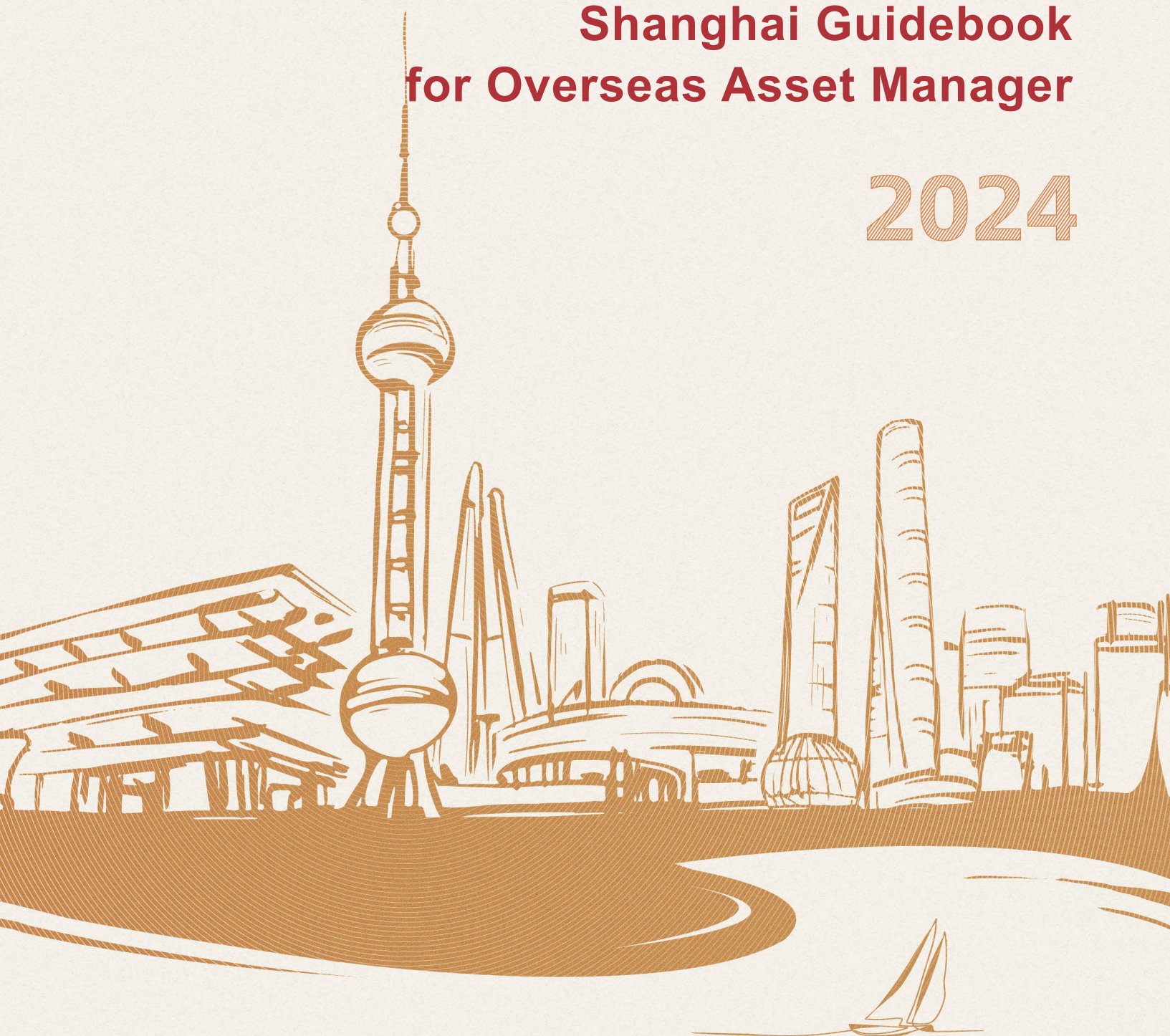


Shanghai Guidebook for Overseas Asset Manager

2024



Supervised by

Financial Commission Office of the CPC Shanghai Municipal Committee
China Securities Regulatory Commission Shanghai Office
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Compiled by

Shanghai Asset Management Association





Foreword

Building Consensus and Working Together for a New Chapter in the High-Standard Opening-up of the Fund Industry

Over 33 years of development, China's capital market has evolved from nothing to something, from something to refinement, and from refinement to robustness, forging ahead with relentless determination, bearing the mission of reform and opening up in mind. The fund industry, in particular, has been committed to internationalization despite the challenges posed by the complex and ever-changing global economic and financial environment. It has embraced innovation, empowered technological advancements, and demonstrated resilience in maintaining an open and thriving market.

We firmly believe that opening up means not only open policies, mechanisms, or markets for both domestic and overseas participants, but also an important initiative concerning enhancing mutual trust and building consensus. Therefore, strengthening industry cooperation and

communication has been a priority for China's fund industry.

As one of China's most open cities, Shanghai offers a pro-market, law-based business environment that attracts domestic and international financial institutions as well as top-tier financial professionals. Globally, it is among the leading cities in terms of the concentration of financial institutions, the breadth of financial markets, and a welcoming business atmosphere. Over the years, Shanghai's financial market has become increasingly accessible, evidenced by innovations such as the interconnected interbank and exchange bond markets, a new pilot zone for green finance reform and innovation, and the Cross-border Interbank Payment System (CIPS).

According to the ***14th Five-Year Plan for the Building of Shanghai International Financial***

Center, by 2025, Shanghai will establish a world-class financial ecosystem by building “two centers, two hubs, and two magnets.” This includes enhancing its role as a global asset management center and fintech center, establishing and consolidating its position as an international green finance hub and a hub for the cross-border use of RMB, as well as becoming a magnet for international financial professionals and for financial institutions.

Shanghai is also one of the birthplaces of China’s fund industry. It has witnessed every significant moment of the industry, including the creation of the first batch of fund companies in China; the first wave of Sino-foreign joint venture fund management companies; the first closed-end, open-end, index, money market, and Qualified Domestic Institutional Investor (“QDII”) funds; the first wholly foreign-owned public fund manager; and the first wholly foreign-owned private securities fund manager (“WFOE PFM”). Shanghai today—with deeper connectivity mechanisms, ever-more friendly foreign investment policies, and expanding range of financial services—is demonstrating its confidence and determination to achieve greater financial openness and innovation as well as to build itself into a global asset management center and fintech center.

As the first official guidebook prepared by a Chinese city for overseas asset managers, the **Shanghai Guidebook for Overseas Asset Manager** (2024)—with the same spirit as its previous editions—is designed to help overseas asset managers to invest and do business in China and in Shanghai particularly. It focuses on Shanghai’s financial opening-up process, presents the latest regulatory policies and pilot initiatives, and comprehensively reviews macroeconomic and sector-specific data.

Regarding policies, this year’s Guidebook i)

further outlines the investment scopes as well as the streamlined application and modification processes of QFLP/QDLP pilot schemes; ii) lists the participants of QDLP pilot schemes under the “two-in-one” model; iii) includes a dedicated section that provides a comprehensive review of the filing and operational requirements for private investment funds in accordance with the latest **Guidelines for Filing of Private Investment Funds** and **Guidelines for Operation of Private Securities Investment Funds**; and iv) provides detailed information on the facilitative measures and tax incentives, such as VAT exemptions and advance tax rulings for small-scale taxpayers.

In terms of financial infrastructure development, this edition introduces additional market interconnectivity programs, such as the two improvements to the Mainland-Hong Kong Mutual Recognition of Funds and the trading of depositary receipts under the Shanghai-London Stock Connect. Moreover, this year’s Guidebook expands on CIPS, cross-border capital management for QFIIs/RQFIIs, as well as the trading systems and valuation products of the Shanghai Stock Exchange (SSE) and the China Securities Index.

On the data front, the Guidebook introduces China’s FDI inflow and bond holding in the wealth management market and inter-bank market, latest data on China’s wholly foreign-owned and joint venture fund companies, as well as information on existing private managers and the cross-border pilot scheme of QFLP.

We sincerely welcome overseas asset managers to do business in China and in Shanghai in particular, and to create synergies with domestic asset managers, so as to provide Chinese investors with a richer selection of asset management services and, at the same time, to benefit from China’s economic growth.

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Chapter 1 Why China

1. Important Role of China in the Global Economy

According to the National Bureau of Statistics, China’s GDP surpassed RMB 126 trillion in 2023, giving a year-on-year increase of 5.2%—2.2 percentage points faster than in 2022—making China one of the fastest-growing major economies in the world. This GDP figure is equal to about USD 17.89 trillion based on the annual average exchange rate, enabling China to retain its place as the world’s second-largest economy. China’s economic growth is a major driving and stabilizing force of global economy, contributing to 30% of the global growth¹. From 2013 to 2023, China’s average annual economic growth rate was 6.40%, significantly higher than the global average of 3.09%².

The *World Investment Report 2024*, released by the United Nations Conference on Trade and Development, indicates a 2% decrease in global foreign direct investment (FDI) in 2023, to USD 1.3 trillion. This decline is primarily attributed to the global economic slowdown and ongoing trade and geopolitical tensions. China was also affected, with FDI inflow falling sharply to USD 163 billion. However, the country remained the world’s second-largest recipient of FDI, accounting for approximately 13% of the global total³.

Table 1: Foreign Direct Investment in China

Year	China’s GDP as Percentage of Global Total	FDI Inflow (USD bn)	FDI Ranking
2021	18.5%	181	2nd in the world
2022	17.8%	189	2nd in the world
2023	17.2%	163	2nd in the world

2. Huge Prospects of Wealth Management Market

From 1952 to 2023, China’ GDP surged from RMB 67.91 billion to RMB 126 trillion, accounting for more than 17% of the world economy. The growth in GDP per capita increased significantly from RMB 119 to RMB 89,000, indicating a rapid rise in

household wealth⁴. According to the *Global Wealth Report 2024* released by UBS, China has shown strong momentum in wealth growth: since the global financial crisis in 2008, the per capita wealth of adults in Mainland China has increased by more than 365%.

1 Source: <https://www.gov.cn/>, National Bureau of Statistics 2 Source: Public data from the World Bank 3 Source: World Investment Report 2024
4 Source: Statistical Communiqué of the People’s Republic of China on the 2023 National Economic and Social Development

As of the end of 2023, financial assets made up over 50% of the total wealth of each adult in China. The **2023 China Private Wealth Report**, jointly released by China Merchants Bank and Bain & Company, forecasts that by the end of 2024, total investable assets will surpass RMB 300 trillion⁵. Despite the complex market and policy environment in recent years, China's asset management industry continues to hit new milestones. The market grew by 4% year-on-year in 2023 to RMB 138.7 trillion⁶. By the end of 2023, total assets managed by fund management companies, securities companies, futures companies (and all their subsidiaries), and private fund managers totaled RMB 67.06 trillion⁷. The **China Asset Management Market Report 2022-2023** forecasts that the market will grow at nearly 9% each year to RMB 275 trillion in 2030⁸.

3. A More Open Financial Market

3.1 RMB Internationalization and the Integration of China's Capital Market into Global Indices

3.1.1 RMB Internationalization

The official entry of RMB into the special drawing rights (SDR) currency basket has greatly facilitated the cross-border use of RMB. In May 2022, the International Monetary Fund (IMF) raised the weight of the RMB in the SDR from 10.92% to 12.28%, reflecting a more freely usable RMB.

In 2023, cross-border RMB payments and receipts continued to grow, with total settlement amount exceeding RMB 52.3 trillion. According to the transaction data compiled by SWIFT, the proportion of international payments made in RMB reached 4.61% in June 2024, making RMB the fourth-largest international payment currency. As for CIPS, it also saw significant growth. By the end of June 2024, the system had 1,544 participants, composed of 148 direct participants and 1,396 indirect participants⁹. In 2023, the system processed 6,613,300 transactions totaling RMB 123.06 trillion, representing year-on-year increase of 50.29% and 27.27%, respectively¹⁰.

As of the end of 2023, RMB assets accounted for 2.29% of the global foreign reserves, ranking sixth in the world¹¹.

In addition, in early 2021, the People's Bank of China (PBOC) and five other ministries and commissions co-issued the **Notice on Further Optimizing the Cross-Border RMB Policies to Stabilize Foreign Trade and Foreign Investment** (Yinfa [2020] No. 330). This Notice is designed to further streamline the cross-border RMB settlement process and to improve the administration of cross-border RMB investment and financing activities. Notably, regulations on payment and receipt under capital accounts have been further relaxed.

3.1.2 Integration of China's Capital Market into the Global Index

As the international community continuously recognizes China's progress in creating a law-based, market-centric, and international capital market, Chinese A shares and bonds account for a growing weight in mainstream international indices.

In June 2018, MSCI announced its plan to include Chinese A shares in the MSCI Emerging Markets Index at an initial inclusion factor of 2.5%. The inclusion factor was raised to 20% in November 2019.

Similarly, in June 2019, FTSE Russell incorporated A shares into its FTSE Global Equity Index Series, beginning with an inclusion factor of 5%, which was increased to the final 25% in 2020. In September 2023 following the expansion of the Northbound Stock Connect scheme, FTSE Russell added over 600 A-share stocks with an inclusion factor of 12.5%, raised to 25% in March 2024. In September 2019, S&P Dow Jones officially added 1,099 A-share stocks into its S&P Emerging BMI with an inclusion factor of 25%.

In addition, China's securities market has received growing recognition from major international indices. On February 28, 2020, J.P. Morgan Chase & Co. officially included Chinese treasury bonds in its benchmark emerging-market indices (GBI-EM). In November 2021, Bloomberg Barclays Global Aggregate Index (BBGA) fully incorporated Chinese treasury and policy bank

5 Source: 2023 China Private Wealth Report, China Merchants Bank and Bain & Company

7 Source: Asset Management Statistics (Q4 2023), Asset Management Association of China

8 Source: China Asset Management Market Report 2022-2023, Everbright Wealth Management Co., Ltd. and Boston Consulting Group (BCG)

10 Source: Payment System Report (2023), PBOC

11 Source: IMF report

6 Source: Wind

9 Source: CIPS Co., Ltd.

bonds. These RMB-denominated Chinese bonds held a weight of 6.3% in the index and became its fourth largest constituent by currency denomination after bonds denominated in the US dollar, the Euro, and the Japanese yen.

On October 29, 2021, Chinese treasury bonds became part of the FTSE World Government Bond Index (WGBI); full inclusion is to be completed over a 36-month schedule. Current weight is around 6%. With this inclusion, Chinese treasury bonds have become part of the three major global bond indices.

3.2 Opening up of the Capital Market

As the demand for Chinese assets keeps rising, China has established numerous mechanisms to make its capital market more accessible to foreign investors.

3.2.1 QFII and RQFII

In 2003, China established the Qualified Foreign Institutional Investor (QFII) scheme to make its capital market accessible to foreign institutional investors. In December 2011, the RMB Qualified Foreign Institutional Investor (RQFII) scheme was introduced on a pilot basis to permit investment of offshore RMB in the Mainland.

In September 2019, the State Administration of Foreign Exchange (SAFE) removed the investment quota for QFII and RQFII.

On September 25, 2020, CSRC, PBOC, and SAFE released the **Administrative Measures for Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors**. At the same time, CSRC issued supporting rules for its implementation—the **Provisions on Issues Related to the Implementation of the Administrative Measures for Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors**—which has greatly facilitated foreign investment in the Mainland by further lowering the

barrier to entry and by expanding the scope of permissible investments.

From September 2, 2022, QFIIs and RQFIIs have been allowed to participate in the trading of some futures and option contracts listed on the four futures exchanges of China (i.e., China Financial Futures Exchange, Zhengzhou Commodity Futures Exchange, Shanghai Futures Exchange, and Dalian Commodity Futures Exchange)¹².

On September 9, 2022, CSRC issued the updated Regulations on the **Registration and Settlement of Domestic Securities Transactions by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors**. This update included RQFIIs within the scope of applicability, signaling greater ease of foreign investment in the A-share market.

In November 2023, PBOC and SAFE revised the **Regulations on the Domestic Securities and Futures Investment Capital of Foreign Institutional Investors**, reforming the foreign exchange rules for QFIIs and RQFIIs and further harmonizing the capital rules for the various open onshore financial markets.

By the end of 2023, a total of 802 foreign institutions had been approved as QFIIs. These financial institutions—mostly foreign pension funds, sovereign wealth funds, public funds, securities companies, insurance companies, and commercial banks—now represent a major group of institutional investors in China's capital market¹³.

In July 2024, PBOC and SAFE announced the amended the **Regulations on the Domestic Securities and Futures Investment Capital of Foreign Institutional Investors**. The latest changes, taking effect in August 2024, have further improved the administration of the cross-border capital of QFIIs and RQFIIs.

3.2.2 QDII and QDLP

China's QDII program was launched in April 2006, when PBOC and other government departments issued the **Interim Measures for the Administration of Commercial Banks' Overseas Wealth Management**

¹² Source: CSRC

¹³ Source: List of QFII Holders (June 2023), CSRC

Services for Clients. In June of the same year, public funds were granted QDII license.

The QDII scheme, along with the QFII and RQFII programs, represent a major component of the two-way opening-up of China's capital market by enabling domestic financial institutions to invest overseas. As of May 2024, QDII investment quotas were granted to 189 financial institutions, comprising 41 banks, 76 securities institutions (including public funds, securities companies, and asset management subsidiaries of securities companies), 48 insurance companies, and 24 trust institutions. The cumulative quotas granted to the banking, securities, insurance, and trust firms amounted to approximately USD 167.789 billion¹⁴.

In 2013, the Qualified Domestic Limited Partner (QDLP) pilot program was launched in Shanghai, with a USD 300 million total quota approved for the first group of six major overseas hedge funds—Man Group, Winton Capital Management, Oaktree Capital Management, Citadel, Sculptor Capital (formerly Och-Ziff Capital), and Canyon Capital. Since then, several cities have obtained QDLP pilot quotas and started their own QDLP programs, paving the way for more overseas asset managers to launch and grow their business in China.

3.2.3 Stock Connect: Shanghai-Hong Kong and Shenzhen-Hong Kong

On November 17, 2014, the Shanghai-Hong Kong Stock Connect was officially launched. This was followed by the launch of the Shenzhen-Hong Kong Stock Connect on December 5, 2016. Since then, the two mutual market access schemes have been steadily expanding the list of eligible securities, significantly improving the efficiency and convenience of cross-boundary stock trading.

