

Provisions on Issues concerning the Implementation of the Administrative Measures for Securities Investment Made in China by Qualified Foreign Institutional Investors

For the purpose of further improving the pilot program on qualified foreign institutional investors (hereinafter referred to as the “QFII”), the issues concerning the implementation of the Administrative Measures for Securities Investment made in China by Qualified Foreign Institutional Investors are hereby prescribed as follows,

I. An applicant applying for the qualification as a QFII shall meet the following conditions in terms of the size of assets and other aspects:

(1) For an asset management institution, it shall have been engaged in the asset management business for more than two years and the securities assets under its management in the latest fiscal year shall not be less than USD 500 million;

(2) For an insurance company, it shall have been formed for more than two years and the securities assets held by it in the latest fiscal year shall not be less than USD 500 million;

(3) For a securities company, it shall have been engaged in the securities business for more than five years, and have net assets of not less than USD 500 million, and the securities assets under its management in the latest fiscal year shall not be less than USD 5 billion;

(4) For a commercial bank, it shall have been engaged in the banking business for more than 10 years, and have the tier 1 capital of not less than USD 300 million, and the securities assets under its management in the latest fiscal year shall not be less than USD 5 billion; and

(5) For any other institutional investor (such as a pension fund, charity fund, endowment fund, trust company, and government investment management company), it shall have been formed for more than two years, and the securities assets under its management or held by it in the latest fiscal year shall not be less than USD 500 million.

II. An applicant applying for the qualification as a QFII shall submit the following application materials in the electronic form through the website of the China Securities Regulatory Commission (“CSRC”) and submit a written application document with content same as that of the electronic version to the CSRC:

(1) an application form;

- (2) a form of basic information on the persons in charge;
- (3) an investment plan;
- (4) an explanation on the sources of funds;
- (5) an explanation on whether it has been subject to any major punishment by the regulatory authority in the latest three years or since the date when it is formed;
- (6) a business license (photocopy) issued by the country or region where it is located;
- (7) a financial business permit (photocopy) issued by the regulatory authority of the country or region where it is located;
- (8) a power of attorney to the custodian;
- (9) audited financial statements in the latest year; and
- (10) other documents as required by the CSRC.

Where any of the documents as stipulated in the preceding paragraph is signed by a person authorized by the legal representative (legal representative refers to a natural person who may, upon the authorization by the board of directors of the applicant or according to the bylaws of the applicant or in compliance with the relevant legal provisions of the country or region where the applicant is located, handle the issues concerning the management of securities investment made in China by QFII on behalf of the applicant, such as the chairman of the board of directors or the chief executive officer) of the applicant, a power of attorney issued by the legal representative to the authorized person shall be provided.

The said power of attorney and the documents as prescribed in paragraph 1 (6) and (7) shall be subject to the notarization by a notarization institution or lawyer legally approved by the country or region where the applicant is located, and a notarial deed shall be produced; or subject to the authentication by the embassy or consulate of the People's Republic of China stationed in the country where the applicant is located. Where any of the documents as prescribed in paragraph 1 (3), (4) and (5) is written in a foreign language, a Chinese version shall be attached thereto.

Where a QFII undergoes any major issue as prescribed in Article 30 of the Administrative Measures for Securities Investment Made in China by Qualified Foreign Institutional Investors, it shall file the issue in the electronic form through the website of the CSRC in a timely manner.

III. The securities investment business license for a QFII shall be permanently valid, unless it is otherwise provided for by laws and regulations or the CSRC or the license is cancelled by the CSRC according to law.

IV. Where an applicant applies for the qualification as the custodian of a QFII, it shall submit the following documents (one original and one duplicate) to the CSRC:

- (1) an application form (see the Annex);
- (2) a custodian qualification application (affixed with the official seal of the applicant or signed by the legal representative thereof;
- (3) opinions of the China Banking Regulatory Commission on the applicant's engagement in the business of custody of securities investment made in China by QFII (photocopy);
- (4) a duplicate (photocopy) of the financial business permit and a duplicate (photocopy) of the business license;
- (5) certification documents of the paid-in capital;
- (6) basic information on the domestic custodian department (including staffing, security measures, etc.);
- (7) rules on the custody business (mainly including custody business management measures, internal risk control rules, job responsibilities, operating procedures, code of conduct for employees, accounting methods, information system management rules, etc.);
- (8) an explanation on having efficient, fast, safe and reliable technical systems and relevant certificates; and
- (9) other documents as required by the CSRC and the State Administration of Foreign Exchange ("SAFE") under the principle of prudent supervision.

V. Where the custodian of a QFII falls under any of the following circumstances, it shall be replaced:

- (1) the QFII has sufficient reasons to believe that the replacement of the custodian will be more consistent with its interests; or
- (2) the CSRC or the SAFE deems under the principle of prudent supervision that the

custodian can not continue to fulfill the duties of custodian.

The newly appointed custodian and the former custodian shall, within three workdays after the quit of the former custodian, file the relevant information with the CSRC or the SAFE.

