

**Circular of the People's Bank of China and the State
Administration of Foreign Exchange Concerning the
Management of Domestic Securities Investment by RMB
Qualified Foreign Institutional Investors**

PBC Document [2016] No. 227

For the purpose of regulating the management of domestic securities investment made by RMB qualified foreign institutional investors ("RQFII"), the Circular is hereby issued in respect of related issues in accordance with the *Measures for Pilot Domestic Securities Investment Made by RMB Qualified Foreign Institutional Investors* (No. 90 Order of China Securities Regulatory Commission, People's Bank of China and State Administration of Foreign Exchange) and other applicable provisions:

1. The People's Bank of China ("PBC"), the State Administration of Foreign Exchange ("SAFE") and their respective branch offices shall supervise, oversee and examine the investment quota, capital account and fund receipts/collections in relation to the domestic securities investment made by RQFII.

2. Any RQFII that is licensed by the China Securities Regulatory Commission ("CSRC") to make investment in domestic securities market shall entrust its domestic custodian ("custodian") to go through the procedures specified herein on its behalf.

One RQFII shall not entrust more than three custodians. In the case of more than one custodians, one custodian shall be designated as the lead reporter (and in the case of only one custodian, this custodian will be the lead reporter) is responsible for registering and applying investment quota, and providing other related information.

3. SAFE registers or reviews approves the investment quota of each RQFII

After being licensed by CSRC, RQFII may obtain an investment quota

(“basic quota”) that does not exceed a specified proportion of its total assets or securities assets under its management (collectively "asset size") through registration. Any application for an investment quota exceeding the basic quota shall be subject to the approval of SAFE.

The investment quota of foreign sovereign funds, central banks and monetary authorities is not restricted. They may obtain the investment quota based on their needs of investment in domestic securities market and register with SAFE accordingly.

4. The criteria for basic quota calculation are specified below:

4.1 Please calculate with the following formula if most of the assets of RQFII or its group are located outside China: USD100 million equivalent + average asset size in the past three years*0.2%—obtained amount of QFII (in RMB equivalent, hereinafter referred to the "QFII amount").

4.2 Please calculate with the following formula if most of the assets of RQFII or its group are placed within China: RMB5.0 billion + asset size in the prior year*80%—obtained QFII amount (in RMB equivalent).

The exchange rates shall refer to the rates published by SAFE in the prior month to the date of application.

PBC and SAFE may adjust the calculation standards by taking international balance of payment, Chinese capital market development and opening-up progress and other factors into account.

5. In case that the investment quota does not exceed basic quota, RQFII shall register and submit the following documents to the lead reporter:

5.1 Explanation of the investment amount registration and completed *Registration Form for RMB Qualified Foreign Institutional Investors* (See Appendix 1).

5.2 Audited balance sheets (or auditor's report of securities assets under management) of RQFII for the past three years or the prior year. And

5.3 Copy of CSRC qualification license.

The lead reporter shall carefully perform duties, strictly check the evidential materials concerning asset size and obtained QFII amount of the RQFII, verify the amount of the basic quota and to-be-registered investment quota of RQFII or its group based on the calculation standards on the basis of domestic and overseas allocations of the assets of RQFII or its group and then provides all the documents on RQFII's investment quota with SAFE before the 10th day of each month (see Appendix 2 for the format). After confirmation, SAFE will inform the lead reporter of the registration information.

6. In case that RQFII requests an investment quota exceeding basic quota, the lead reporter shall submit the following documents to SAFE:

6.1 Written application by the lead reporter and RQFII, elaborating on the rationale behind amount increase and use of existing investment quota.

6.2 RQFII custodian information (see Appendix 3 for the format).

6.3 Audited balance sheets (or auditor's report of securities assets under management) of RQFII for the past three years or the prior year. And

6.4 Other documents required by SAFE.

RQFII shall properly allocate amount to the lead reporter and other custodians in accordance with the amount management requirements.