From January 1 to October 31, 2023, the average daily turnover of northbound trading (i.e., Shanghai Stock Connect and Shenzhen Stock Connect combined) was RMB 108.4 billion, and that of southbound trading was HKD 31.5 billion, an increase of 7% and 9% respectively from the same period the year before. Over the past 9 years, the cumulative

northbound trading amounted to RMB 111.8 trillion, resulting in a net inflow of RMB 1.8 trillion into the Mainland stock markets. The value of A-shares held by Hong Kong and overseas investors through northbound trading increased from RMB 86.5 billion to RMB 2.1 trillion. During the same period, southbound trading totaled HKD 37.3 trillion, with a cumulative net flow of HKD 2.9 trillion into the Hong Kong market. The value of Hong Kong stocks held by Mainland investors increased from HKD 13.1 billion to HKD 2.3 trillion¹⁵.

In 2023, total turnover of Northbound and Southbound Stock Connect was RMB 25.1 trillion and HKD 7.2 trillion, respectively¹⁶.

3.2.4 Opening up of the Interbank Bond Market: CIBM Direct, Bond Connect, and Swap Connect

In August 2010, the PBOC issued the *Notice on Issues Concerning the Pilot Program on Investment in the Interbank Bond Market with RMB Funds by Three Types of Institutions Including Overseas RMB Settlement Banks*, thereby permitting overseas central banks and monetary authorities, RMB settlement banks in Hong Kong and Macao, and overseas banks offering RMB settlement services for cross-border trades to access China's interbank bond market through designated settlement agent banks. This marks the official opening up of China's interbank bond market.

In February 2016, the PBOC released Announcement [2016] No. 3 (*"Matters Concerning Investment in the Interbank Bond Market by Overseas Institutional Investors"*), allowing overseas financial institutions and their financial products to invest in the interbank bond market through designated settlement agent banks. This access model is referred to as CIBM Direct and marks a new phase of the interbank bond market.

In June 2017, the PBOC issued the *Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong* to announce the rules for the Bond Connect scheme. On July 3, 2017, the Northbound Trading of the program officially commenced the pilot operation.

14 Source: QDII Investment Quota Approval Table, SAFE
16 Source: 2023 market statistics, HKEX

15 Source: HKEX

In July 2020, the PBOC and the CSRC jointly released the Announcement [2020] No. 7, approving the connectivity of infrastructures between the interbank bond market and the exchange-traded bond market. On May 27, 2022, the PBOC, CSRC, and SAFE jointly published the **Announcement on Matters Concerning Further Facilitating the Investments of Overseas Institutional Investors in China's Bond Market** ([2022] No.4). This policy makes collective arrangements for promoting the opening up of both the interbank bond market and the exchange-traded bond market, streamlines the supervision over market entry and cross-border capital flows of overseas institutional investors, and encourages eligible overseas institutional investors of China's interbank bond market to access China's exchange-traded bond market directly or through Bond Connect.

On January 20, 2022, the Shanghai Stock Exchange (SSE), the Shenzhen Stock Exchange (SZSE), the National Interbank Funding Center, the Shanghai Clearing House, and the China Securities Depository and Clearing Corporation Limited (CSDC) formulated the **Interim Measures for the Connectivity between the Interbank Bond Market and the Exchange Bond Market**, aiming at establishing a regulatory framework for the mutual market accessing services between the two bond markets.

In July 2022, the PBOC, the Securities and Futures Commission of Hong Kong (SFC), and the Hong Kong Monetary Authority (HKMA) issued a joint announcement to approve the Swap Connect, a market access scheme that connects the interest rate swap markets of Hong Kong and the Mainland.

On April 28, 2023, the PBOC issued the **Interim Measures for the Administration of Mutual Access between the Interest Rate Swap Markets of Mainland China and Hong Kong**. These measures came into effect on the same day, marking the official start of the Northbound Trading of Swap Connect.

On May 5, 2023, the PBOC, SFC, and HKMA announced that the Northbound Swap Connect would commence on May 15. Through this market

access scheme, investors from Hong Kong and foreign countries and regions may participate in Mainland's interbank interest rate swap market¹⁷. By the end of May 2024, 61 overseas institutions had participated in the scheme. In May 2024, the average daily turnover of the scheme amounted to RMB 20 billion, representing a significant increase from approximately RMB 3 billion in May 2023.

In January 2024, PBOC and SAFE released the **Announcement on Further Facilitating Bond Repurchase by Overseas Institutional Investors in the Interbank Bond Market (Draft for Comments)**. This new policy enables various types of overseas institutional investors that are already making spot trades in the interbank bond market to enter into bond repurchase transactions, thus making liquidity management easier.

According to the PBOC Shanghai Head Office, as of the end of June 2024, overseas institutions held RMB 4.31 trillion of China interbank market bonds, of which 74.5% or RMB 3.21 trillion were under the custody of China Central Depository & Clearing Co., Ltd. ("CCDC"). CCDC's data showed that, as of the end of June 2024, CIBM Direct accounted for RMB 2.41 trillion or 75.3% of the total debts held by overseas institutional and corporate investors in China's interbank market.

3.2.5 Two-Way Opening up of Public Funds

In 2015, the Mainland-Hong Kong Mutual Recognition of Funds Scheme was launched. By the end of 2023, 54 Mainland funds and 117 Hong Kong funds had been registered under the scheme¹⁸ (counted by fund share classes).

In April 2019, the China-Japan ETF Connect was launched. Currently, there are 4 ETFs listed on SSE, 1 ETF on SZSE, and 6 ETFs on Tokyo Stock Exchange.

In 2020, four ETF products were simultaneously listed on the Hong Kong Exchanges and Clearing Limited (HKEx) and the SZSE. In June 2021, one ETF product from Shanghai and another from Hong

¹⁷ Source: Xinhua Finance

¹⁸ Source: Wind

Kong were listed on HKEx and the Shanghai Stock Exchange (SSE) simultaneously.

In May 2021, SSE signed a memorandum of understanding with the Korea Exchange to facilitate discussions on a possible China-Korea ETF Connect.

In December 2021, SZSE and Singapore Exchange Limited (SGX) signed a memorandum of understanding (MOU) on a China-Singapore ETF Connect.

In February 2022, the CSRC released the ***Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges***. The policy further facilitates cross-border investment and financing, optimizes the allocation of factor resources across the world, and promotes rules-based opening up of China's capital market.

In a joint announcement in June 2022, the CSRC and SFC approved the inclusion of eligible ETFs in the Mainland-Hong Kong stock connect program. On July 4, 2022, ETFs were officially included in the Mainland-Hong Kong stock connect program. 87 ETFs were initially included under the program¹⁹. In December of the same year, ETFs from the Mainland and Hong Kong became products under the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect schemes.

In December 2022, the first China-South Korea co-compiled index product "China-South Korea Semiconductor ETF" debuted on the SSE, becoming the first of its kind in China. On July 28, 2022, the China-Switzerland Stock Connect for Global Depository Receipts (GDRs) was formally launched to further broaden the cross-border investment and financing channels between the two countries.²⁰

In May 2023, SSE and SGX signed an MOU on ETF connect.

In July 2023, to mark the first anniversary of the ETF Connect, the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect schemes incorporated 34 new ETFs. Wind data show that as of June 14, ETF

Connect featured 151 products valued at RMB 1.57 trillion.

In June 2024, CSRC sought public comments on the ***Regulations on Mainland-Hong Kong Mutual Recognition of Funds (Revised Draft for Comments)***. The proposed improvements will relax the host country sales ratio of mutually recognized funds from 50% to 80%, and allow a Hong Kong fund manager to delegate investment management functions to an overseas asset manager provided they are within the same asset management group. These measures will, to some extent, improve the enthusiasm of foreign asset managers and will fully leverage the global investment advantages of cross-border asset management groups.

3.3 Opening-up Policies for Institutions

3.3.1 Public Fund Management Companies

China has lifted the foreign ownership cap for fund management companies as of April 1, 2020.

In June 2021, CSRC granted a license to BlackRock Fund Management, Co. Ltd., marking the establishment of China's first wholly foreign-owned public fund management company. In September, BlackRock Fund Management launched its first public fund, raising about RMB 6.881 billion from more than 111,000 subscribers.

In August 2021, Fidelity International received the CSRC's approval to establish FIL Fund Management (China) Co., Ltd. ("FIL"). Neuberger Berman Fund Management (China) Co., Ltd. ("Neuberger Berman") was approved in September of the same year and has recently announced the receipt of a public fund license.

In November and December of 2022, Neuberger Berman and FIL respectively received a securities and futures business permit from the CSRC.

In November 2022, the CSRC approved the equity transfer of Manulife Teda Fund Management, allowing Manulife Investment Management to take a full stake in the joint venture. This marks the first conversion

¹⁹ Source: CHINAFUND

²⁰ Source: CSRC

of a joint venture into a wholly foreign-owned public fund management company.

In January 2023, the CSRC gave its nod to the establishment of Schroder Investment Management (China) Limited (“Schroders Fund”). In June, Schroders Fund received a securities and futures business permit from the CSRC.

In January 2023, J.P. Morgan Asset Management Holdings Inc. was approved by the CSRC to fully acquire China International Fund Management Co., Ltd. In April, the legal name of China International Fund Management Co., Ltd. was formally changed to J.P. Morgan Asset Management (China) Company Limited.

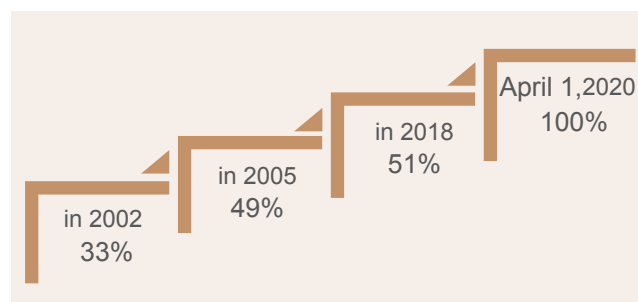
In February 2023, Morgan Stanley Investment Management received approval from the CSRC to take a full controlling stake in Morgan Stanley Huaxin Funds. In June, the legal name of Morgan Stanley Huaxin Funds was formally changed to Morgan Stanley Fund Management (China) Co., Ltd.

In March 2023, the CSRC greenlighted the establishment of AllianceBernstein Fund Management Co., Ltd., followed by the approval for Allianz Fund Management Co., Ltd. in August 2023.

In January and April 2024, AllianceBernstein Fund and Allianz Fund received the securities and futures license from the CSRC.

As at June 2024, there were nine wholly foreign-owned public fund management companies operating in China.

Figure 1: Progression of Foreign Ownership Cap for Fund Companies



3.3.2 Private Securities Fund Managers

On June 30, 2016 at CSRC’s approval, the Asset Management Association of China (“AMAC”) released the **FAQs on the Registration and Filing of Private Funds (No. 10)**, allowing foreign-invested financial institutions to set up wholly foreign-owned private securities fund managers (“WFOE PFMs”) in China.

In January 2017, FIL Investment Management (Shanghai) Co., Ltd. became the first wholly foreign-owned private securities fund manager to register in China. After that, more foreign institutions, including UBS, Fullerton, Man Group, Value Partners, Invesco, Neuberger Berman, Aberdeen Standard, BlackRock, and Schroders, completed their registration process.

In December 2017, the Ninth Economic and Financial Dialogue between the UK and China recognized the registration of Man Group, Winton Capital, Schroders, and Aberdeen Standard in China as a UK-China cooperation achievement.

In February 2019, the first wave of foreign-invested private fund managers (PFMs) became eligible to offer investment advisory services and were granted access to the interbank bond market.

In June 2019, restrictions on foreign-invested private funds’ participation in the Hong Kong Stock Connect were removed.

In September 2020, the CSRC issued the **Provisions on Issues Related to the Implementation of the Administrative Measures for Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors**. These provisions expand the investment scope of qualified foreign investors to cover eligible private funds. Moreover, a qualified foreign investor can now entrust a domestic PFM that is under its control or under common control to provide investment advisory services.

As of June 2024, 35 foreign institutions, including Bridgewater, Winton Capital, and UBS, had established foreign-owned PFMs to carry out business activities.

3.3.3 Private Equity Fund Managers

Thanks to China's increasingly accessible financial market and loosening control on foreign exchange under capital accounts, foreign capital now has much greater flexibility in choosing where and how to invest in China's equity market.

In January 2011, Shanghai officially issued the *Implementing Measures for the Pilot Program of Foreign-invested Equity Investment Enterprises in Shanghai*, marking the launch of the QFLP pilot scheme in the Mainland. This scheme offers a "fast track" for pilot foreign companies to invest in domestic enterprises. Over 30 cities and regions, including Beijing, Tianjin, Chongqing, Shenzhen, Qingdao, Guizhou, Pingtan, Zhuhai, Guangzhou, Xiamen, Suzhou, Hainan, Nanning, Nanjing, and Xiong'an New Area have since launched their own version of the scheme.

In July 2021, the SAFE announced the expansion of pilot programs to facilitate foreign exchange receipts and payments, cross-border investment in private equity investment funds, and cash-pooling services for multinational companies that integrate domestic and foreign currency management.

In February 2023, the CSRC unveiled a pilot scheme for real estate private equity funds, encouraging foreign investment through the QFLP program.

In August 2023, the State Council released the *Opinions on Further Optimizing Foreign Investment Environment and Increasing Efforts to Attract Foreign Investment*, signaling strong support from central government for the QFLP program.

As of June 2024, there were 149 WFOE private equity and venture capital fund managers operating in the Chinese market.

4. Complete RMB Price Benchmark System

4.1 Chinese Treasury Bond Yield Curves

As an important indicator of monetary and fiscal policies, and one of the important financial risk parameters, Chinese treasury bond yield curves compiled by CCDC are widely used by the Ministry of Finance (MOF), the PBOC, the State Administration of Financial Supervision and Administration, and other government departments, and displayed on their official website. The three-month ChinaBond government bond (CGB) yield is used by the IMF as a representative RMB interest rate to calculate the SDR interest rate. CCDC publishes more than 3,500 yield curves of various types, including government bond yield curves on a daily basis. This complete suite of yield curves accurately reflects the price and risk changes in the bond market and provides a pricing reference for more than RMB 170 trillion of financial assets. CGB yield curves are used by nearly 1,400 domestic and foreign institutions for pricing analysis and risk monitoring.

4.2 Benchmark Indices in China's Bond Market

ChinaBond New Composite Index, ChinaBond Treasury Bond Aggregate Index, ChinaBond Finance Bond Aggregate Index, and ChinaBond Credit Bond Index, all provided by CCDC, are the major benchmark indices reflecting the overall trend and yield of the RMB bond market. ChinaBond has the most comprehensive RMB bond index series, which consists of more than 1,500 diverse indices, including benchmark indices, theme indices, green bond indices, policy and factor indices, multi-asset indices, and custom indices. ChinaBond indices are listed on SGX, Luxembourg Stock Exchange (LuxSE), and ChongWa (Macao) Financial Asset Exchange (MOX); ETF products tracking ChinaBond indices are listed on the Taiwan Stock Exchange (TWSE), New York Stock Exchange (NYSE), and SGX. The ChinaBond index information is available globally through domestic and foreign information providers, offering a representative investment benchmark and an effective tracking target for overseas investors with exposure to the Chinese bond market.

Chapter 2 Overview of the Fund Industry in China

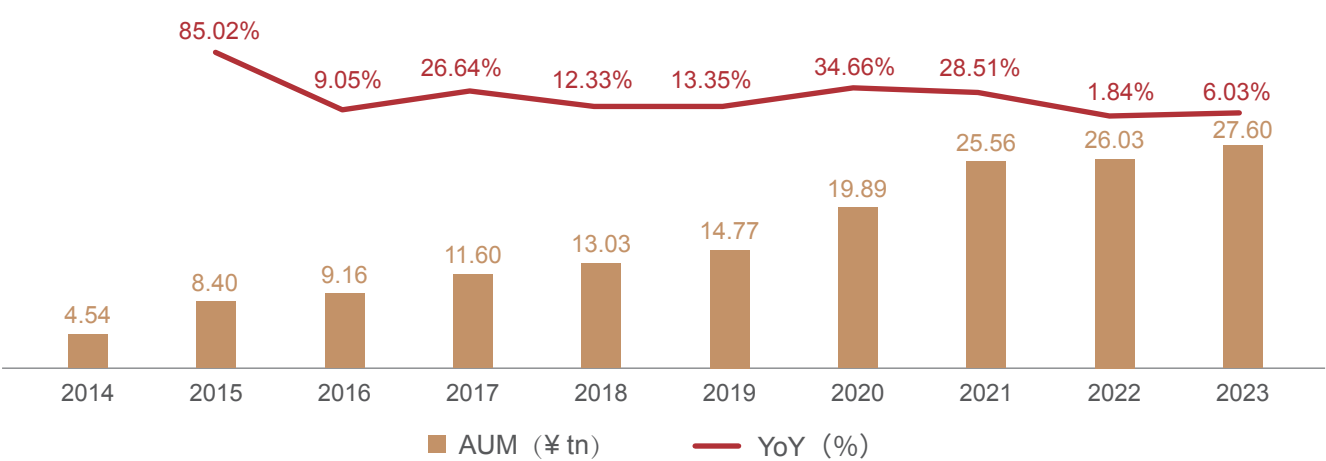
By the end of 2023, the total AUM of public fund management companies and their subsidiaries, securities companies, futures companies, and PFMs was approximately RMB 67.06 trillion²¹, comprising RMB 27.6 trillion of public funds managed by public fund companies, RMB 5.93 trillion of private funds managed by securities companies and their subsidiaries, RMB 6.21 trillion of private funds managed by fund companies and their subsidiaries, RMB 4.89 trillion of pension funds managed by fund companies, RMB 274.6 billion of private funds managed by futures companies and their subsidiaries, RMB 20.32 trillion of private funds managed by PFMs (consisting of RMB 5.51 trillion of private securities funds, RMB 14.31 trillion of private equity and venture capital funds, RMB 5.43 billion of private asset allocation funds, and RMB 485.09 billion of other types of private investment funds), and RMB 1.92 trillion of special asset-backed schemes.

1. Public Fund

1.1 Rapid Growth of AUM

At the end of December 2023, there were 145 public fund management companies (including 49 foreign-funded firms and 96 domestic-funded firms), 12 securities companies or asset management subsidiaries of securities companies with a public fund license, and 1 insurance company with a public fund license in China. These public fund management firms managed 11,528 fund products of various types. Since 2014, the AUM of public funds has grown steadily for 10 consecutive years, reaching RMB 27.60 trillion by the end of 2023²².

Figure 2: AUM Growth of Public Funds in Past 10 Years



²¹ Source: Asset Management Statistics (Q4 2023), AMAC
²² Source: AMAC

1.2 Public Fund AUM Ranking Fourth Globally and First in Asia

At the end of 2023, China remained the world's fourth-largest open-end fund market at an AUM of USD 3.35 trillion, or 4.53% of the total AUM of global mutual funds, ranking first in Asia²³.

1.3 Over 1,600 Million Fund Investment Accounts

By the end of 2023, there were 1,686 million active fund accounts (i.e., accounts that hold fund shares)²⁴.