VI. A QFII shall authorize the custodian to apply to the China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the “CSDCC”) for opening securities accounts. A QFII may open several securities accounts, and the securities accounts opened under application shall be in correspondence with the special RMB accounts approved by the SAFE.

A QFII shall open and use securities accounts in accordance with the business rules of the CSDCC, and bear management responsibility for the securities accounts it opened.

VII. A QFII shall respectively apply for opening securities accounts for its own funds and the client funds under its management.

When a QFII opens a securities account for client funds, the name of the account may be set as “QFII + the name of the client”. When a QFII applies for opening a securities account for long-term funds under its management such as publicly raised funds, insurance capital, pension funds, charity funds, endowment funds and government investment funds, the name of the account may be set as “QFII + fund (or insurance capital, etc.)”. The assets under the account shall belong to the “fund (insurance capital, etc.) and be independent of the QFII and the custodian.

A domestic fund management company may provide specific client asset management services for a QFII, and open corresponding accounts, and the investment scope shall be in compliance with the relevant provisions on QFII.

VIII. A QFII may invest in the following RMB financial instruments within the approved investment quota:

- (1) stocks, bonds and warrants traded in or transferred in stock exchanges;
- (2) fixed-return products traded in the inter-bank bond market;
- (3) securities investment funds;
- (4) stock index futures; and

(5) other financial instruments permitted by the CSRC.

A QFII may participate in the issuance of new shares, issuance of convertible bonds, additional issuance of shares and the purchase of allotted shares.

IX. The securities investments made in China by foreign investors shall be in compliance with the following limits on the proportion of shares:

(1) Where a single foreign investor holds the shares of a listed company through a QFII, the proportion of shares held by it shall not exceed 10% of the total amount of shares of the company; and

(2) The total proportions of A shares held by all foreign investors in a single listed company shall not exceed 30% of the total amount of shares of the listed company.

Where foreign investors make strategic investment in a listed company in accordance with the Administrative Measures for Strategic Investment in Listed Companies by Foreign Investors, the shares they held through strategic investment shall not be subject to the aforesaid limits on the proportion of shares.

X. Where the securities investment made in China by a foreign investor meets the requirements for information disclosure, the foreign investor shall, as an obligor of information disclosure, submit the information to be disclosed to stock exchanges through the QFII. A QFII shall have the obligation to ensure that the foreign investors under its name strictly comply with the relevant provisions on information disclosure.

XI. A QFII may exercise shareholder's rights by itself or through entrusting the custodian, a domestic securities company, the secretary of the board of directors of a listed company, an independent director of a listed company or a foreign investor under its name.

XII. When a QFII exercises shareholder's rights, it shall provide the following certification documents to the listed company:

(1) the original or photocopy of the securities investment business license for QFII;

(2) the original or photocopy of the securities account card;

(3) the identity certificate of the specific exerciser of the right; and

(4) if the QFII authorizes others to exercise the shareholder's rights, in addition to the

aforesaid materials, a power of attorney signed by the authorized representative shall be provided (if the QFII authorizes a foreign investor under its name to exercise the shareholder's rights, a corresponding explanation on the proportion of shares signed by the authorized representative of the QFII shall be provided).

XIII. Each QFII may authorize three securities companies within China to conduct securities transactions in Shanghai Stock Exchange and Shenzhen Stock Exchange respectively.

XIV. These Provisions shall come into force on the date of issuance, and the Notice on Issues concerning the Implementation of the Administrative Measures for Securities Investment Made in China by Qualified Foreign Institutional Investors issued on August 24, 2006 shall be simultaneously repealed.

Annex: Application Form for the Qualification as the Custodian of a Qualified Foreign Institutional Investor

(No):

APPLICATION FORM FOR CUSTODIAN BANK OF QUALIFIED FOREIGN INSTITUTIONAL INVESTORS (QFIIs)

To:

Applicant :

Acknowledgement: The applicant's Board of Directors hereby represents and warrants that this Application contains no false representations, misleading statements or material omissions, and shall be liable for the authenticity, accuracy and completeness of the contents.

(Note: please fill out this application in Chinese, unless otherwise stated.)

托管人名称 Name of the Applicant	中文: English:
在境内持续经营时间 Continual operations in P.R. China	
上一会计年度实收资本 Paid-in capital in the latest accounting year	
境内注册地址 Domicile in P.R.C.	
境内金融业务许可证号 No. of financial business license in P.R.C.	

境内经营的业务范围 Approved Business Scope In P.R.C.	
是否有足够的熟悉托管业务的专职人员 Availability of sufficient professionals eligible for custody business	
最近三年内有无重大违反外汇管理规定的记录。如有,请说明。 Material breach of foreign exchange regulations in the recent three years. If yes, please specify.	
申请人法定代表人或其授权代表姓名及联系方式 Name and contact of legal representative or his/her authorized representative of the Applicant(in English if necessary)	
上栏人员签名 Signature of the aforesaid senior management (in English if necessary)	
联系人(Contact person): 电话(Tel): 传真(Fax) : 电子邮件 (E-mail):	

Source: China Securities Regulatory Commission (www.csrc.gov.cn)