SAFE will publish details about investment quotas of RQFII on its portal (www.safe.gov.cn).

7. RQFII having obtained the investment quota prior to the issue of this Circular shall go through the following procedures if request to increase the

investment amount:

7.1 In case that the obtained investment quota does not exceed the basic quota: if the sum of obtained investment quota and requested increase is still not above the basic quota, the registration requirement under Article 5 herein shall govern; otherwise, Article 6 herein shall apply for approval of SAFE.

7.2 In case that the obtained investment quota exceeds the basic amount, Article 6 herein shall apply for approval of SAFE.

8. Investment quota of RQFII is subject to outstanding balance management. That is, the net amount of accumulated inward remittances by RQFII shall not exceed the registered or approved investment amount.

9. The investment principal of RQFII's products (or capital), except open-ended funds, shall be locked up for three months since the day when the investment principal remitted inward by RQFII accumulatively reaches RMB100 million.

The lock-up period of principal refers to the period when RQFII is prohibited of remitting the investment principal to destinations outside China.

10. RQFII is disallowed to resell or transfer the investment amount to other institutions and individuals for use in any forms.

If RQFII fails to effectively use the investment quota within one year since the day of registration or approval, SAFE has the right to cancel all or part of the unused investment amount.

11. RQFII shall open one basic RMB deposit account of foreign institution in accordance with the *Notice of the People's Bank of China on Releasing the Administrative Rules for RMB Bank Settlement Accounts of Overseas Institutions* (PBC Document No.249 [2010]) and the *Circular of the People's Bank of China on Issues Concerning Opening and Use of RMB Bank Settlement Accounts of Foreign Institutions* (PBC Document [2012] No. 183).

Having opened the basic RMB deposit account, RQFII shall open a special deposit account for settlement of fund at the stock exchange market and a special deposit account for settlement of transaction fund at the inter-bank bond market with a Chinese commercial bank qualifying as custodian of QFII respectively for investing in the stock exchange market and the inter-bank bond market. RQFII that deals in stock index futures can open a special deposit account for settlement of stock index futures margin with a depository bank of futures margin.

When opening the above-mentioned accounts, RQFII shall treat owned fund and fund of customer receiving the asset management service from the RQFII differently and open separate accounts. In the case of open-ended fund, each shall a separate account.

12. To open special deposit accounts, RQFII shall provide the following documents:

- (1) Duplicate of the licensing document on the qualification of RQFII from the CSRC;
- (2) Registration information or approval document from the SAFE;
- (3) Written document proving custodian qualification of the custodian bank;
- (4) Custody agreement between RQFII and custodian bank; and
- (5) Other documents required by the PBC.

To invest in the inter-bank bond market, RQFII shall abide by the rules set forth in [2016] No. 3 Announcement of the PBC. To open a special deposit account for settlement of transaction fund at the inter-bank bond market, RQFII shall also provide the notification on registration for entering the inter-bank bond market and the written licensing document on qualification of the custodian for serving as the settlement agent in the inter-bank bond market.

13. Receipts Incoming of the RQFII's special deposit accounts include: investment principals remitted from abroad by the RQFII, earnings from sales of securities, cash dividends, interest incomes, money transfers from other special deposit accounts opened in line with the Circular and other incomes stipulated by the PBC and SAFE.

Expenditures outbound of the RQFII's special deposit accounts include: payments for purchase of securities, outward transfer of principals and investment incomes, investment related taxes paid, money transfers into other special deposit accounts opened in line with the Circular and other expenditures stipulated by the PBC and SAFE.

14. Without permission, fund transfers are prohibited between the RQFII's special deposit accounts and its other accounts opened in China, as well as among the account of RQFII's own fund, its customer fund and the account of each open-ended fund.

Without permission, money in the RQFII's special deposit accounts is not allowed to invest in domestic securities. Cash withdrawal from the RQFII's special deposit accounts is disallowed.