1.4 Pivotal Role of Public Fund Management Companies with Foreign Capital

The asset management industry has always been at the forefront of the opening up of China's financial markets. The Sino-foreign equity joint venture public fund management companies have operated in China for 21 years, since the inception of the first joint venture public fund management company in 2002. They have been playing a pivotal role in the development of China's public fund market.

As of the end of 2023, 49 foreign-invested fund managers (out of China's 158 public fund managers) had a combined AUM of RMB 13.82 trillion, or 47.71% of the industry's total²⁵.

2. Private Asset Management Business of Securities and Futures Institutions

By the end of 2023, the total AUM of securities and futures institutions through private asset management services was RMB 12.41 trillion²⁶.



Table 2: AUM of Private Asset Management Business of Various Institutions

End of 2023	Number of Products	AUM (¥tn)
Asset management products of securities companies	20,146	5.93
Asset management products of fund companies	8,299	4.77
Asset management products of subsidiaries of fund companies	2,993	1.44
Asset management products of futures companies	2,117	0.27

3. Private Fund

At the end of 2023, there were 21,625 PFMs registered with AMAC, managing 153,032 private funds with a total AUM of RMB 20.32 trillion²⁶. This makes China one of the top players in the world in both the number

and AUM of private funds.

As of December 2023, Shanghai, Beijing, and Shenzhen were the top three places in terms of the registration number of PFMs—at 3,973, 3,575, and 3,400 managers respectively—together representing 50.62% of the national total. Managers in those three

²³ Source: Worldwide Regulated Open-end Fund Data, Investment Company Institute (ICI)
²⁵ Source: Wind ²⁶ Source: Asset Management Statistics (Q4 2023), AMAC

²⁴ Source: AMAC

cities were overseeing 43,696, 24,170, and 21,403 products, amounting to 58.32% of the national total; the aggregate AUM of those products were RMB 5.16 trillion, RMB 4.65 trillion, and RMB 2.15 trillion, or 58.15% of the national total.²⁷

3.1 Private Securities Funds

As of the end of 2023, there were 8,469 private securities fund managers in China managing 97,215 funds with a total AUM of RMB 5.51 trillion²⁸; As of the end of June 2024, 35 were WFOE private securities fund managers²⁹.

3.2 Private Equity Funds and Venture Capital Funds

As of the end of 2023, there were 12,893 private equity and venture capital fund managers registered with AMAC, which were managing 54,644 products with a total AUM of RMB 14.31 trillion, an increase of RMB 0.3 trillion or 2.13% from the end of 2022. Among those, there were 31,259 private equity funds with a total AUM of RMB 11.12 trillion, a change of -0.8% and +0.1%, respectively, from the end of 2022, and 23,389 venture capital funds with a total AUM of RMB 3.21 trillion, an increase of 20.85% and 10.69% from the end of 2022²⁸.



²⁷ Source: Monthly Report on Registration of Private Fund Managers and Filing of Private Fund Products (Issue 12, 2023), AMAC

²⁸ Source: Asset Management Statistics (Q4 2023), AMAC

²⁹ Source: Wind

Chapter 3 Why Shanghai

1. Unique Location

At the end of 2023, Shanghai had 16 districts with a total land area of 6,340.5 square kilometers and a permanent population of 24.87 million. Shanghai's GDP in 2023 totaled RMB 4.72 trillion, with residents' per capita disposable income reaching RMB 84,834³⁰, maintaining a lead over other provinces, municipalities, and autonomous regions.

Located in eastern China where the Yangtze River meets the Pacific Ocean, Shanghai, together with the neighboring provinces of Zhejiang, Jiangsu, and Anhui, forms the Yangtze River Delta Region. This is one of the most developed, open, and innovative regions in China. The accelerating integration of the region offers vast potential for Shanghai's asset management industry. In 2023, Shanghai, Zhejiang, Jiangsu, and Anhui achieved a total GDP of RMB 30.5 trillion, accounting for 24.2% of the national total. Among the 26 cities with GDP exceeding RMB 1 trillion, 9 are in the Yangtze River Delta. Of the top ten cities by fiscal revenue, five (Shanghai, Hangzhou, Suzhou, Ningbo, and Nanjing) are from the region. This region also leads in terms of household wealth, accounting for six of the top ten cities in the country by per-capita disposable income in 2023. The introduction of the Yangtze River Delta integration strategy has made it even easier for financial institutions to establish and expand their wealth management business from Shanghai to the whole region. According to the *Implementing Plan for the 14th Five-Year Plan for the Integrated Development of the Yangtze River Delta Region*, by 2025, the region will achieve substantial integration, such that 70% of the permanent population will live in urban areas; research and development investment

will make up 3% or more of the GDP; and the public spending will reach RMB 21,000 per capita.

2. Complete Financial Market Infrastructure

Shanghai has one of the most complete financial market infrastructures among Chinese cities. It is home to all types of national financial markets and financial infrastructures, offering a robust platform for the efficient allocation of financial assets, especially RMB-denominated assets.

In 2023, Shanghai's financial sector posted an added value of RMB 864.686 billion, a year-on-year increase of 5.2% and accounting for 19.3% of the city's GDP. Trading volume of Shanghai's financial market reached RMB 3,373.63 trillion, an increase of 15.0% over the previous year³¹. Among this, the trading volume of the Shanghai Stock Exchange (SSE) was RMB 551.54 trillion, up 11.2%; the trading volume of the Shanghai Futures Exchange and the China Financial Futures Exchange recorded RMB 187.21 trillion and RMB 133.17 trillion, respectively, up 3.3% and 0.1% year-on-year; and the trading volume of the interbank market was RMB 2,491.94 trillion, reflecting an increase of 17.9%. By the end of 2023, Shanghai ranked first among Chinese cities in terms of IPO proceeds and total market capitalization of listed companies. The price influence of a number of Shanghai-based prices—"Shanghai Gold," "Shanghai Oil," "Shanghai Copper" and more—is increasingly expanding. In addition, in 2023, SSE ranked tenth in the world by trading volume of futures and options products³², and the Global Financial Centres Index (GFCI) placed Shanghai sixth in its ranking³³.

30 Source: Statistical Communiqué of Shanghai on the 2023 National Economic and Social Development

31 Source: Statistical Communiqué of Shanghai on the 2023 National Economic and Social Development

32 Source: China Futures Association 33 Source: GFCI 35 Report

3. A World-Class Stock Exchange

Founded on November 26, 1990, the Shanghai Stock Exchange is China's first national stock exchange after the country's reform and opening-up. After more than 30 years of rapid growth, SSE now stands as the third-largest and one of the most vibrant stock exchanges in the world.

SSE has now evolved into a comprehensive securities market that encompasses stocks, bonds, funds, derivatives, and public REITs. By the end of 2023, the exchange listed 2,263 public companies with a total market capitalization of RMB 46.3 trillion, making it the fourth-largest stock exchange in the world and the largest in emerging markets. It is also the world's largest exchange-traded bond market, overseeing RMB 17.1 trillion in bond custody. The exchange also listed 684 funds, including 539 ETFs with turnover and market capitalization representing 78% and 76% of China's ETF market and ranking first and second in Asia. In the derivatives sector, trading turnover of SSE 50 ETF options and CSI 300 ETF options ranked third and fourth globally. Moreover, SSE's public REIT market has made steady progress over the past three years and is now approaching RMB 100 billion in size. Buoyed by high-quality development, SSE has become a top choice for investors seeking asset allocation and wealth management opportunities.

As a critical driver of the opening-up of China's capital market, SSE is committed to promoting mutual access between onshore and offshore markets. In November 2014, the Shanghai-Hong Kong Stock Connect scheme debuted to connect the two markets. In June 2019, the westbound trading of Shanghai-London Stock Connect and the China-Japan ETF Connect were successfully launched. In March 2022, the Shanghai-London Stock Connect was expanded to include depositary receipts and additional major European markets such as Switzerland and Germany.

4. An Open Shanghai

"Embracing diversity, pursuing excellence, and staying open-minded and humble" represents the spirit of Shanghai. Openness, innovation, and inclusiveness are the most distinctive qualities of Shanghai, which vividly reflect the development and achievement of China in the new era.

In terms of the opening-up history, few other Chinese cities can be comparable with Shanghai. Shanghai's development traces back to the Tang and Song Dynasties, when the city prospered due to maritime trade (through the Maritime Silk Road). The Yuan and Qing Dynasties witnessed the burgeoning of Shanghai, due to national strategic needs, economic interests, and its favorable geographical conditions. After its port was opened in 1843, immigrants from other provinces of China and other countries jointly contributed to the development and prosperity of the city, and thus Shanghai gradually formed a unique community of shared common interests of Chinese and foreigners. As a rare safe harbor during the turbulent times, Shanghai saw a large accumulation of population, industries, capital, technology, information, and culture. In particular, the influx of young immigrants from diverse backgrounds who were dissatisfied with the status quo contributed to Shanghai's rapid development.

Backing onto the Yangtze River and facing the Pacific Ocean, Shanghai's open mindset is fundamental to its success. High-quality opening up has always been an essential path to Shanghai's high-quality development. "Embracing diversity" is the most cherished element in Shanghai's urban spirit. Shanghai, as a stage for elites to strive together, excels in its cultural inclusiveness, economic prosperity and diversity, intellectual freedom and openness, among many other aspects.

5. Excellent Business Environment

Shanghai is one of the best places in China for financial development and has all the necessary

infrastructures for the efficient allocation of global resources. It is the first city in China to establish a financial court, a court for financial arbitration, a financial consumer protection bureau, and a financial dispute resolution center and the first to release a white paper titled **“Building a Rule-of-Law Environment for the Shanghai International Financial Center.”** It is home to the PBOC’s Credit Reference Center which has created a national basic database for business and individual credit information. The city boasts more than 500,000 financial professionals and a wide range of specialized service providers such as accounting firms, law firms, and rating agencies. Shanghai has also been adopting an ever-tougher stance against illegal financial activities. As one of the first cities to participate in the National Pilot Plan for Business Environment Innovation, Shanghai is committed to bringing constant improvements to its business environment.

In November 2023, the Standing Committee of the Shanghai Municipal People’s Congress started the second round of revision to the **Regulations of Shanghai Municipality on Optimizing the Business Environment**, aiming to strengthen the legal foundations for building an increasingly law-based, market-oriented, and international business environment. In February 2024, Shanghai unveiled the **Action Plan of Shanghai to Adhere to Benchmarking Reform and Build a World-Class Business Environment** (Action Plan 7.0). This comprehensive plan outlines 5 key initiatives and 150 specific tasks in 28 areas. The primary focus is “opening up” and aligning with the World Bank’s new standards for a “business-enabling environment.” This initiative sends a strong signal of the ongoing commitment to fostering a world-class business environment and supporting accelerated market development.

In addition, under the supervision of the CSRC Shanghai Office, the Shanghai People’s Mediation Committee for the Capital Market provides professional mediation services. The China Securities Investor Services Center, also established in Shanghai,

offers yet another safeguard for retail investors. Furthermore, in October 2020 the Shanghai Investor Protection Union was founded in Shanghai at the sponsorship of 30 organizations including the CSRC Shanghai Office, Shanghai Municipal Financial Regulatory Bureau, and the Shanghai Financial Court. There are 48 Union members as of the date of this report.

6. Full Range of Financial Institutions

Shanghai is one of the Chinese cities boasting the most complete range of financial institutions. They produce strong synergies and lay a solid foundation for the global expansion of Shanghai-based asset management institutions. By the end of 2023, Shanghai was home to 1,771 licensed financial institutions, with foreign-funded entities making up over 30% of this figure. More than 80% of the WFOE PFMs in China were located in Shanghai, representing over 95% of the market by the number of products and AUM³⁴. As of the end of June 2024, 92 prominent domestic and overseas institutional investors had participated in the QFLP pilot scheme, and 63 had joined the QDLP pilot scheme³⁵. Additionally, 29 of the 35 foreign-funded private securities investment managers registered with AMAC were based in Shanghai³⁶. Many other overseas asset managers have also chosen Shanghai as the starting location of their business in China. Furthermore, by the end of 2023, 1,843 private equity and venture capital managers were registered in Shanghai, overseeing 8,950 funds with a total AUM of RMB 2.3 trillion. This total included over 19,500 equity investment projects with principal exceeding RMB 1 trillion, making Shanghai one of the top cities nationwide by these metrics³⁷. Currently, Shanghai-based asset managers account for around a quarter of the AUM in China. Notably, Shanghai-based insurance asset managers and public funds account for more than 30% of the total AUM of such firms nationwide.

³⁴ Source: Xinhua News Agency

³⁵ Source: Shanghai Municipal Financial Regulatory Bureau

³⁶ Source: AMAC

³⁷ Source: Securities Times

7. Pioneering Financial Reform

Chinese financial authorities have released numerous policies to support financial reform and innovation in Shanghai. In August 2013, the State Council approved the establishment of the China (Shanghai) Pilot Free Trade Zone (“Shanghai FTZ”), which was inaugurated on September 29 to explore financial innovation. This was followed up by the establishment of the Lin-gang Special Area with the August 2019 release of the **General Plan for the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone** by the State Council. In February 2020, the **Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Orienting the Financial Sector to Support the Integrated Development of the Yangtze River Delta** was issued, which contains detailed measures for encouraging pioneering financial reforms in the Lin-gang Special Area. The financial asset investment companies of the Big Five banks in China (ICBC, Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of Communications) have been approved to engage in equity investment business in Shanghai, not aimed at debt-for-equity swaps. Banks’ wealth management subsidiaries have been permitted to set up Shanghai-based subsidiaries specializing in equity investment and direct investment. Overseas financial institutions have been allowed to establish and invest in pension management companies in Shanghai. Insurance asset management companies have been approved to establish specialized asset management subsidiaries in Shanghai.

In July 2021, the CPC Central Committee and the State Council jointly issued the **Guidelines on Supporting the High-Level Reform and Opening Up of the Pudong New Area and Building It into a Pioneer Area for Socialist Modernization**. The Guidelines call for strengthening financial infrastructures and institutional frameworks. They support the Pudong New Area in developing the offshore RMB market, offering cross-border trade settlement and overseas financing services, building a trading platform for international financial assets, and enhancing China’s influence in the pricing of key

commodities. In January 2024, the General Office of the CPC Central Committee and the General Office of the State Council released the **Implementation Plan for the Pilot Comprehensive Reform of Pudong New Area (2023-2027)**. This plan proposes to grant the Area greater autonomy in key areas and critical aspects of reform, and encourages higher-level reform and opening up.

In July 2022, the CBIRC and the Shanghai Municipal Government announced the **Working Plan for Building a Leading Zone for Science and Technology Insurance Innovation in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone**. The plan aims to provide insurance support for key industries, to promote the opening-up of the science and technology insurance market, and to encourage the mutual empowerment of insurance and technology. In June 2023, the reinsurance “International Board” was officially launched in Shanghai, marking the arrival of “two-way opening” for China’s reinsurance market.

In September 2022, six government authorities, including the Shanghai Municipal Financial Regulatory Bureau, jointly issued the **Several Opinions on Supporting the Shanghai Equity Exchange to Pilot the Transfer of Private Equity and Venture Capital Shares**. The goal is to expand the transfer and exit channels for private equity and venture capital shares and to facilitate the circulation of financial and business capital.

In November 2022, the PBOC, along with seven other departments, issued the **General Plan for Building Technology-Driven Financial Reform Pilot Zones in Shanghai, Nanjing, Hangzhou, Hefei, and Jiaxing**, establishing a framework for the reform in the Yangtze River Delta. This was followed by the **Implementation Plan for the Construction of Technology-Driven Financial Reform Pilot Zone in Shanghai** in September 2023, which will accelerate the development of an accessible, multi-faceted, full-coverage, and sustainable service system for technology-driven finance in Shanghai.

In April 2023, the first wave of registration-track companies started trading on the SSE Main Board,

marking the full implementation of the registration-based IPO system in China. The system provides robust institutional support for capital market reforms.

Regarding green finance, notable progress has been made since August 2021 when the **14th Five-Year Plan for the Building of Shanghai International Financial Center** envisioned an “international green financial hub” as one of the “two hubs” to be developed. In line with this plan, the **Implementation Opinions on Shanghai Accelerating to Build an International Green Financial Hub to Serve the Carbon Peak and Carbon Neutrality Goals** was published in October 2021. The document outlines 24 measures across seven areas, aiming to provide critical financial support for a green, low-carbon, and circular economy. On July 1, 2022, the **Several Provisions on the Development of Green Finance in Pudong New Area of Shanghai** was formally implemented, marking the first attempt to utilize financial regulations for the Pudong New Area to execute a unified national strategy. This represents an important practice of attaining to the carbon peak and carbon neutrality goals through legislation.

December 2023 saw the release of the **Shanghai Transition Finance Catalog (Trial)**. Designed to synergize transition finance and green finance, the Catalog lists six major industries to be supported as part of the transition finance program, aiming to tunnel high-quality financial resources into green and low-carbon transition projects. In January 2024, the Shanghai Green Finance Service Platform was launched with five key functions—green information services, green finance supply, green industry identification, green project services, and smart analysis and early warning—to further boost the green finance sector.

Progress has also been made in cross-border data access for public funds. In May 2024, the Lin-gang New Area released China’s first scenario-based cross-border general data list, accompanied by a usage guide. Public funds are covered by the list: 11 data categories and 344 data fields are relevant to the 2 scenarios of market research and internal governance of public funds.

8. Cutting-Edge Fintech

Fintech has revolutionized how we work and live. Global networks and cutting-edge technologies such as AI provide the technical foundations for the smarter and more efficient global investment activities of the asset management industry. Shanghai is one of the most important hubs in China for fintech enterprises. It was where China’s first fintech firm, CCB Fintech, was established, in 2018. National commercial banks followed CCB’s footsteps with the establishment of fintech subsidiaries such as BOC Fintech, BOCOM Fintech, and CIB Fintech. In 2020, HSBC Fintech Services (Shanghai), the first foreign-funded fintech company, was established in the Lin-gang Special Area. Also in that year, the Shanghai Insurance Exchange launched the Insurance Exchange Chain system which applies blockchain technology to insurance transactions³⁸.

In August 2021, the **14th Five-Year Plan for the Building of Shanghai International Financial Center** was unveiled, making it clear that Shanghai would build itself into “two centers,” i.e., a global asset management center and a fintech center. At the 3rd Shanghai Fintech International Forum & 1st Yangtze River Delta Fintech Conference held in December of the same year, a number of key initiatives were launched to shape Shanghai into an international financial center. These initiatives include CSRC’s announcement to pilot fintech innovation in Shanghai’s capital market; PBOC’s publication of a group standard entitled **Specification for Credit Integration Service of Yangtze River Delta Credit Chain**; inauguration of the “Finance • Technology” industrial zone centered on the Longyang Road; establishment of the Data Industrialization Special Committee of Shanghai Fintech Industry Alliance; publication of the **Blue Book on Financial Application of Privacy-Preserving Computation** spearheaded by the Bank of Communications; and signing of agreement for Shanghai Financial Technology Equity Investment Fund (Limited Partnership). In December 2022, the 4th Shanghai International Fintech Forum was held. The event saw the unveiling of the first group of CSRC capital market fintech innovation pilot (Shanghai)

38 Source: ThePaper.cn

projects, the launch of the Shanghai training center for fintech professionals, and the signing of an industry declaration on developing Shanghai's fintech sector.

