

**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 (Consultation Paper)***

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 Order No. XX), relevant issues are provided for as follows:

1. An applicant applying for the qualification as a Qualified Foreign Institutional Investor and an RMB Qualified Foreign Institutional Investor (hereinafter collectively referred to as a qualified investor) shall submit the following application documents to the China Securities Regulatory Commission (CSRC) through a domestic custodian (the custodian):

(1) Application report, containing the applicant's basic information, governance and organizational structure, internal control and compliance management system, as well as reasons for the application, with a statement pledging the truthfulness, accuracy, completeness, and compliance of the application documents;

(2) Investment plan, including the investment quota intended to apply for, information on the domestic investment funds or products intended to invest in, funding sources, asset allocation, profile of investment and research team, a statement explaining the qualifications of the applicant's managerial personnel in charge of domestic investments meet relevant professional requirements of the applicant's domicile country or region (if applicable), arrangements for compliance surveillance and back-office operation, information on domestic and overseas custodians, as well as the securities companies and futures companies entrusted by the applicant to conduct domestic trading;

(3) Photocopy of the business license issued by the applicant's domicile country or region;

(4) Photocopy of financial business licenses issued by regulatory authorities of the applicant's domicile country or region;

(5) A statement whether or not the applicant has subject to major regulatory penalties in the latest 3 years or since its establishment;

(6) A power of attorney to the custodian;

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

Where any of the documents stipulated in the preceding paragraph is signed by an authorized agent of the applicant's legal representative, a power of attorney issued by the legal representative to the authorized agent shall be provided. The applicant's 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 investors.

The aforementioned power of attorney and the documents prescribed in Paragraph (3) and (4) of Article 1 shall be notarized by a notary institution or a lawyer legally recognized by the applicant's domicile country or region, or be authenticated by the embassy or consulate of the People's Republic of China in the applicant's domicile country or region. If the application documents are written in a foreign language, a Chinese translation shall be provided. For financial statements, Chinese translation is required for the auditor's opinion and the principal statements.

International organizations, sovereign funds, and pension funds applying for the qualification as a qualified investor may, upon the approval of the CSRC, be exempt from providing the documents stipulated in Paragraph (3), (4), and (5) of Article 1.

In the event of any situations prescribed in Article 28 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 investment license issued to a qualified investor shall remain valid unless otherwise stipulated by applicable laws and regulations or by the CSRC, or be canceled by the CSRC according to law.

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

(1) Registration report, containing the custodian's basic information, registered domestic address, duration of continuous domestic operation, and compliance records in foreign exchange management business for the latest 3 years, with a statement pledging the truthfulness, accuracy, completeness, and compliance of the application documents;

(2) Information of its domestic custodian business, including business operations, IT system, and full-time personnel for custodian business;

(3) Photocopies of financial business licenses and business license;

(4) A capital verification report;

(5) Management system for custodian business, including management measures, compliance and risk management rules, post responsibilities and operating procedures, code of conduct for employees, accounting methodology, and information system management rules etc.;

(6) Proof of the efficiency, speediness, security, and reliability of technical systems;

(7) A photocopy of the first custodian agreement undertaken by the custodian for a qualified investor;

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

If the custodian has met relevant conditions and has submitted all required documents, the CSRC shall conclude the registration procedure for the custodian by updating the list of custodians for qualified investors on its website.

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

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

5. A qualified 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.

For qualified investor's accounts named in the format of "Qualified Investor + Client Name" or "Qualified Investor + Client Fund", ownership of the assets in the accounts belongs to the client and shall be kept independent of the assets of the qualified investor and the custodian.

A qualified investor shall, in accordance with the rules of securities depository

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and clearing institutions and the futures market monitoring institutions, set up subsidiary accounts for relevant funds and products under its “Qualified Investor + Client Fund” account, verify the identities of the investors of the aforementioned funds and products, and report relevant investors information via the custodian within 10 business days following the end of each quarter.

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

(1) Stocks, depository receipts, bonds, bond repurchases, and asset-backed securities traded or transferred on stock exchanges;

(2) Shares transferred on the National Equities Exchange and Quotations (NEEQ);

(3) Eligible products traded on the domestic interbank bond market for qualified investors according to regulations of the People's Bank of China (PBC);

(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 approved by the CSRC;

(7) Options listed and traded on futures exchanges approved by the State Council or the CSRC;

(8) Eligible foreign exchange derivatives for qualified investors according to regulations of the State Administration of Foreign Exchange (SAFE);

(9) Other financial instruments as approved by the CSRC.