15. Deposit interest rate of the fund in the RQFII's bank settlement accounts opened in line with the Circular shall be governed by relevant provisions of the PBC.

16. Under any of the following circumstances, RQFII shall liquidate assets and close accounts within one month. Relevant investment quota is canceled meanwhile:

- (1) The CSRC has canceled the license;
- (2) The SAFE has canceled the investment quota according to law; and
- (3) Other circumstances stipulated by the PBC and SAFE.

17. With respect to the open-ended fund established by RQFII, custodian can transfer RMB into and out of China each day based on the netting amount of purchase or redemption. And for other products or money, custodian may be entrusted to make inward or outward transfer after the end of the lock-up period.

If RQFII intends to transfer the realized accumulative gains out of China, custodian can do this upon the written application or instruction from the RQFII, the special auditor's report on investment income issued by Chinese CPAs and tax payment certificate or tax record-keeping certificate (if any).

18. To make inward or outward fund transfer for RQFII, custodian shall check the genuineness and compliance of fund receipts/payments and make sure that no anti-money laundering and anti-terrorist financing activity is engaged.

19. RQFII shall apply for unique ID code of special institution from the SAFE office in the place where the lead reporter is located through the lead reporter and complete RQFII entity information registration within ten days of firstly obtaining the investment quota. If RQFII already has a unique ID code for other cross-border business or foreign exchange receipt/payment business, the above-mentioned application is waived.

Custodian ought to submit information on supervision and statistics of RQFII according to the *Circular of the SAFE Concerning Adjustment of How to Submit QFII Data* (SAFE Document [2015] No. 45).

20. When RQFII is under any of the following circumstances, the lead reporter shall apply for change registration from the SAFE with five business days:

- (1) Important information on RQFII, e.g. name and custodian, has changed; and
- (2) Other circumstances stipulated by the PBC and SAFE.

If RQFII has changed its lead reporter, the new lead reporter shall report the change to SAFE.

When RQFII or its significant shareholder or de facto controller is imposed serious penalty by other regulatory authority (including overseas regulatory authority) which will cause material impact on the investment operation of the RQFII or get its relevant business qualification suspended or canceled, the lead reporter shall make a timely report to the PBC and SAFE.

21. Custodian shall submit information on account opening/closing, investment quota, cross-border receipts/payments and allocation of domestic securities investment assets of RQFII within five business days after the above events occurs to the RMB Cross-border Payment Management Information System ("RCPMIS").

22. The documents for submitting required herein are prepared in Chinese. When both Chinese and English versions are available, the former shall prevail.

23. The Circular shall be implemented immediately upon promulgation in lieu of the *Circular of the People's Bank of China Concerning the Pilot Measures for Domestic Securities Investment of RMB Qualified Foreign Institutional Investors* (PBC Document [2013] No. 105), the *Circular of the State Administration of Foreign Exchange Concerning the Issues Relating to Pilot Domestic Securities Investment of RMB Qualified Foreign Institutional Investors* (SAFE Document [2013] No. 9) and the *Circular of the Capital Account Department of the State Administration of Foreign Exchange Concerning Promulgation of the Operational Guideline for Quota Management of RMB Qualified Foreign Institutional Investors* (SAFE Capital Account Management Department Document [2014] No. 2).

August 30, 2016

Appendix 1

Registration Form for RMB Qualified Foreign Institutional Investors

Name of RQFII	Chinese:		
	English:		
Custodian	Lead Reporter ¹	Custodian 1	Custodian 2
Serial No. of securities investment license		Licensing date	
Date of application		Intended investment quota (RMB100 million)	
Institution category	<input type="checkbox"/> Fund management company <input type="checkbox"/> Insurance company <input type="checkbox"/> Securities company/Investment bank <input type="checkbox"/> Commercial bank <input type="checkbox"/> Other institution		
Date of establishment		Domicile of incorporation	Chinese:
			English:
Paid-up capital at the end of the latest fiscal year (USD/RMB100 million)		Assets at the end of the latest fiscal year (USD/RMB100 million)	
Any penalty from the regulator of its home country in recent three years. If any, please specify.			
Brief description of the executives			
Sources of the funds			

¹ If the RQFII has only one custodian, such custodian will be the lead reporter.