At the 5th Shanghai International Fintech Forum held in December 2023, Shanghai released the Global Fintech Center Development Index as well as the ***Shanghai Fintech Development White Paper (2022)***. Data shows that Shanghai ranked first in China and third globally in the Global Fintech Center Development Index. Shanghai is positioned among the global leaders in developing an international fintech center.

In June 2024, the Lin-gang New Area launched the Integrated Equity Investment Service Platform (International Version), marking a significant milestone in its efforts to align financial openness with technological innovation. This development will contribute to Shanghai's efforts to build a world-class international financial center.

9. A Deep Talent Pool

Shanghai has a wealth of higher education resources. In 2023, Shanghai boasted 68 colleges and universities with 572,400 enrolled students, 148,400 people with an undergraduate degree (+0.75% YoY), 58,100 with a master's degree (+5.3% YoY), and 7,600 with a Ph.D. (+0.4% YoY)³⁹.

In addition to its impressive roster of top universities, Shanghai is also reforming its talent program by implementing various financial service initiatives to attract financial institutions and professionals alike. As efforts to establish a financial talent hub are fully underway, the number of financial professionals in Shanghai hit 500,000 at the end of 2023. By 2025, Shanghai is expected to have developed a large financial talent pool with a well-balanced structure, diverse specializations, and strong expertise. A significant proportion of these people will be young, globally competitive and influential, and have international educational or professional backgrounds⁴⁰.



³⁹ Source: Shanghai Education Annual Report 2023

⁴⁰ Shanghai Municipal "14th Five-Year" Plan for the Development of Financial Professionals

Chapter 4 Overview of the Fund Industry in Shanghai

1. Public Fund

As of the end of June 2024, 76 of the 163 public fund management companies in China were based in Shanghai⁴¹, including 30 wholly foreign-owned and joint venture fund companies. Nearly 60% of all joint venture and solely-owned fund companies in China had office locations in Shanghai.

As of the end of June 2024, Shanghai-based public fund managers managed 4,724 public fund products with a total AUM of RMB 11.39 trillion. Non-money market funds contributed RMB 6.79 trillion or 59.6% of

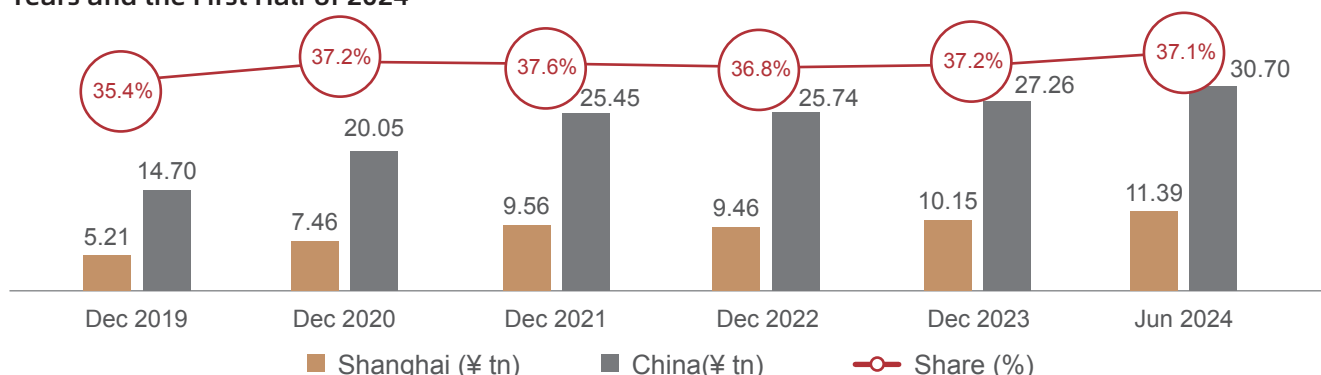
this total, higher than the industry average of 57.6%⁴².

Over the past five years, the AUM of the funds managed by Shanghai-based public fund managers has seen steady growth, with the AUM under their active management representing a considerable share of the national total. As of the end of June 2024, the AUM of the public funds, funds excluding money market funds (MMF), and equity funds managed by Shanghai-based companies accounted for 37%, 39%, and 40%, respectively, of the national total.

Table 3: Public Fund AUM by City (by regulatory jurisdiction, as of June 30, 2024)⁴³

City	AUM(¥tn)	Public Fund Products
Shanghai	11.39	4,724
Shenzhen	7.51	3,083
Beijing	6.73	2,724
Guangdong	3.30	880

Figure 3: AUM of Public Funds Managed by Fund Companies in Shanghai and China over the Past Five Years and the First Half of 2024



41 Source: List of Public Fund Management Companies (June 2024), CSRC

42 Source: AMAC, Shanghai Asset Management Association (SAMA)

43 Source: Data from SAMA and Wind, prepared by SAMA

Figure 4: AUM of Funds Excluding MMF Managed by Fund Companies in Shanghai and China over the Past Five Years and the First Half of 2024

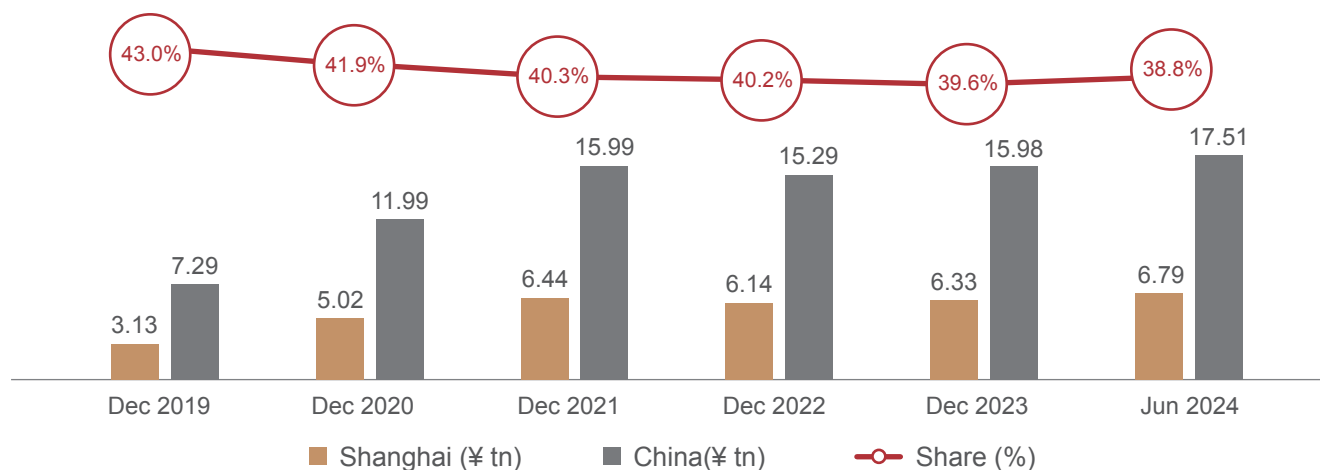
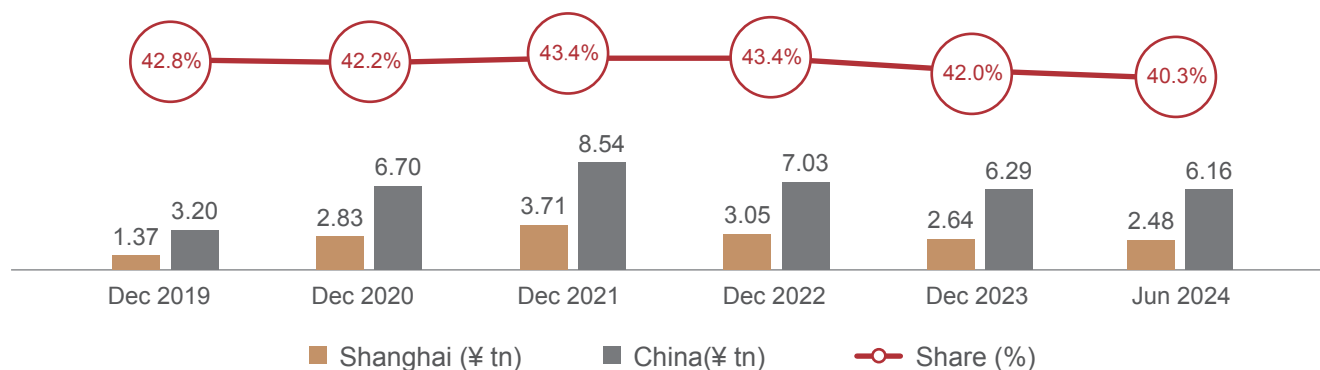


Figure 5: AUM of Equity Funds Managed by Fund Companies in Shanghai and China over the Past Five Years and the First Half of 2024



2. Private Fund

As of the end of June 2024, there were 3,842 PFMs registered in Shanghai. Together they manage 43,500 funds with a total AUM of RMB 4.92 trillion. These figures made Shanghai the first in China⁴⁴.

From 2019 to 2023, the number and AUM of funds managed by Shanghai-based PFMs continued to grow, with each representing a considerable share of the national total.

⁴⁴ Source: Monthly Reports on Registration of Private Fund Managers and Filing of Private Fund Products, AMAC

Table 4: AUM of Private Funds by City (by place of registration, as of June 30, 2024)

City	Managers	Funds	AUM (¥tn)
Shanghai	3,842	43,537	4.92
Beijing	3,393	23,662	4.57
Shenzhen	3,216	20,792	2.01

Figure 6: Number of Private Fund Managers in Shanghai and China over the Past Five Years and the First Half of 2024

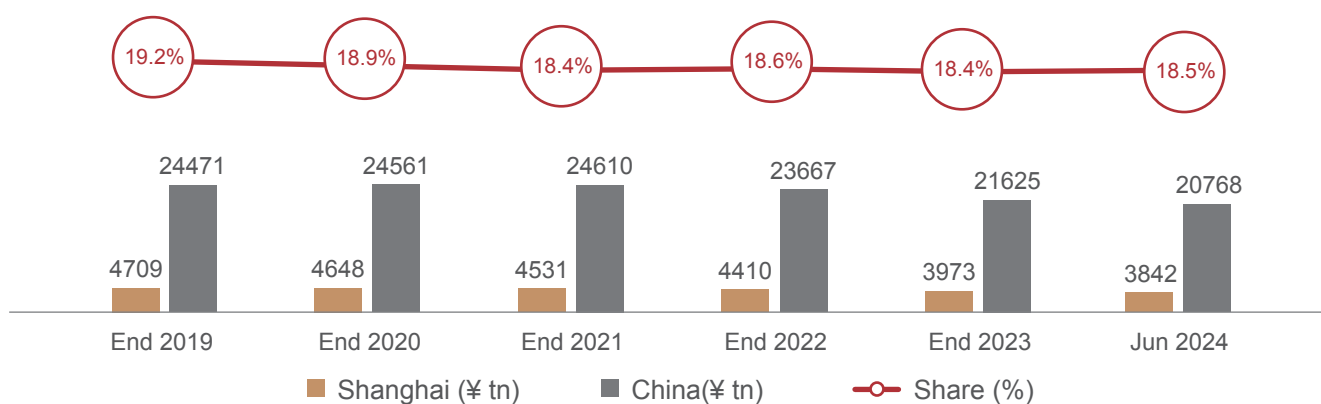


Figure 7: Number of Private Fund Managed by Fund Companies in Shanghai and China over the Past Five Years and the First Half of 2024

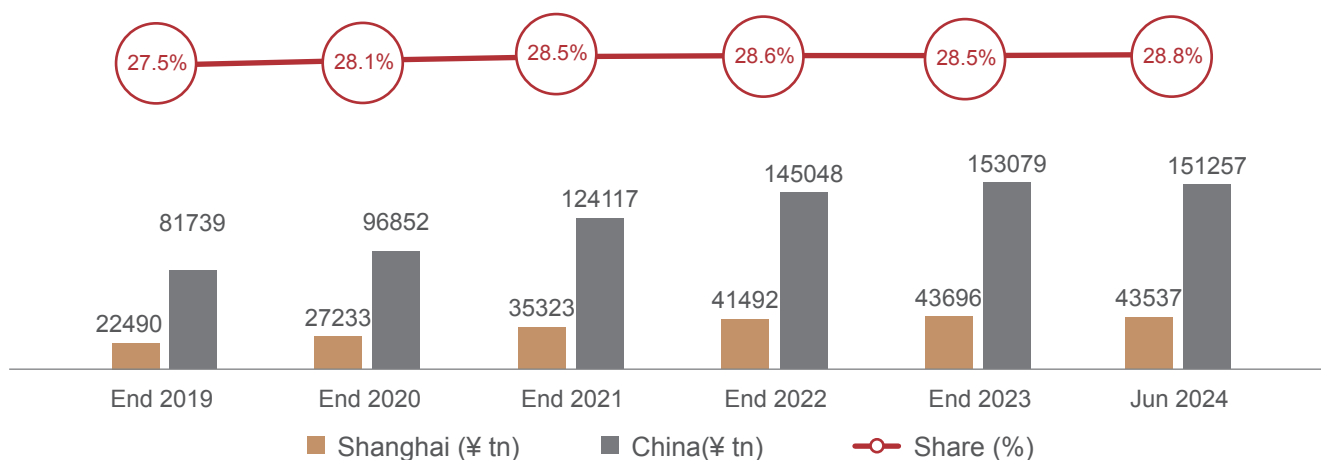
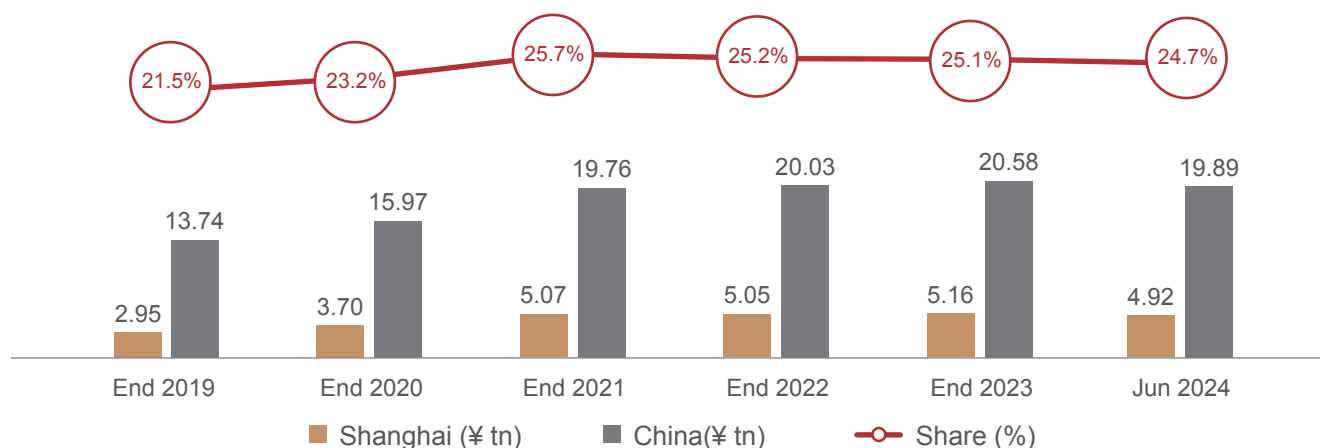


Figure 8: AUM of Private Funds Managed by Fund Companies in Shanghai and China over the Past Five Years and the First Half of 2024



Shanghai provides a financial environment conducive to the development of private funds. As of the end of June 2024, of the 96 PFMs with AUM exceeding RMB 10 trillion, 46 or 48% were registered in Shanghai⁴⁵, ranking Shanghai first in China.

3. International Asset Management Firm

Since the first introduction of the QFLP pilot scheme in 2011, the Financial Commission Office of the CPC Shanghai Municipal Committee, Shanghai Municipal Commission of Commerce, Shanghai Municipal Administration for Market Regulation, and SAFE Shanghai Branch have established a working mechanism for the scheme. On February 17, 2023, SAFE Shanghai Branch issued the ***Circular on Expanding the Scope of Certain Pilot Programs of Lin-gang Special Area for High-Standard Opening-Up of Cross-Border Trade and Investment***. The Circular expands the coverage of the pilot QFLP policy from the Lin-gang Special Area to the entire city, with the aim of further supporting cross-border investment of equity funds.

In December 2023, the General Office of the Shanghai Municipal People's Government issued

a notice outlining ***Several Measures to Further Promote the High-Quality Development of Shanghai's Equity Investment Industry***. Several measures are proposed to facilitate institutional investors—such as sovereign funds, pension funds, endowment funds, and university funds—in investing in real enterprises through the QFLP scheme. These measures include propelling the QFLP pilot program, fostering innovation, expanding investment areas and methods, and streamlining application and modification processes. After more than a decade of steady operation and continuous optimization, Shanghai's QFLP pilot scheme has achieved significant results. By the end of June 2024, a total of 92 notable domestic and international investment institutions had participated in the program, investing approximately USD 19 billion in 650 projects⁴⁶.

Participants in the QFLP scheme have focused their investments on strategic emerging fields, with nearly 60% allocated to sectors such as biopharmaceuticals, infrastructure and environmental protection, Internet and information technology, and high-end manufacturing. This focus has played a positive role in the development of innovative high-tech enterprises and fostered a virtuous circle and interaction among the financial sector, the sci-tech sector, and various industries. At the same time,

⁴⁵ Source: Wind, prepared by SAMA

⁴⁶ Source: ThePaper.cn

Shanghai proactively expanded investment methods, enabling pilot funds to invest in a range of options including preferred stocks, private placements, convertible bonds, mezzanine bonds, non-performing debts, fund of funds (FOF), and private equity secondary markets (S funds)⁴⁷.

The QDLP pilot scheme was first introduced in Shanghai in 2013. As of June 2024, nearly 63 globally renowned asset management firms—among them BlackRock, Azimut, Baillie Gifford, Oaktree Capital, Allianz, Barings, PIMCO, and Bridgewater Associates—had established their fund management companies in Shanghai and are qualified for the pilot scheme.

As overseas asset management firms gain more business development experience in the Mainland, an obvious trend has emerged. Many of these firms, having participated in the QDLP pilot scheme, are now engaging more deeply in the Mainland market by establishing PFMs, preparing to set up public fund management companies, or funding wealth management subsidiaries of Sino-foreign joint venture banks.

