations by the qualified foreign investor and report to the CSRC within 10 business days.

16. Securities and futures trading venues, securities depository and clearing institutions, and securities and futures market surveillance and monitoring institutions shall carry out surveillance, analysis, and self-regulation of the domestic securities and futures investment and trading by qualified foreign investors, establish information sharing and coordination mechanisms, and detect and address abnormal cross-market trading activities in a timely manner.

Securities and futures trading venues, securities depository and clearing institutions, and securities and futures market and monitoring institutions shall make periodic reports to the CSRC on the domestic investment by qualified foreign investors.

With regard to the domestic securities and futures investment by qualified foreign investors, the CSRC, the PBC and the SAFE are to enhance regulatory coordination and establish information sharing mechanisms.

17. When a qualified foreign investor acts to improve investment and operation efficiency or to streamline account structure through the means of transferring its qualification to another entity under the same control, rearranging its own accounts, or changing managers of its fund products or accounts, the qualified foreign investor may file for a non-trade

transfer according to rules issued by the securities depository and clearing institution and securities trading venues.

18. The Provisions shall come into force on the date of November, 1st, 2020. The *Guiding Opinions on the Appointment of Supervisor for Qualified Foreign Institutional Investor* (CSRC Announcement [2008] No. 40) issued on 17th October 2008, the *Guidelines for Qualified Foreign Institutional Investors to Participate in Stock Index Futures Trading* (CSRC Announcement [2011] No. 12) issued on 4th May 2011, the *Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors* (CSRC Announcement [2012] No. 17) issued on 27th July 2012, and the *Provisions on the Implementation of the Measures for the Pilot Program of Domestic Securities Investment by RMB Qualified Foreign Institutional Investors* (CSRC Announcement [2013] No. 14) issued on 1st March 2013 shall be simultaneously invalidated.