Preliminary investment plan			
Names, domiciles and share percentages of significant shareholders (In English if necessary)			
Names and domiciles of major related parties (In English if necessary)			
RQFII's contact person Telephone: Fax:		Lead Reporter's contact person Telephone: Fax:	

Signature of the authorized person of RQFII's board

Appendix 2

Registration Form of Investment Quota

No.:

Date of registration:

Name of RQFII	Chinese:			
	English:			
Custodian	Lead Reporter	Other custodian 1		Other custodian 2
Total obtained RQFII quotas (RMB100 million)		Total obtained approved QFII	USD100	
			RMB100 millions	
Average scale of assets (or securities assets managed) in the prior (three) years (in RMB100 million equivalent)			Basic quota(Amount in 100 millions of RMB)	
Investment quota to be registered this time (RMB 100 million)				
<p>We undertake that the contents herein (including the enclosed information) are authentic, accurate and free from any false information and pledges that we will go through the quota registration procedures in strict accordance with the foreign exchange administration rules. We are willing to accept the supervision, administration and inspection of the state foreign exchange administration authority.</p> <p style="text-align: center;">RQFII (signature or seal):</p> <p style="text-align: center;">DD MM YYYY</p>				

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<p>We have checked the approved QFII/RQFII quota and asset scale, etc. of the Institution and calculated the basic quota. In the meantime, we have told the RQFII relevant administration rules and requirement of the SAFE and advised the RQFII to register based on its actual needs. We hereby submit the registration form of RMB_ million investment quota of the RQFII for registration.</p> <p>We promise to complete the investment quota registration procedures in strict accordance with the foreign exchange administration rules and are willing to accept the supervision, administration and inspection of the state foreign exchange administration authority.</p> <p>Lead Reporter (seal):</p> <p>DD MM YYYY</p>		
Opinion of the State Administr ation of Foreign Exchange on Registrati on	We accept the registration of RMB_ million investment quota of (RQFII) for registration.	
	Signed by SAFE Officer:	Signed by Department Director: Reviewed by: Drafted by:

Appendix 2

No.

Registration Form of Investment Quota RQFII	Chinese:			
	English:			
Custodian	Lead Reporter	Other custodian 1	Other custodian 2	
Total obtained QFII quotas(RMB100 million)		Total obtained QFII quotas	USD100 million	
			RMB 100 millions	
Average scale of assets (or securities assets managed) in the prior (three) years (in RMB100 million equivalent)			Basic quota(Amount in 100 millions of RMB)	
Investment quota to be registered this time (RMB 100 million)				
Opinion of the State Administration of Foreign Exchange on Registration	<p>We accept the registration of RMB_ million investment quota of (RQFII) for registration.</p> <p>State Administration of Foreign Exchange (official seal)</p> <p>DD MM YYYY</p>			

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Appendix 3

Registration Form on RQFII Custodian

Lead Reporter (seal): Filed on: (date)

Institution	Chinese				
	English				
Custodian	Financial Institution ID	Contact person	Tel	Fax	Email
◆ Lead Reporter					
Other custodian 1					
Other custodian 2					
<p>We undertake that the contents in the Registration Form are authentic, accurate and free from any false information and pledges that we will provide custody in strict accordance with the foreign exchange administration rules. We are willing to accept the supervision, administration and inspection of the state foreign exchange administration authority.</p> <p style="text-align: right;">Institution (signature or seal):</p> <p style="text-align: right;">DD MM YYYY</p>					