In 2016, overseas financial institutions were allowed to set up private securities funds through WFOEs. Wholly Foreign-owned Enterprise private fund managers or WFOE PFMs are entities established in China by overseas asset management firms to provide private securities investment services. As of June 2024, 29 of the 35 WFOE PFMs operating in China were based in Shanghai.

4. Shanghai Asset Management Association (SAMA)

Shanghai Asset Management Association (“SAMA”) was established on November 18, 2010. Rated as a 5A organization, it is a non-profit legal person sponsored and formed by fund companies in Shanghai. Under the supervision of the CSRC Shanghai office, and acts as a bridge between the Shanghai fund industry and the regulatory bodies. It also organizes a wide range of professional training and workshops, and provides an interaction and communication platform among members, with professional servicer providers to promote the high-quality development of the fund industry in Shanghai.

As of the end of June 2024, SAMA had 315 members, including 75 public fund companies, 153 PFMs (including 16 WFOE PFMs), 33 client-specific asset managers, 24 Shanghai branches of non-Shanghai-based fund companies, and 30 independent fund distribution institutions. The AUM of the public fund management company members totaled RMB 14.82 trillion, accounting for nearly 40% of the national total, while that of the PFM members amounted to around RMB 2.03 trillion, accounting for 39% of the total AUM of PFMs in Shanghai.

In 2022, SAMA was awarded the title “National Outstanding Social Organization” by the Ministry of Civil Affairs, which is one of the most authoritative honors for social organizations in China.

⁴⁷ Source: Shanghai Finance portal

Chapter 5 Laws, Regulations, and Regulatory Policies

1. Public Funds

The legal cornerstone of China's public fund industry is the **Securities Investment Fund Law of the People's Republic of China** ("Fund Law"), which was promulgated in 2004 and revised twice in 2012 and 2015. According to the Several Opinions of the State Council on **Strengthening Regulation, Preventing Risks and Promoting High-quality Development of the Capital Market** (new "Nine Articles of the State Council") issued by the State Council in April 2024, the CSRC will organize evaluation of the implementation of the Fund Law and promote the amendment and improvement of the Fund Law. The Fund Law, as the fundamental law of China's fund industry, sets a framework for the operation of fund managers and funds. In addition, relevant investment activities are also governed by the **Securities Law of the People's Republic of China** ("Securities Law") and other relevant laws and regulations.

According to the provisions of the Fund Law, CSRC will supervise and manage the activities of securities investment funds in accordance with the law, and its local branches will perform their duties in accordance with authorization; AMAC is a self-regulatory organization of the securities investment fund industry, which is subject to the instruction, supervision and management of CSRC.

As the regulator, CSRC has formulated a number of regulatory provisions within the framework of the Fund Law, the most important of which include:

(1) the **Measures for the Supervision and Administration of Managers of Publicly Offered**

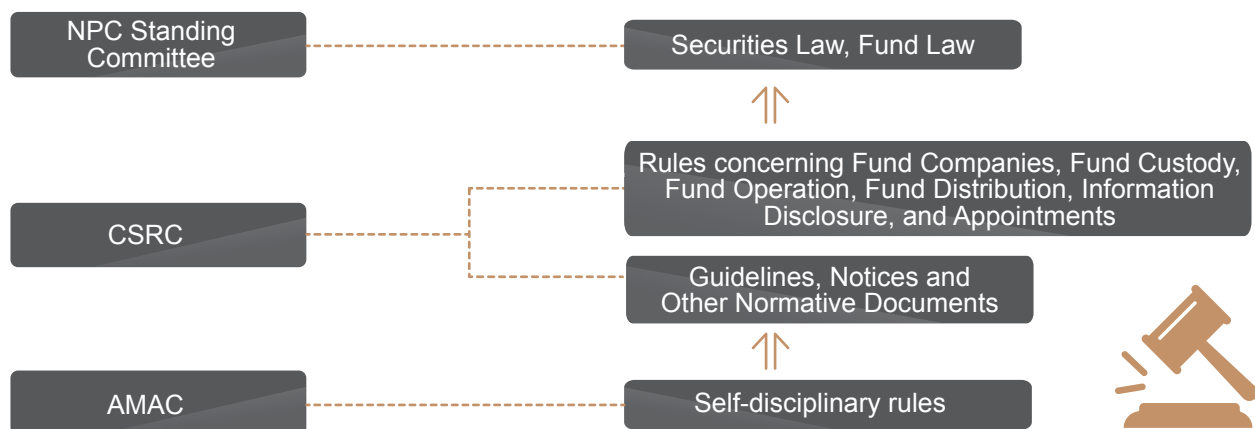
Securities Investment Funds, which regulates the establishment, change and operation and management of public fund managers; (2) the **Administrative Measures on Securities Investment Fund Custody Business**, which regulate the fund custody; (3) the **Administrative Measures on the Operation of Publicly Offered Securities Investment Funds**, which regulate the investment restrictions and operation of funds; (4) the **Measures for the Supervision and Administration of Distributors of Publicly Offered Securities Investment Funds**, which regulate the distribution of securities investment funds; (5) the **Administrative Measures on Information Disclosure of Publicly Offered Securities Investment Funds**, which regulate the information disclosure of funds; and (6) the **Measures for the Supervision and Administration of Directors, Supervisors, Senior Management Personnel and Other Practitioners of Securities and Fund Institutions**, which stipulate the qualifications and code of conduct for directors, supervisors, senior management personnel and other practitioners of public fund managers. In addition, CSRC has formulated a large number of regulatory documents to regulate the development of the fund industry. Moreover, since April 2018, the **Guiding Opinions on Regulating the Asset Management Business of Financial Institutions** and its supplementary notices have been issued in succession to guide wealth management products in transforming towards being based on net asset value, no guarantee of rigid payment, transparency in and standardization of invested assets, etc. The public fund sector has set a benchmark for the

asset management industry through its complete implementation of trust relationships, thorough protection of investors' rights and interests, and standardized and transparent product operation.

As a self-regulatory organization, AMAC formulates self-regulatory rules according to the authorization of law and the instruction of CSRC. The self-regulatory rules provide important guidance on the operation

and practice of the fund industry, covering company regulation, practitioner management, fund custody, fund distribution, fund investment, trading, fund information disclosure, fund accounting, taxation and dividends, and information technology. Fund managers are required by law to join AMAC as AMAC members and be bound by the articles of association of AMAC.

Figure 8: Legislative Framework for Public Funds



2. Private Asset Management Business of Securities and Futures Institutions

Both the *Administrative Measures on Private Asset Management Business of Securities and Futures Institutions* and the *Administrative Provisions on the Operation of Private Asset Management Schemes of Securities and Futures Institutions* (collectively, the “Asset Management Rules”), the two major regulatory documents issued by the CSRC regarding private asset management products, refer to the Fund Law as their superior law. Therefore, the Fund Law is also the fundamental law in the field of private asset management products.

CSRC and AMAC have issued, respectively, as the regulatory body and the self-regulatory organization, a large number of regulatory provisions and self-regulatory rules applicable to private asset

management products, covering broad areas such as product fundraising, compliant investment and operation, and product filing for private asset management products.

3. Private Funds

The Fund Law revised in 2012 came into force on June 1, 2013. One of the highlights of this revision is to subject the private securities funds to the applicable scope of Fund Law, which marks the official initiation of PFMs that can independently issue and manage funds. The Fund Law is also the fundamental law for private securities funds. In addition, investment activities with respect to private securities funds are also governed by the Securities Law and other relevant laws and regulations. According to the Fund Law, CSRC is the regulator

of the private securities fund industry. In June 2013, CSRC was explicitly granted with supervisory and regulatory functions over private equity funds. CSRC issued the *Interim Measures for the Supervision and Administration of Private Investment Funds* in August 2014 and the *Certain Provisions on Strengthening the Regulation of Privately Raised Investment Funds* in December 2020. In addition, the regulations formulated by CSRC for certain fields (e.g., the *Administrative Measures on Investor Suitability for Securities and Futures and the Measures for Supervision and Administration of Distributors of Publicly Offered Securities Investment Funds*) also apply to private funds.

On July 9, 2023, the State Council released the *Regulation on the Supervision and Administration of Private Investment Funds* ("Private Fund Regulation"), which officially came into force on September 1, 2023. The *Private Fund Regulation* illustrates the legal status and functional role of private funds for the first time at the level of administrative regulations of the State Council and makes the legal and regulatory system for private funds more complete. The *Private Fund Regulation* is applicable to private securities funds and private equity funds, and it also makes special provisions for venture capital funds and includes private investment funds of different organizational forms, such as contractual, corporate and partnership, in the scope of application. The *Private Fund Regulation* stipulates comprehensive provisions on aspects including but not limited to market access, business requirements, registration and filing, fundraising, investment and operation, supervision and regulation, and legal liabilities. Next, the CSRC will, in accordance with the authorization provisions of the *Private Fund Regulation*, make comprehensive improvements to the rules and regulations governing private funds. Specific efforts will include revising the *Interim Measures for the Supervision and Administration of Private Investment Funds* and introducing supporting implementation rules. The CSRC will also guide AMAC to revise its self-

disciplinary rules regarding the registration and filing, contract guidelines and information reporting in accordance with the *Private Fund Regulation* and other relevant rules of the CSRC.

According to the provisions of the Fund Law, AMAC is the self-regulatory organization of the fund industry and is subject to the instruction and supervision of CSRC. Fund managers and fund custodians are required to join AMAC and fund service providers are allowed to join AMAC. Similar to the practice in the public fund sector, AMAC, as a self-regulatory organization, formulates, updates, and implements self-regulatory rules on private investment funds in accordance with the authorization of law and CSRC and in light of market conditions. However, different from the practice in the public fund sector, according to the Fund Law, AMAC is also responsible for the registration of private investment fund managers and filing of private investment funds according to the law. In other words, AMAC's self-regulatory management of private funds is more comprehensive. In this regard, AMAC has formulated and issued many self-regulatory rules on the registration and filing, fundraising, investment operation, fund service and information disclosure, etc. regarding private investment funds, including but not limited to the *Measures for Registration and Filing of Private Investment Funds* and its supporting guidelines, the *Guidelines on the Internal Control of Private Investment Fund Managers*, the *Guidelines on Private Investment Fund Contracts*, the *Administrative Measures for the Fundraising of Private Investment Funds*, the *Administrative Measures for the Information Disclosure for Private Investment Funds*, the *Guidelines on the Implementation of Investor Suitability Management by Fundraising Institutions (For Trial Implementation)*, the *Administrative Measures on Private Investment Fund Service Business (for Trial Implementation)* and the *Guidelines for Filing of Private Investment Funds*⁴⁸, the *Guidelines for Operation of Private Securities Investment Funds*.

48 It refers to the Guidelines No. 1 for Filing of Private Investment Funds - Private Securities Investment Funds and the Guidelines No. 2 for Filing of Private Investment Funds - Private Equity and Venture Capital Funds and the Guidelines No. 3 for Filing of Private Investment Funds - Change of Manager for Private Investment Funds issued by AMAC collectively.

Chapter 6

Fund Types and Legal Framework

1. Public Funds

At present, all public funds in China are contractual (i.e., unit trust) funds based on the legal relationship of trust, under which the fund manager and the fund custodian jointly act as the trustee, and the fund unitholder is both the principal and the beneficiary.

The dual-trustee legal structure consisting of the fund manager and the fund custodian is unique to Chinese funds and rarely seen in most other countries and regions. Under this structure:

1) The functions and powers of the fund manager are as follows:

- 
- A raising funds and handling the issuance and registration of fund units according to the law
 - B handling the fund filing procedures
 - C separately managing and keeping accounts of different fund assets under management, and investing in securities
 - D determining the fund dividend distribution plan according to the fund contracts, and making dividend distribution to fund unitholders in a timely manner
 - E carrying out fund accounting and preparing fund financial accounting reports
 - F preparing interim and annual fund reports
 - G calculating and announcing the net asset value of funds, and determining the subscription and redemption prices of fund units
 - H handling information disclosure matters relating to fund assets management activities
 - I convening the fund unitholders' meeting in accordance with relevant provisions
 - J maintaining records, books, statements, and other relevant materials of fund assets management activities
 - K exercising litigation rights or taking other legal actions for the benefit of fund unitholders in the name of fund manager; and
 - L other duties prescribed by the securities regulatory authority under the State Council

2) The functions and powers of the fund custodian are as follows:

- A safekeeping fund assets
- B opening fund accounts and securities accounts of fund assets in accordance with relevant provision
- C setting up separate accounts for different fund assets under custody to ensure the integrity and independence of fund assets
- D maintaining records, books, statements, and other relevant materials of fund custody activities
- E handling settlement and clearing matters timely in accordance with the fund contracts and the investment instructions of the fund manager
- F handling information disclosure matters relating to fund custody activities
- G issuing opinions on the fund's financial and accounting reports, interim and annual fund reports
- H reviewing and examining the net asset value of the fund assets and the subscription and redemption prices of fund units calculated by the fund manager
- I convening the fund unitholders' meeting in accordance with relevant provisions
- J supervising the investment operation of the fund managers according to relevant provisions; and
- K other duties prescribed by the securities regulatory authority under the State Council



3) The fund unitholders exercise their rights through the fund unitholders' meeting. The fund unitholders' meeting has the functions and powers to:

- A decide to offer new fund units or renew the term of the fund contract
- B modify any key provisions of the fund contract or terminate the fund contract early
- C replace the fund manager or the fund custodian
- D adjust the standard of remuneration of the fund manager and the fund custodian; and
- E exercise other functions and powers provided in the fund contract

The fund unitholders' meeting may, as agreed upon in the fund contract, elect personnel to constitute a general office to exercise the following functions and powers: convening the fund unitholders' meeting, proposing the replacement of the fund manager or the fund custodian, overseeing the fund manager's investment operations and the fund custodian's

custody activities, and proposing the adjustment of the remuneration standard of the fund manager and the fund custodian.

Public funds must be issued and managed by public fund managers and be under the custody of fund custodians. According to the data released by CSRC, as of the end of May 2024, there were 65 fund custodians in total in China⁴⁹, among them are 30 securities companies, China Securities Depository and Clearing Corporation Limited (CSDC), China Securities Finance Corporation Limited, and 33 commercial banks.

Under the Fund Law, the ***Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds***, and other relevant laws and regulations, the public fund manager may appoint a qualified fund service provider to handle the units registration, accounting, valuation, and other matters for the fund, and the fund custodian may appoint fund service providers to handle the accounting, valuation, review and other

⁴⁹ Source: List of Securities Investment Fund Custodians (May 2024), CSRC

matters for the fund; however, the liabilities of the fund manager and the fund custodian under the law will not be exempted due to such appointment.

2. Private Asset Management Business of Securities and Futures Institutions

Most of the private asset management products issued by public fund management companies, securities companies, and futures companies are contractual products based on a legal relationship of trust, under which the manager and the custodian of the private asset management product jointly act as the trustee, and the unitholder is both the principal and the beneficiary. Under this structure:

1) The core functions and powers of the manager upon entrustment are: to undertake investment management, to conduct valuation and accounting as the party responsible for accounting matters, to handle unit registration, and to exercise rights of action or take other legal actions on behalf of investors.

2) The core functions and powers of the custodian upon entrustment are: to preserve the assets of the private asset management product, to carry out clearing and settlement according to the manager's investment instructions, to supervise the investment operation of the manager, and to disclose information related to the custody.

Different from public funds, a single asset management scheme (i.e., a private asset management product that is issued for a specific single investor) may, according to the asset management contract, choose not to engage a custodian for custody, provided that it has set out measures for the safety of its assets and dispute resolution mechanisms in the assets management contract.

3) The units of the asset management scheme at the same level share the same rights and risks. The unitholders of private asset management products will exercise their rights in accordance with laws, regulations, and relevant asset management contracts.

Slightly different from public funds, private asset

management products may or may not set up the unitholders' meeting mechanism. The unitholders of private asset management products without unitholders' meeting mechanism may exercise their rights in accordance with laws, regulations, and relevant asset management contracts.

As with public funds, the manager or the custodian of private asset management products may appoint service providers for the asset management product, provided that the fiduciary duties of the manager and the custodian cannot be outsourced, and the liabilities of the manager and the custodian under the law will not be exempted due to such appointment.

3. Private Funds

3.1 Types of Funds

In the Chinese market, private funds can be classified by different sets of criteria. A common classification is by the type of target investment and market, by which private funds are divided into private securities funds and private equity funds. A private securities fund mainly invests in stocks, bonds, depository receipts, asset-backed securities, futures contracts, options contracts, swaps, forwards, units of other securities investment funds, and other assets recognized by the CSRC. A private equity fund mainly invests in the equity of unlisted companies, shares of unlisted public companies, shares issued by listed companies to specific investors, shares of listed companies traded through block trading or contractual transfer, non-publicly issued or traded convertible bonds or exchangeable bonds, market-oriented and law-based debt-equity swaps, units of other equity investment funds, and other assets recognized by the CSRC.

The scale of initial paid-in capital raised for a private fund investing in a single target should not be less than RMB 20 million. For a private securities or equity fund (excluding venture capital fund), the scale of initial paid-in capital should not be less than RMB 10 million. For a venture capital fund, the initial paid-in capital at the time of filing should not be less than RMB 5 million (provided that it should be agreed

in the fund contract that the paid-in capital should be increased to be RMB 10 million within 6 months after the filing). By the form of organization, private funds can be divided into contractual private funds, corporate private funds, and partnership private funds. By investment approach, private funds can be categorized into direct investment funds, which invest directly in the target companies, and indirect investment funds (or FOFs), which mainly invest in other private funds.

3.2 Legal Structure

The legal structures of private funds vary depending on their form of organization. Specifically:

(1) Contractual funds

All types of private funds can be structured as contractual funds. In practice, the contractual structure is commonly seen in private securities funds, but seldom in private equity funds.

For contractual private securities funds, like public funds, they are all based on the legal relationship of trust, under which the fund manager and the fund custodian jointly act as the trustee, and the fund unitholder is both the principal and beneficiary. Under this structure:

- 1) The core functions and powers of the fund manager upon entrustment are: undertaking investment management, conducting valuation and accounting as the party responsible for accounting matters, handling unit registration, exercising shareholder's rights on behalf of the fund, and supervising the fund custodian.
- 2) The core functions and powers of the fund custodian upon entrustment are: preserving the fund assets, carrying out the manager's investment instructions, conducting compliance review of the investment instructions, handling funds transfers, reviewing valuation and information disclosure, and supervising the fund manager.
- 3) Each fund unit has equal rights. The fund unitholders exercise their rights through the fund unitholders' meeting. The fund unitholders' meeting

has the right to replace the manager/custodian, to adjust the remuneration of the manager and the custodian, to change the fund operating model, investment strategy or distribution mechanism, and to decide on the termination and liquidation of the fund.