A qualified investor can participate in the subscription for new share issuance, bond issuance, secondary share offerings, and share allocations on stock exchanges and the NEEQ, and can engage in margin trading and securities lending in stock exchanges.

A qualified investor can invest in a private investment fund whose investment scope conforms to Paragraphs (1) and (2) of Article 6.

Relevant securities and futures trading venues will propose specific types of bond repurchases, financial futures contracts, commodity futures contracts, and options contracts eligible for qualified investors and report to the CSRC for approval.

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Particularly, the CSRC will consult with the PBC on the specific types of eligible bond repurchases and financial futures contracts.

A qualified investor can appoint its associated domestic private securities investment fund manager as its investment adviser.

7. Foreign investors shall comply with the following ownership requirements in domestic securities investments:

(1) A single foreign investor shall hold no more than 10% of the total shares of an exchange-listed or a NEEQ-admitted company;

(2) Aggregate foreign shareholding shall be no more than 30% of the total shares of an exchange-listed or a NEEQ-admitted company.

Strategic investment in listed companies by foreign investors in accordance with law is not subject to the aforementioned percentage restrictions.

Stricter limits on foreign shareholding imposed by other relevant laws and regulations in PRC shall prevail.

8. Qualified investors shall only trade financial futures contracts for hedging purpose and shall comply with relevant rules of the CFFEX.

The CFFEX shall supervise the hedging positions and trading activities of qualified investors in financial futures trading, and periodically report the hedging positions of qualified investors in financial futures trading to the CSRC and the SAFE.

The CFFEX shall periodically report the hedging positions of qualified investors in treasury bond futures trading to the PBC, and relevant information on the treasury bond futures trading by qualified investors as required by the CSRC and the PBC in accordance with the principle of prudential supervision.

9. A qualified 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 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 mechanism for assets and funds.

10. Custodians, securities companies, and futures companies shall continuously monitor the trading activities and fund flows of qualified investors, and make timely

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reports on abnormal events and violations of laws and regulations to the CSRC, PBC, and SAFE.

Custodians shall report the investment operations of qualified investors to the CSRC within the 10 business days following the end of each month and within 3 months following the end of each year.

A qualified investor shall, in accordance with the requirements of the CSRC, report its overseas hedging positions related to its domestic securities and futures investment through its custodian within 10 business days following the end of each quarter.

11. If a foreign investor's domestic securities investment triggers a disclosure obligation, the foreign investor shall, as the obligor of information disclosure, submit the disclosure document to the trading venues through a qualified investor. The qualified investor is obliged to ensure that the foreign investors under its name strictly comply with relevant information disclosure rules.

12. A qualified 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, the qualified investor shall provide the following certification documents to the exchange-listed company or the NEEQ-admitted company:

(1) Photocopy of the securities and futures investment license for qualified investor;

(2) Photocopy of the securities account card;

(3) Proof of identification of the person exercising the right; and

(4) If the qualified 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. (If the qualified investor delegates a foreign investor under its name to exercise shareholder's rights, it shall provide a shareholding statement signed by the authorized representative of the qualified investor shall be provided.)

14. Each qualified investor may entrust no more than 3 domestic securities companies on each of Shanghai Stock Exchange, Shenzhen Stock Exchange, and NEEQ to trade securities; and may entrust no more than 3 domestic futures companies

and securities companies in total to trade futures and options.

15. A qualified 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 investor.

16. The supervisor's responsibilities include:

(1) Reviewing the application documents and operation reports to be submitted to the CSRC;

(2) Reviewing client and product compliance;

(3) Supervising the investment activities and information disclosure of the qualified investor;

(4) Conducting periodic or random inspections on the investment activities of the qualified investor;

(5) Organizing trainings on relevant laws and regulations; and

(6) Promptly forestalling any violations of domestic laws and regulations by the qualified investor and report to the CSRC within 10 business days.

17. 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 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 surveillance and monitoring institutions shall make periodic reports to the CSRC on the domestic investment by qualified investors.

18. The *Provisions* shall come into force on the date of (DD/MM/YYYY). The *Guiding Opinions on the Appointment of Supervisor for Qualified Foreign Institutional Investor* (CSRC Announcement [2008] No. 40) issued on 17 October 2008, the *Guidelines for Qualified Foreign Institutional Investors to Participate in Stock Index Futures Trading* (CSRC Announcement [2011] No. 12) issued on 4 May 2011, the *Provisions on Issues concerning the Implementation of the Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional*

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*Investors* (CSRC Announcement [2012] No. 17) issued on 27 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 1 March 2013 shall be simultaneously invalidated.