The fund manager and the fund custodian of private securities funds may appoint service providers for the fund, provided that the fiduciary duties of the custodian cannot be outsourced. A fund service provider that is appointed to offer unit registration services, valuation and accounting services, or information technology system services should have been registered with the AMAC. The liabilities of the manager and the custodian under the law will not be exempted due to such appointment.

(2) Partnership funds

All types of private funds can be structured as partnership funds. Different from the contractual structure, the partnership structure (mostly the limited partnership structure) is the usual choice for private equity funds, but less so for private securities funds.

As for management model, a partnership fund may be managed by its executive partner serving the manager's duties or a manager hired by the executive partner. For this latter option, the manager must have controlling relationship or be controlled by the same controlling shareholder or actual controller with one of the executive partners. The responsibilities of the manager include looking for potential investment targets, conducting due diligence investigations, developing investment strategies, making investment decisions, and performing post-investment management. In addition to investment-related responsibilities, responsibilities related to fund management include but are not limited to raising funds and submitting periodic reports, and major event reports of the funds under its management to AMAC.

The partnership structure has tax advantages as income tax is levied on the taxable income allocated to each partner, not on the income of the partnership fund before that allocation.

(3) Corporate funds

A corporate fund is an independent legal entity established with capital contributed by investors, who will exercise rights and assume obligations and responsibilities as its shareholders in accordance with its articles of association.

As for the management model, a corporate fund may be managed by itself or by any other private fund manager engaged by it.

Corporate funds are governed by the ***Company Law of the People's Republic of China*** in their management structure. This type of fund is rare in practice for the consideration of tax because corporate income tax applies at the fund level.



Chapter 7 Application and Approval of Products and Institutions

1. Public Funds

1.1 Establishment of Public Fund Management Companies

Public fund management companies that are established upon approval by CSRC may raise funds and manage public funds. The Fund Law requires fund assets to be invested only in the following: (1) listed stocks and bonds; and (2) other securities and derivatives thereof prescribed by CSRC. Please see Section 1.3 of this Chapter for other asset management businesses public fund management companies may conduct. The following conditions should be met to establish a public fund management company:

1) Shareholders. According to the *Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds*, shareholders of public fund management companies can be divided into three types: major shareholder(s) (i.e., shareholders holding 25% of equity or more (where there is more than one such shareholder, all such shareholders should be deemed as major shareholders), or, absent of them, the largest shareholder holding 5% of equity or more), non-major shareholder(s) holding 5% of equity or more, and non-major shareholder(s) holding less than 5% of equity. Furthermore, after a public fund management company is established, the new shareholder's qualification shall be preapproved by the CSRC ahead of any change of shareholder holding 5% of equity or more (including any person meeting this criterion after receiving a transfer of 5% of equity

or more or subscribing for incremental registered capital), as well as any change of shareholder who holds less than 5% of equity but nevertheless has a significant impact on corporate governance.

The requirements on the qualifications of the sole shareholder of a wholly foreign-owned public fund management company ("WFOE FMC"), which basically combine the requirements on major shareholders, overseas shareholders and actual controllers as prescribed in the *Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds*, are as follows:

a) The major shareholder of the WFOE FMC should meet the following requirements:

(i) The shareholder itself and the institution(s) under its control shall have good credit and compliance records, good asset quality and financial position, sound corporate governance, well-established internal control system, effective risk management and control, and the ability to support the WFOE FMC in improving the latter's comprehensive competitiveness;

(ii) It is an institution that engages in the financial business or manages financial institutions according to law; it has good management performance, social reputation, and net assets of not less than RMB 200 million or its equivalent in a freely convertible currency in the last year; it has made a profit in each of the consecutive preceding 3 years; its investment in the WFOE

FMC is in line with its long-term strategy and contributes to the development of its principal business (if it is an institution that manages financial institutions, at least one of the financial institutions under its management should satisfy the requirements of this (ii) and relevant requirements of CSRC);

(iii) It has a practicable plan to improve the WFOE FMC's corporate governance and promote the WFOE FMC's long-term development and possesses the capital replenishment capacity commensurate with the WFOE FMC's business operation;

(iv) It has established a clear self-discipline mechanism to maintain the independence of WFOE FMC's business management and to prevent risk contagion and tunneling;

(v) It has formulated a rational and effective risk contingency plan for any business interruption of the WFOE FMC due to occurrence of risk events;

(vi) It has no record of material violations of laws and regulations or material negative integrity record in the preceding three years; it has not been imposed with criminal penalties for intentional criminal offenses, or it has been more than 3 years since the enforcement has been fully carried out; it is not under investigation due to suspected material violations of laws or regulations or during the rectification period;

(vii) It is not under any circumstance that may adversely affect the exercise of rights or performance of obligations as the shareholder, such as failure to conduct actual business operation for a long time, suspension of business, bankruptcy and liquidation, defective corporate governance, and dysfunctional internal control; and it is not involved in any guarantee, litigation, arbitration or other material events that may severely affect its ongoing operation;

(viii) It has a clear shareholding structure and is

able to disclose each layer of its shareholding structure up to the ultimate beneficiary owner; its shareholding structure does not involve any asset management product unless otherwise approved by CSRC; and

(ix) It has neither been subject to substantial public skepticism for any dishonesty or violation of regulations, nor through such dishonesty or violation of regulations, caused a serious negative social impact yet to be eliminated; it shall not be less than 3 years since it was held principally liable for the operational failure of any company it invested in; and it has not committed any act that damages the interests of clients, such as misappropriation of clients' assets.

b) The overseas shareholder of the WFOE FMC should meet the following requirements as well:

(i) It is a financial institution with experience in financial asset management or an institution that manages financial institutions, which is duly incorporated and lawfully exists under the laws of the country or region where it is incorporated; it has a sound internal control mechanism; it has complied with the legal provisions and regulatory requirements of jurisdiction of its incorporation regarding major regulatory indicators during the last three years;

(ii) Its domicile country or region has well-established securities laws and regulatory system, whose securities regulatory authority should have entered into a memorandum of understanding on the cooperation in securities regulation and maintain effective regulation cooperation with CSRC or such other institutions as recognized by CSRC;

(iii) It has good international reputation and operating performance; it has ranked top globally in terms of financial assets under management, revenue, profit, and market share and other

indicators during the last three years; it has maintained a high credit standing for a long time during the last three years;

(iv) Its cumulative ratio of shareholdings or of holding rights and interests (including direct or indirect holdings) comply with China's arrangement for the opening-up of the securities industry; and

(v) Other requirements prescribed under laws, administrative regulations, and by CSRC upon approval of the State Council.

c) The actual controller of the WFOE FMC should meet the following requirements.

(i) Its net assets account for not less than 50% of its paid-in capital;

(ii) Its contingent liabilities account for less than 50% of its net assets;

(iii) It is not involved in any circumstance where it cannot repay any debts falling due; and

(iv) The requirements as set out in (iii) through (ix) under a) above.

2) Capital. Public fund management companies must be established in the form of a company (instead of partnerships or any other forms) with a registered capital of not less than RMB 100 million which should be paid-in by shareholders in full with their proprietary cash from legitimate sources. Overseas shareholders are to make capital contributions in a freely convertible currency.

3) Personnel. Each public fund management company should have senior management personnel including the general manager, deputy general managers, chief financial officer, chief compliance officer, chief risk officer, and chief technology officer, as well as research,

investment, operations, distribution, and compliance personnel. In general, no fewer than 30 of the senior management personnel and aforementioned business personnel should be licensed fund practitioners.

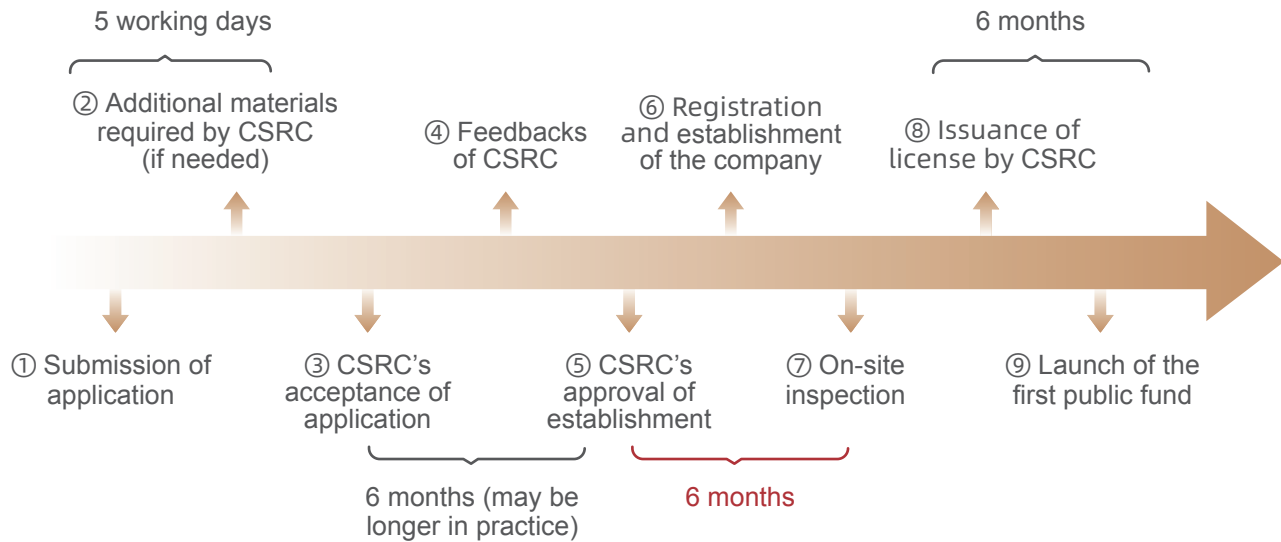
4) Software and hardware facilities. Public fund management companies must have business premises, security protection and other necessary facilities, and IT systems that are sufficient to support their operations. In general, the IT systems should cover aspects such as investment and management, distribution of funds, registration, accounting and information disclosure.

5) Application procedures. The application procedures consist of two phases—establishment application and on-site inspection.

Currently, a public fund management company is established under the “approval first, preparation later” mode. Under this mode, relevant parties need to first apply to CSRC for establishing the public fund management company, during which period they will go through the steps of acceptance of application, review of shareholders' qualifications and feedback of CSRC. During the preparation phase, which commences upon CSRC's approval of the establishment of the public fund management company, the applicant should complete the work required for carrying out public fund management business, including formulation of policies, staffing, technology systems, business premises and, facilities. After the preparations have been completed and approved by CSRC upon on-site inspection, CSRC will issue a securities and futures business license to the established public fund management company, after which the company may carry out relevant businesses.

Time required for the above procedures varies depending on such factors as the number of shareholders, the complexity of shareholders' backgrounds, and the work progress of the company's preparation team. At present, CSRC requires that public fund management companies complete the preparation work within six months after obtaining the approval for their establishment.

Figure 9 | Application Procedures for Establishment of Public Fund Management Companies



According to the ***Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds***, in addition to newly established public fund management companies, those other types of asset management organizations—such as asset management subsidiaries of securities companies and insurance asset management companies—that are qualified may also apply to the CSRC to get public fund licenses.

1.2 Registration of Funds

In accordance with the Fund Law, funds in China are subject to registration. According to the requirements of CSRC, public fund management companies are required to submit the fund contract, custody agreement, prospectus, legal opinion, and other registration application materials.

The fund registration documents include:

1) the fund contract, which is a fundamental legal document entered into by the manager, the custodian, and the fund unitholder. It is a trust contract setting out the rights and obligations of the fund manager, the custodian, and the fund unitholders. The fund contract generally includes the basic information

of the fund, the filing of the fund contract, the effectiveness of the fund contract, the investment, subscription, redemption, and valuation of the fund, the dividend distribution of the fund, modification/termination of the fund contract, liquidation of assets of the fund, rules of procedure of the unitholders' meeting, and other aspects.

2) the custody agreement, which is a bilateral agreement between the manager and the custodian setting forth such matters as mutual supervision, carrying out investment instructions, and clearing and settlement.

3) the prospectus, which is an invitation for offer independently prepared by the manager. It sets out the fund's basic information, distribution channel, and a summary of the fund contract and the custody agreement, through which investors may have a clear view of the elements and purchase method of each fund.

According to applicable laws and regulations, CSRC will decide to approve or deny the registration of the fund within 6 months of accepting the application or, where fast-track procedures apply, generally within 20 working days of accepting the application. The fund manager should conduct fundraising within six months of receiving the registration approval.

1.3 Business Licenses for Public Fund Management Companies

Public fund management companies, upon being duly established, are automatically licensed for public fund management and may concurrently apply for the license for private asset management business. In addition, where the requirements of relevant regulations on net assets, AUM, investment performance and staffing are satisfied, public fund management companies may further apply for the licenses for QDII, basic pension investment management, enterprise annuity investment management, social security fund investment management and other businesses, or issue single asset management schemes for insurance funds.

1) License for the Private Asset Management Business

At present, except for a few newly established companies, other public fund management companies have the license for private asset management business. Failing to apply for the license for private asset management business during the phase of establishment application, public fund management company needs to apply to CSRC separately after establishment.

2) License for QDII

With the QDII license, the public fund management company is entitled to raise funds within the foreign exchange quota granted by the foreign exchange administrative authority and invest in offshore markets. The QDII license is subject to the approval by CSRC.

3) License for Enterprise Annuity Investment Managers

Entrusted by enterprise annuity trustees (e.g., the pension company and enterprise annuity council), an enterprise annuity investment manager is to provide investment and management services for fund assets of enterprise annuity. This license is granted by the Ministry of Human Resources and Social Security of China after review by a panel.

4) License for Social Security Fund Investment

Managers

A social security fund investment manager, as a professional investment management institution, is to operate and manage China's social security funds pursuant to the contract. This license is granted by the National Council for Social Security Fund ("Social Security Fund Council" or "SSFC"). The SSFC reviews the qualification of investment managers in a prudent and strict manner.

5) License for Basic Pension Investment Managers

Basic pension, including the pension for enterprise employees, staff of government departments and civic institutions, and urban and rural residents, is the most important part of China's pension security. In accordance with the **Announcement on Assessment of Securities Investment Management Institutions for Basic Pension Insurance Funds** issued by the Social Security Fund Council on October 26, 2016, the basic pension investment manager should have experience in managing domestic securities investments for national social security funds or managing investments for enterprise annuity funds. Upon review by the expert assessment committee organized by SSFC, this license is granted by the SSFC.

6) Issuance of Single Asset Management Schemes for Insurance Funds

Insurance funds refer to the capital, capital surplus, undistributed profits, various reserves and other funds, denominated in RMB and foreign currencies, of insurance group (holding) companies and insurance companies. According to the **Notice of the CBIRC on the Investment of Insurance Funds in Financial Products** issued by the CBIRC in April 2022, an eligible public fund management company may, by virtue of its license for private asset management business, issue a single asset management scheme for insurance funds of insurance group (holding) companies and insurance companies.

7) Subsidiaries of Public Fund Management Companies for Engaging in Specified Businesses

After meeting certain conditions of qualifications,

the public fund management companies may establish onshore and offshore subsidiaries. The onshore subsidiaries of public fund management companies may engage in businesses related to asset management, including public fund management, private equity fund management, investment advisory, financial services for pension funds, distribution of financial products, unit registration, valuation and accounting, and other businesses recognized by CSRC. The public funds managed by them include index funds, FOFs, pension investment products, and REITs, among others. Except for REITs subsidiaries that are allowed to be established jointly with the initial equity holders of infrastructure projects, in principle, such subsidiary should be wholly owned by a public fund management company and be strictly and effectively segregated from the parent company in the line of business.

It should be noted that the subsidiary of a public fund management company must meet the requirements for a new fund management company before engaging in the public fund management business, i.e., if the public fund management company intends to establish a subsidiary for the public fund management business, the company itself must meet the requirements for major shareholders of a fund management company, and the subsidiary must meet the requirements for the personnel, hardware, policies, and other aspects of a fund management company.

The public fund management companies can establish, acquire, and hold shares of operating institutions offshore. If a public fund management company newly establishes or establish an offshore subsidiary by way of acquisition, it shall, in principle, own all shares of such offshore subsidiary. Offshore subsidiaries or operating institutions whose shares are held by the public fund management companies shall engage in securities, futures, asset management, or other financial businesses recognized by the CSRC, as well as finance-related businesses recognized by the CSRC such as intermediary introduction of financial businesses, financial information services, financial information technology system services, and providing backend support services for specific

financial businesses and products and shall not engage in businesses unrelated to finance.

8) License for the Fund Investment Adviser Business

In October 2019, CSRC started the pilot scheme of fund investment adviser business based on the principle of “pilot scheme before steady expansion”. Pilot institutions, including fund management companies and their distribution subsidiaries, may engage in fund investment advisory business by accepting the appointment of clients to provide advice on fund investment strategies of investment portfolio and receiving direct or indirect economic profits in accordance with the provisions of agreements.

2. Private Asset Management Products of Securities and Futures Institutions

2.1 Application for the License for Private Asset Management Business

Securities and futures institutions include securities companies, public fund management companies, futures companies, and their legally established subsidiaries engaging in private asset management business. To engage in the private asset management business, a securities or futures institution should meet the following requirements:

- 1) complying with laws, administrative regulations, and CSRC's rules in terms of net assets, net capital, and other financial and risk control indicators;
- 2) having a well-established corporate governance structure and sound internal control, compliance management and risk management policies;
- 3) having qualified senior management personnel and three or more investment managers;
- 4) having an investment research department with at least three full-time employees engaging in investment research;
- 5) having business premises, security protection

facilities and IT systems that comply with relevant requirements;

6) not having been subject to any administrative or criminal penalty due to a material violation of the laws and regulations in the last two years, not having been subject to any administrative supervision measures by the regulatory authority due to a material violation of the laws and regulations in the past one year, nor being subject to investigation by the regulatory authority or competent authority due to a suspected material violation of the laws and regulations; and

7) other requirements prescribed by CSRC based on the principle of prudent regulation.

If a securities company, public fund management company, or futures company establishes a subsidiary to engage in the private asset management business and causes its investment and research department to provide investment and research services for the subsidiary, it is deemed to have met the requirement in Paragraph 4).

In particular, a public fund management company or futures company that intends to engage in the private asset management business by itself, or a securities company, public fund management company or futures company that intends to establish a subsidiary to do so should apply to the CSRC for approval, while a securities company that intends to change its scope of business (by adding the private asset management business) should apply to the CSRC branch at where the securities company is domiciled for approval.

2.2 Business and Investment Operations of Private Asset Management Products

Private asset management products can only be offered to qualified investors in private. Securities and futures institutions may either establish a single asset management scheme for a single investor or a collective asset management scheme for several investors. The number of investors in a collective asset management scheme shall be no less than two and not more than two hundred, but for a qualified employee stock ownership plan, the enrolled employees are not counted as separate investors in a penetrating way. By the type of assets to invest

in, asset management schemes can be divided into fixed-income schemes, equity schemes, commodity and financial derivative schemes, and hybrid asset management schemes.

A private asset management scheme may invest in:

1) bank deposits, inter-bank deposits, and standardized credit assets, including but not limited to bonds, central bank bills, asset-backed securities, debt financing instruments for non-financial enterprises and other credit assets that are traded on a stock exchange, the inter-bank market or any other trading venue established upon approval by the State Council, can be divided into equal shares, and have reasonable fair value and a well-established liquidity mechanism;

2) listed companies' stocks, depository receipts, and other standardized equity assets recognized by CSRC;

3) futures, options contracts, and other standardized futures and derivative assets that are centrally traded and cleared on a securities or futures exchange or any other lawful trading venue;

4) public funds, as well as CSRC-recognized asset management products that are administered *mutatis mutandis* with reference to public funds;

5) non-standardized credit assets, equity assets, and futures and derivative assets other than those set out in Paragraph 1) to Paragraph 3);

6) asset management products issued by institutions regulated by the financial regulatory authority under the State Council other than those set out in Paragraph 4); and

7) other assets recognized by the CSRC.

Assets referred to in Paragraph 1) to Paragraph 4) are standardized assets, while those referred to in Paragraph 5) to Paragraph 6) are non-standardized assets.

There are differences in the scope of standardized assets and non-standardized assets in which different types of securities and futures institutions may invest. The specific differences are as follows:

Type of Institution	Investable Asset Class	Description
Securities companies and their subsidiaries engaging in the private asset management business	Assets under Paragraph 1) to Paragraph 6)	Being allowed to invest in standardized assets and non-standardized assets. However, securities companies and their subsidiaries, as well as subsidiaries controlled by the same securities company, shall not engage in horizontal competition.
Public fund management companies	Assets under 1) to Paragraph 4), and Paragraph 6)	Being allowed to invest in standardized assets only. When they invest in the products set out in Paragraph 6) (asset management products issued by other financial institutions), the underlying assets of such products should also be standardized ones.
Subsidiaries of public fund management companies engaging in the private asset management business	Assets under Paragraph 1) to Paragraph 6)	Being allowed to invest in standardized assets and non-standardized assets, but avoiding horizontal competition with the parent companies (public fund management companies) or other subsidiaries controlled by the same public fund management company.
Futures companies (that are not rated AA in Class A or above in either/both of the last two assessment cycles) and their subsidiaries	Assets under Paragraph 1) to Paragraph 4), and under Paragraph 6)	Being only allowed to invest in standardized assets. When they invest in the products set out in Paragraph 6) (asset management products issued by other financial institutions), the underlying assets of such products should also be standardized ones.
Futures companies (that are rated AA in Class A or above in the last two assessment cycles) and their subsidiaries	Assets under Paragraph 1) to Paragraph 6)	Being allowed to invest in standardized assets and non-standardized assets such as over-the-counter derivatives, etc.

2.3 Filing of Private Asset Management Products

Securities and futures institutions should, within five working days upon the establishment date of a private asset management product, submit the asset management contract, list of investors and their subscription amount, asset payment certificate and other materials to AMAC for filing.

3. Private Funds

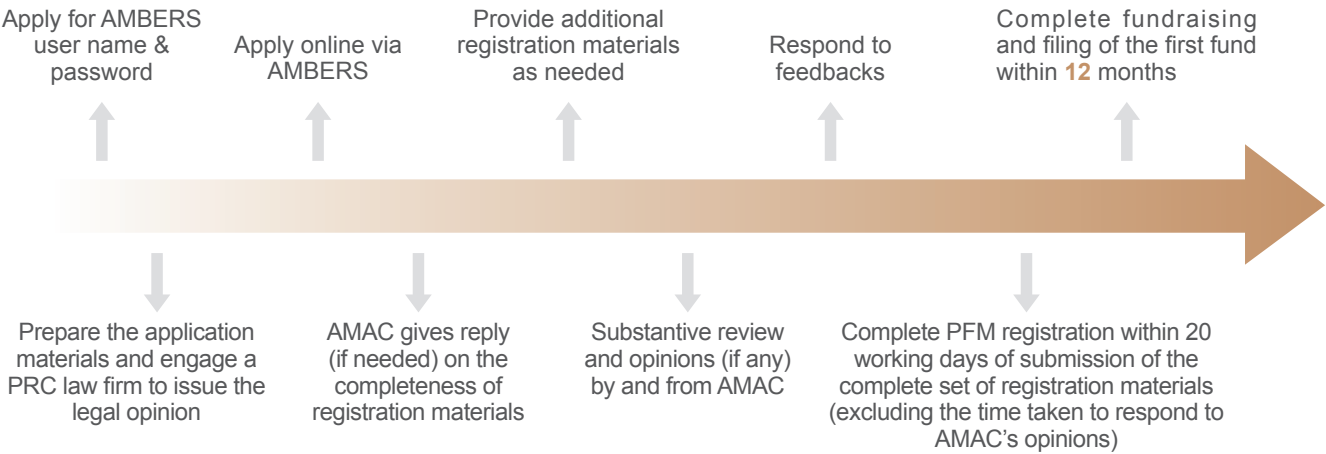
3.1 Registration as PFMs

According to the ***Measures for the Registration and Filing of Private Investment Funds***, a company or partnership should apply for registration as a private fund manager (“PFM”) within 12 months after industrial and commercial registration. It may launch

private investment funds only after completing the registration as a PFM with the AMAC. An applicant may register either as a manager of private securities fund or as a manager of private equity/venture capital fund based on the nature of its business. Subject to compliance with the rules and regulations, private securities investment fund managers may also provide investment advisory services

to asset management products as a third party. Registration with AMAC requires a legal opinion issued by a CSRC-registered law firm and the legal opinion should affirm that the applicant satisfies the registration requirements for PFM. Upon approving the application, AMAC will publish the registration status on its official website.

Figure 10: Application Procedures for Registration of PFMs



3.1.1 General Conditions for Fund Manager Registration

Laws and regulations including the Fund Law, the *Private Fund Regulation*, the *Interim Measures for the Supervision and Administration of Private Investment Funds*, and the *Measures for*

Registration and Filing of Private Investment Funds provide that AMAC is in charge of the registration of PFMs. AMAC, through its self-regulatory rules and operational guidelines, has set out various requirements for the registration of private securities fund managers, which include but are not limited to the following:

	Criteria	Specific Requirements
1)	Limit on the time interval between industrial and commercial registration and PFM registration	The company or partnership should apply for registration as a PFM within 12 months of the date of industrial and commercial registration.

2)	Minimum paid-in capital	<ul style="list-style-type: none"> ● A PFM may only make capital contribution in cash and its paid-in capital may not be less than RMB 10 million or its equivalent in another freely convertible currency; ● The registered capital and paid-in capital must meet the thresholds established by the Measures for Registration and Filing of Private Investment Funds to ensure sufficient capital for the institution's effective functioning; and ● If the paid-in capital is less than 25% of the registered capital, AMAC will provide a special warning in the published information of private fund managers.
3)	Equity Structure	<ul style="list-style-type: none"> ● The equity structure of a private fund manager should be simple, clear, and stable, avoiding excessive layers and complex arrangements. Without reasonable justification, a structure of more than two layers should not be created through special purpose vehicles. Furthermore, a private fund manager should not employ special purpose vehicles or other measures to circumvent any requirements regarding the financial status, integrity, or professional competence of its shareholders, partners, or de facto controllers.
4)	Independent and stable business premises	<ul style="list-style-type: none"> ● The PFM may not use shared office or other unreliable venues for its business premises; ● The PFM may not share its office with its shareholders, partners, actual controller, or affiliates; and ● If the business premises are leased, the remaining lease term should not be less than 12 months from the date of application for registration.
5)	Internal control	<p>The applicant for PFM registration should develop sound internal control mechanism and improve internal control measures and ensure that there are well-designed, appropriate, and effective internal control, risk control, and compliance management frameworks, which comprise without limitation firewalls, business segregation mechanisms, policies for the declaration, recording, review, and disposal of investment by practitioners, policies for ensuring fund safety and managing related-party transactions, policies for suitability of qualified investors, and contingency plans.</p>
6)	Specialization	<ul style="list-style-type: none"> ● A PFM should be committed to specialization by having well-defined primary businesses and ensuring its fund investment activities are consistent with the type of activities on record, and in general should not concurrently engage in different types of private fund management businesses either publicly or in disguise; ● A PFM should not engage in any conflicting or unrelated business either publicly or in disguise. Conflicting businesses include without limitation private lending, private financing, mini-wealth management, mini-lending, guarantee, factoring, pawning, finance leasing, internet

			<p>lending information intermediary, crowd-funding, OTC margin lending, real estate development, and trading platform operation, and other business in conflict with the management of private funds;</p> <ul style="list-style-type: none"> ● To ensure the fulfillment of the specialization requirement for PFM, a PFM must include the words “private fund,” “private fund management,” or “venture capital” in its name and, in its scope of business, words that reflect the nature of the private fund it manages, such as “private investment fund management,” “private securities investment fund management,” “private equity investment fund management,” or “venture capital fund management.”
7)	Personnel		<ul style="list-style-type: none"> ● A PFM must have at least five full-time employees before it files the registration application with AMAC, and must have a general manager, chief compliance/risk officer, and senior management personnel in charge of investment; ● All employees should have the professional ethics and competence in line with their specialties and positions.
8)	Shareholding by senior management personnel		<ul style="list-style-type: none"> ● The legal representative, executive partner or his/her appointed representative, and senior management personnel in charge of investment must each hold, directly or indirectly, a certain percentage of equity or share of asset in the PFM, and their total contributed capital must not be less than 20% of the paid-in capital of the PFM or RMB 2 million; ● This shareholding ratio requirement does not apply to (i) any PFM controlled by such financial institutions as commercial banks, securities companies, fund management companies, futures companies, trust companies, and insurance companies; or by the government or its authorized agency; or by an organization regulated by an overseas financial regulator; or (ii) any other qualified PFMs that are exempted from meeting this shareholding ratio requirement.
9)	Work experience for senior management personnel	a)	<p>Legal representative, executive partner or his appointed representative, principal persons in charge of operations and management, and senior management personnel in charge of investment</p> <ul style="list-style-type: none"> ● Private securities fund manager: Five or more years of related work experience in managing securities, fund, or futures investments that meets the requirements of Article 4 of the Guidelines No. 3 for Registration of Private Fund Managers. ● Private equity fund manager: Five or more years of work experience in managing investments in equities or related sectors that meets the requirements of Article 5 of the Guidelines No. 3 for Registration of Private Fund Managers.
		b)	<p>Chief compliance/risk officer</p> <ul style="list-style-type: none"> ● Three or more years of related work experience in an investment-related legal, accounting, auditing, supervision, or internal audit function, or in the compliance, risk control, regulation, or self-regulatory function in the asset management industry that meets the requirements of Article 6 of the Guidelines No. 3 for Registration of Private Fund Managers.

10)	Work experience for senior management personnel	c)	Senior management personnel in charge of investment	<p>They should possess the following investment performance:</p> <ul style="list-style-type: none"> Private securities fund manager: He/She should submit his/her investment performance records of at least 2 consecutive years over the past 10 years, with the AUM of a single product or account no lower than RMB 20 million on an ongoing basis. Private equity fund manager or venture capital fund manager: He/She should submit records of his/her experience in leading at least two equity investments in unlisted enterprises over the past 10 years, with a total investment of not less than RMB 30 million and successful exit from at least one of the investments through IPO, equity acquisition or equity transfer, or other qualified investment performance records.
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3.1.2 Foreign-Invested PFMs

Compared with domestic PFMs, foreign-invested PFMs are subject to certain special requirements for their cross-border and foreign-invested nature. For example, foreign-invested PFMs need to comply with the regulations of China's foreign exchange administrative authority in the use of capital and use of the RMB funds exchanged from foreign currencies.

In addition, the foreign shareholder(s) and actual controller of foreign-invested PFMs should be the financial institution(s) approved or recognized by the financial regulatory authority of the country or region of its domicile, and the securities regulatory authority of the country or region where such foreign shareholder or actual controller is incorporated should have entered into a memorandum of understanding on the cooperation in securities regulation with CSRC or other organizations recognized by CSRC. Furthermore, the foreign shareholder(s) and actual controller may not have been subject to any material penalty by the regulatory authority or judicial authority in the last three years. When trading securities or futures in China, foreign-invested PFMs, being companies incorporated in China, should make investment decisions independently and may not issue trading instructions through an overseas organization or system.

Under the authority of Article 61 of the *Private*

Fund Regulation, the CSRC will work with other departments of the State Council to develop the administrative measures for foreign-invested PFMs in accordance with the laws and administrative regulations on foreign investment and the *Private Fund Regulation*.

3.2 Filing and Operation of Private Funds

In accordance with the Fund Law, the *Private Fund Regulation*, the *Interim Measures for the Supervision and Administration of Private Investment Funds*, the *Certain Provisions on Strengthening the Regulation of Privately Raised Investment Funds*, and other laws and regulations, AMAC oversees the filing of private funds and has set out various requirements for such filing through self-regulatory rules and operational guidelines, including the *Measures for Registration and Filing of Private Investment Funds*, the *Guidelines for Filing of Private Investment Funds*, the *Relevant FAQs about Registration and Filing of Private Funds*, the *Guidelines on Naming of Privately-raised Investment Funds*. The *Guidelines for Operation of Private Securities Investment Funds* effective from August 1, 2024 set out clear requirements on the standardized operation of private

securities investment funds, covering all aspects of the fundraising, investment and operation of private securities investment funds.

The filing and operation of private investment funds is also subject to certain requirements, mainly including the following:

1) Fund type and the ratio requirement of the corresponding asset type

Private securities investment funds can be further categorized into types of equities, futures and derivatives, fixed-income, hybrid private securities investment funds, and private securities investment FOFs. An equities private securities investment fund is a fund whose investment in stocks and other equity assets is not less than 80% of the invested assets of the private securities investment fund; a futures and derivatives private securities investment fund is a fund whose notional value of positions of futures and derivatives is not less than 80% of the invested assets of the private securities investment fund, and the interests in the futures and derivatives account exceeds 20% of the invested assets of the private securities investment fund; a fixed-income private securities investment fund is a fund whose investment in deposits, bonds and other debt assets is not less than 80% of the invested assets of the private securities investment fund; a hybrid private securities investment fund is a fund whose investment in fixed-income, equities, futures and derivatives assets does not reach the standards for the aforesaid three types of funds; a private securities investment FOF is a fund whose portfolio investment in other securities investment funds is not less than 80% of the invested assets of the private securities investment FOF.

2) Naming

All private funds, whether having a contractual, partnership, or corporate structure, must comply with the requirements of the ***Guidelines on the Naming of Private Investment Funds*** and the Guidelines for Filing of Private Investment Funds. For example, the name of a private fund may not indicate or imply zero

loss or a minimum guaranteed return on investment, nor contain words such as “asset management scheme,” “trust plan,” “segregated account,” or “wealth management product” which are identical or similar to those asset management products of financial institutions. The name should additionally feature the wording of the type of the private fund business. Without approval or authorization, the name of the fund shall not use words that are the same as or similar to those of major national development strategies, financial institutions, well-known private fund managers, etc., which may mislead investors, and shall not use words that are contrary to public order and morals, or that may cause adverse social impacts in the name of the fund.

Specifically, the name of the private securities investment fund shall indicate the abbreviation of the name of the private fund manager and the words “private securities investment fund”. The name of the private equity fund shall indicate the words “equity fund”, “equity investment”, etc. If the organizational form of the private equity fund is contractual, the name shall indicate the word “private equity fund”. A venture capital fund (whether a company or a partnership) should contain the words of “venture capital fund” in its name, or the words of “engaging in venture capital activities” in its business scope.

3) Term

Each private fund should have a specific duration of business. Specifically, close-ended private securities investment funds should have a term of no less than one year; private equity funds should have a term of no less than five years, but a term of seven years or longer is encouraged.

4) Dealing Arrangement and Lock-up Period

Open-ended private securities investment funds are open for the subscription and redemption once a week at most, and each opening shall not last for more than 2 days. It shall be stipulated in the fund contract that if the total investment in the credit bonds

(excluding convertible bonds) rated AA or below and the liquidity-restricted assets exceed 20% of the net asset value of the fund, the fund shall open for subscription and redemption once a quarter at most and each opening shall not last for more than 5 days. The fund contract of the private securities investment fund shall set up a lock-up period for unitholding of no less than 3 months, or short-term redemption fee arrangement corresponding to the fund unitholding period (redemption fee charged shall be attributed to the fund assets). Where a PFM and its employees invest in the fund under its management, the lock-up period shall be no less than 6 months.

After the completion of the filing of the private equity fund, investors shall not redeem or withdraw, but the following circumstances are not categorized into the foregoing redemption or withdrawal: dividends attributable to the closed operation period of the fund, transfer of fund units, reduction of the investors' capital contribution that has not yet been paid in full, withdrawal from the investments to reduce capital, or removal, replacement or withdrawal of investors who breach the contract or fall under statutory circumstances.

5) Investment scope

A private securities investment fund mainly invests in stocks, bonds, depository receipts, asset-backed securities, futures contracts, options contracts, swap contracts, forward contracts, units of other securities investment funds, and other assets recognized by the CSRC. A private equity fund mainly invests in the equity of unlisted companies, shares of unlisted public companies, shares issued by listed companies to specific investors, shares of listed companies traded through block trading or contractual transfer, non-publicly issued or traded convertible bonds or exchangeable bonds, market-oriented and law-based debt-equity swaps, units of other equity investment funds, and other assets recognized by the CSRC.

A PFM is required to expressly state the investment scope of the private investment fund in the fund

contract. Private investment funds may not directly or indirectly engage in non-private fund investment activities, such as loans or guarantees (other than those with a term of one year or shorter to the enterprises being invested in according to the relevant contract and for the purpose of equity investment) and debt investment masqueraded as equity investment, or invest in factored assets, finance lease assets, pawned assets and other credit assets, equity or rights to income from equity, or make any other investment without limitation of liability.

6) Investment ratio

The ***Guidelines for Operation of Private Securities Investment Funds*** provide relevant provisions on the investment ratio of private securities investment funds. Except for the circumstances that can be exempted from the application as expressly provided in the ***Guidelines for Operation of Private Securities Investment Funds***, private securities investment funds shall comply with the following investment ratio restriction requirements:

① Private securities investment funds shall comply with the double 25% diversified investment requirement, i.e. investment in the same asset by a single private securities investment fund shall not exceed 25% of the net asset value of such single private securities investment fund; investment in the same asset by all the private securities investment funds managed by a private fund manager shall not exceed 25% of the same asset.

② Private securities investment funds that involve bond investments are subject to further tightened investment ratios as stipulated by the ***Guidelines for Operation of Private Securities Investment Funds*** and the double 10% investment restriction requirement is stipulated, i.e., investment in the same bond by a single private securities investment fund shall not exceed 10% of the net asset value of such single private securities investment fund; the number of the same bond invested by all the private securities

investment funds managed by a private fund manager shall not exceed 10% of the outstanding number of the same bond.

Investment by a single private securities investment fund in the bonds issued by the same issuer and its related parties in aggregate shall not exceed 25% of the net asset value of such single private securities investment fund. Total number of bonds issued by the same issuer and its related parties invested by all the private securities investment funds managed by private fund managers under the control of the same actual controller shall not exceed 25% of the outstanding number of the relevant bonds.

When a private securities investment fund conducts bond pledge-style repurchase on a negotiated basis, the aforesaid limit requirements shall apply to the concentration of a single bond pledged or accepted for pledge and the amount of repurchase transactions with a single counterparty shall not exceed 10% of the net asset value of the fund.

③ Shares issued by a single listed company held by the private securities fund managers controlled by the same actual controller (including investment with proprietary funds, the investments made by the private securities investment funds under their management or the asset management products to which they serve as investment advisors) on an aggregated basis shall not exceed 30% of the outstanding shares of such listed company.

④ If a private securities investment fund carries out over-the-counter derivatives transactions, the **Guidelines for Operation of Private Securities Investment Funds** have imposed corresponding restrictions on the net asset value of the fund, ratio of the notional principal of the contract, and the margin, etc., from the perspectives of leverage reduction and risk prevention.

⑤ The **Guidelines for Operation of Private Securities Investment Funds** have also imposed requirements for leverage ratio, i.e. the total asset of

a private securities investment fund shall not exceed 200% of the net asset value of the fund; where the total investment by a private securities investment fund in the credit bonds (excluding convertible bonds) rated AA or below and the liquidity-restricted assets exceed 20% of its net asset value, the total asset shall not exceed 120% of the net asset value of such fund.

As for private equity funds, according to the **Measures for Registration and Filing of Private Investment Funds** and the **Guidelines for Filing of Private Investment Funds**, private equity funds investing in specific assets are subject to a certain ratio restriction, for example, if the investment in convertible bonds of a regional equity market is made, the amount of the investment shall not exceed 20% of the paid-in amount of the fund.

7) Custody

Private securities investment funds shall be held in custody by the fund custodian. As for private equity funds, private equity funds are to arrange for a fund custodian in those scenarios where their complex transaction structure is likely to create financial disputes. Examples of such scenarios include contractual private equity funds (except for those that can formulate policies and measures such as setting up a day-to-day organ for the general meeting of unitholders that can effectively perform the duty of safekeeping the fund assets in accordance with the fund contract), private equity investment funds indirectly investing in underlying assets through a special-purpose vehicle, such as another company or partnership.

8) Investors

A private fund can only raise funds from qualified investors.

Qualified investors of private funds shall mean entities and individuals that possess the corresponding risk identification ability and risk assumption ability, whose investment in a single private fund is not less than

RMB 1 million, and that comply with the following relevant standards: (1) an entity with net assets of not less than RMB 10 million; (2) an individual with financial assets of not less than RMB 3 million or whose average income for the past three years is not less than RMB 500,000. Financial assets shall include bank deposits, stocks, bonds, fund units, asset management schemes, wealth management products of banks, trust plans, insurance products, futures interest, etc.

9) Filing timeline

A PFM should file its private fund with AMAC within 20 working days upon completion of fundraising. The PFM is to provide documents and information required for the filing of the private fund and warrant their authenticity, accuracy, and completeness. If the filing materials are complete and conformant, AMAC will complete the filing procedures within 20 working days from receipt of the complete set of filing materials, and will publish the basic information about the filed private fund on its official website.

A newly registered PFM must file its first independently issued private fund product within 12 months of its registration.

10) Scale of Initial Fundraising Amount of the Fund

With the effectiveness of the **Measures for Registration and Filing of Private Investment Funds**, a private securities fund or private equity fund must have an initial paid-in capital of not less than RMB 10 million. Notably, the initial paid-in capital of a venture capital fund can and should be no less than RMB 5 million at time of filing, with the provisions in the fund contract requiring the paid-in capital amount to reach at least RMB 10 million within 6 months of filing. Any private fund that invests in a single asset class should raise no less than RMB 20 million in the initial offering.

11) AUM requirement

The **Guidelines for Operation of Private**

Securities Investment Funds have stipulated relevant provisions on the AUM of private securities investment funds. If the average daily net asset value of the private securities investment fund in the previous year is less than 10 million yuan, the private fund manager shall make relevant disclosure to investors within 5 working days. If the average daily net asset value of the private securities investment fund in the previous year is less than 5 million yuan, or the net asset value of the fund in the previous year is less than 5 million yuan for 60 consecutive trading days, the fund manager shall make relevant disclosure to investors and suspend the subscription of the fund within 5 working days; and if the net asset value of the fund is less than 5 million yuan for 120 consecutive trading days after the subscription of the fund is suspended, the fund will be forced to enter into liquidation procedures.

3.3 Provision of Investment Advice by Private Securities Fund Managers

Private securities fund managers that meet all of the following conditions may provide investment advisory services for the private asset management products of securities and futures business organizations (including securities companies, public fund management companies, futures companies, and their respective subsidiaries):

- 1) being a member of AMAC that has been registered with AMAC for one year or more without any record of material violations of laws and regulations; and
- 2) having not less than 3 investment management personnel, each of whom should have more than 3 years' continuous and traceable performance record in securities and futures investment management and without negative practice record.

4. Cross-Border Investment Pilot Schemes

4.1 QFLP Pilot Scheme

The pilot scheme of Qualified Foreign Limited Partners (“QFLP Pilot Scheme”) allows qualified foreign investors to participate in the establishment of domestic equity investment enterprises within the regions implementing the QFLP Pilot Scheme. The QFLP Pilot Scheme was first launched in Shanghai in 2011, providing foreign investors with an opportunity to set up enterprises of equity investment in Shanghai alone or jointly with other investors. Since then, many other regions in China have introduced their own frameworks for the QFLP Pilot Schemes. The Shanghai Municipal People’s Government has set up a joint conference for the QFLP Pilot Scheme (“Joint Conference”) at the municipal level as a deliberative coordination mechanism, led by the Financial Commission Office of the CPC Shanghai Municipal Committee, to review and approve applications for participating in the QFLP Pilot Scheme.

If a management enterprise under the QFLP Pilot Scheme (i.e., QFLP fund manager) is required to apply to AMAC for registration as a PFM and to complete filing for private funds, it should register with AMAC as a PFM and be subject to the regulations of CSRC and the self-regulatory rules of AMAC. An enterprise under the QFLP Pilot Scheme (i.e., QFLP fund) should be filed with AMAC and be subject to the rules of the private fund regulatory authority and the self-regulatory rules of AMAC.

To become a management enterprise under the Shanghai QFLP Pilot Scheme, the following conditions must be met:

- 1) The name of the management enterprise should meet the requirements of the competent national authorities;
- 2) The management enterprise should have at least one investor, and the business scope of the investor or its affiliates should be related to equity investment or equity investment management business;
- 3) When applying for establishment as a management enterprise, there should be at least two senior

management personnel who meet all of the following requirements:

- i) having at least five years of experience in equity investment or equity investment management business;
- ii) having served as senior management personnel for at least two years;
- iii) having the experience of engaging in equity investment in the Chinese market or working experience in a financial institution in China; and
- iv) having not been involved in any violations of regulations or pending lawsuits regarding economic disputes during the last five years and having a good integrity record.

The term “senior management personnel” means a manager at or above the level of deputy general manager or an equivalent role.

To become a QFLP fund under the Shanghai QFLP Pilot Scheme, the QFLP fund is required to meet the following conditions:

- 1) The name of the QFLP fund should meet the requirements of the competent national authorities;
- 2) Each partner should make a capital contribution in its own name, and each limited partner except for general partner should make a capital contribution of not less than USD 1 million.
- 3) The qualified foreign investors of the QFLP fund should mainly include foreign sovereign funds, pension funds, endowment funds, charitable funds, funds of funds (FOFs), insurance companies, banks, securities companies, and other foreign institutional investors recognized by the Joint Conference, and meet all of the following conditions:
 - i) having its proprietary assets or AUM meet certain thresholds during the financial year preceding the applicant’s application;
 - ii) possessing a sound governance structure

and internal control system and having not been sanctioned by judiciary authorities or relevant regulators during the last two years;

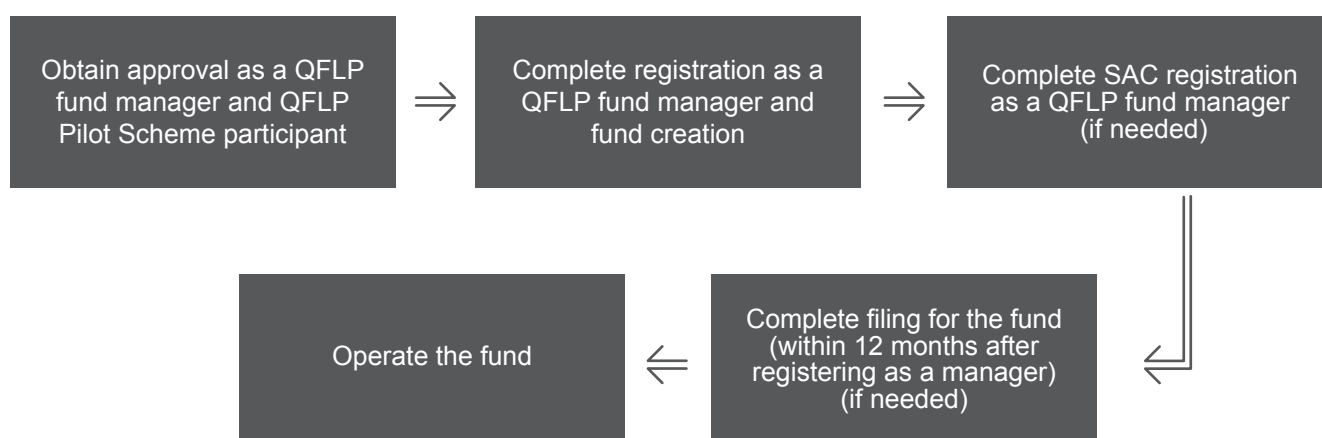
iii) itself or any of its affiliated entities having at least five years of relevant investment experience; and

iv) meeting other conditions required by the Joint

Conference.

4) The QFLP fund should appoint a qualified bank in China as its custodian, and the custodian bank of the QFLP fund should file its custody policies with the relevant authorities.

Figure 11: Application and Registration Procedures for QFLP Fund Manager (Management Enterprise under the QFLP Pilot Scheme)



On February 17, 2023, SAFE Shanghai Branch issued the ***Circular on Expanding the Scope of Certain Pilot Programs of Lin-gang Special Area for High-Standard Opening-Up of Cross-Border Trade and Investment***. The Circular expands the foreign exchange policies of QFLPs from Lin-gang Special Area to the entire city. The ***Instructions on Foreign Exchange Administration of Shanghai Qualified Foreign Limited Partners (QFLP)*** were released at the same time. Under the two documents, (i) the investment scope of QFLPs' funds raised overseas has been broadened. QFLPs are now allowed to invest in a variety of equity and debt assets in the Mainland, including the equity of unlisted companies, privately issued or traded common stocks of listed companies (including those from block trading and contractual transfer), preferred stocks convertible to common stocks and convertible bonds, and the right to participate in the rights issue of a

listed company as an original shareholder. However, investment activities specified in the negative list, investment in real estate companies, and investment in local government financing platforms are excluded; (ii) the foreign exchange quota management and foreign currency registration of QFLP funds have been optimized. In particular, a QFLP manager may freely allocate the foreign exchange quota among the QFLP funds under its management. The requirements for registration of foreign-currency re-investment with proceeds from QFLP businesses and for registration of cash contributions are cancelled. The requirement for a QFLP fund to open a "settled-to-be-paid" account has been cancelled; and (iii) QFLP funds have been permitted to take additional organizational forms. In addition to the original partnership structure, QFLP funds can now adopt a corporate or contractual structure.

On December 29, 2023, the General Office of

Shanghai Municipal People's Government issued a notice on ***Several Measures for Further Promoting the High-Quality Development of Equity Investment Industry in Shanghai***, which proposed to deepen the QFLP Pilot Scheme. The managers participating in the QFLP Pilot Scheme are encouraged to register with the AMAC, provided that one of their controlling shareholder, actual controller or general partner meets the conditions such as having five-year experience in operation, management, or engaging in asset management, investment and related industries. To promote innovation in the QFLP Pilot Scheme, expand investment areas and investment methods, optimize procedures of application and change of Pilot Scheme, and facilitate institutional investors such as sovereign funds, pension funds, endowment funds and university foundations to invest in brick-and-mortar enterprises via the QFLP Pilot Scheme.

4.2 QDLP Pilot Scheme

The QDLP pilot scheme policy, introduced in Shanghai in 2012, allows qualified overseas asset management firms to apply to the Shanghai QDLP pilot joint conference for recognition as a QDLP pilot

scheme participant. A management enterprise under the QDLP Pilot Scheme (i.e., QDLP fund manager) is required to register with AMAC as a PFM, and an enterprise under the QDLP Pilot Scheme (i.e., QDLP fund) is required to file with AMAC and comply with regulatory requirements on private funds.

Currently, QDLP funds that have obtained the QDLP pilot qualification mainly adopt the feeder fund structure and directly invest in funds established by overseas asset management firms outside China. Overseas funds, covering public funds, private hedge funds, and private equity funds, are flexible and diversified in type.

Notably, in May 2022 the Shanghai Municipal Financial Regulatory Bureau and other relevant departments approved AZ Investment Management as a participant of the QDLP Pilot Scheme, making it the first registered WFOE PFM being approved for QDLP businesses under the “two-in-one” model. AZ Investment Management completed filing for the first QDLP fund on March 14, 2023. Up till now, apart from AZ, Bridgewater and Winton have also adopted the “two-in-one” model.

Chapter 8 Fund Service Providers

1. Fund Operation Service Providers

Pursuant to the **Fund Law**, institutions providing the distribution, distribution-related payment, unit registration, valuation, investment advisory, rating, IT system and other fund services for public funds should be subject to registration or filing in compliance with the requirements of CSRC.

According to the **Fund Law** and the applicable self-regulatory rules of AMAC, a service provider for private funds is subject to the self-regulatory rules of AMAC and should register its type of services with the AMAC. As of June 2024, 45 private fund operation (including valuation, accounting and unit registration) service providers⁵⁰ had registered with AMAC, including 8 banks, 8 public fund management companies, 22 securities companies, 6 independent service providers, and 1 IT service provider.

2. Securities and Futures Brokers

Fund managers may engage in trading securities and futures listed on an exchange via brokerage services provided by securities and futures business organizations. To be specific, securities should be traded via securities companies and futures should be traded via futures companies.

Securities and futures companies providing brokerage services in China should obtain the prior approval of CSRC.

As of June 2024, 147 securities companies⁵¹ and 150 futures companies⁵² had obtained approval from CSRC for providing brokerage services.

3. IT System Service Providers

Under Article 44 of the **Administrative Measures on the Information Technology of Securities and Fund Institutions** promulgated by CSRC in December 2018, public fund management companies should select and work with IT service providers within the scope of filing with CSRC. An IT system service provider which conducts private-fund-related businesses is required to file with AMAC. As of June 2024, 4 IT system service providers had completed their filing with AMAC⁵³.

4. Accounting Firms and Law Firms

4.1 Accounting Firms

Pursuant to the updated Securities Law, since March 2020, China has canceled the administrative approval required for accounting firms to provide securities- and futures-related services. To provide such services today, an accounting firm is only required to file with the Ministry of Finance (MOF) and CSRC. During business operations, fund managers and the funds under their management are required to engage an accounting firm that has filed with MOF and CSRC to carry out capital verification, audit and other activities. In addition, during the operation of the funds, in case of change of valuation methodology or other circumstances that may have material impact on the net asset value of the fund, the fund managers should promptly seek the professional opinion from an accounting firm. If a side-pocket mechanism is implemented, the fund managers should also engage an accounting firm as required by applicable regulations to issue a special audit opinion.

⁵⁰ Source: Publicized List of Private Fund Service Institutions: Unit Registration Services and Valuation Accounting Services, AMAC

⁵¹ Source: List of Securities Companies (June 2023), CSRC

⁵² Source: Listed of Futures Companies (June 2023), CSRC

⁵³ Source: Publicized List of Private Fund Service Institutions: IT System Services, AMAC

On June 19, 2023, MOF and CSRC jointly issued the ***Provisions on Information Disclosure by Accounting Firms Providing Securities-Related Services***, which became effective on July 1.

4.2 Law Firms

For a public securities fund to be issued, the legal opinion should be issued by lawyers or a law firm⁵⁴. For private securities funds, private equity and venture capital funds to go through fund manager registration or product filing with AMAC, the legal opinion issued by lawyers or a law firm is also required. In December 2002, the Ministry of Justice and CSRC canceled the administrative approval required for lawyers and law firms to provide securities legal services⁵⁵. Any lawyer or law firm that complies with relevant provisions of the ***Administrative Measures on the Provision of Securities Legal Services by Law Firms***⁵⁶ may provide the service of issuing legal opinions to fund managers.

According to Article 9 of the ***Administrative Measures on AMAC Membership***, the self-regulatory rule of AMAC, associate members include law firms that provide professional legal services for fund business.

5. Benchmark Valuation Data Service Providers

5.1 China Central Depository & Clearing Co., Ltd.

China Central Depository & Clearing Co., Ltd. (CCDC) provides ChinaBond Yield Curve,

ChinaBond Valuation Index, ChinaBond Index, and other benchmark price indices to fully reflect price changes and risks in the RMB bond market. CCDC is a third-party benchmark valuation service provider recognized by AMAC. Of these indices, ChinaBond Valuation is used to measure 90% of the bonds held by onshore funds, and ChinaBond Index is used by 80% of onshore fund managers as the performance benchmark for fund products or the index tracked by bond index fund products. ChinaBond price indices are used as important references by more than 150 overseas institutions, including sovereign funds, when investing in China's bond market. In 2016, the Asian Development Bank (ADB) published ChinaBond Government Bond Yield on its website. In 2017, CCDC became the first Chinese member of the Index Industry Association (IIA).

5.2 China Securities Index Co., Ltd.

China Securities Index Co., Ltd. (CSI) is a financial market index provider funded by the Shanghai Stock Exchange and the Shenzhen Stock Exchange. By the end of 2023, CSI managed over 7,000 indices, covering asset classes such as stocks, bonds, commodities, and funds across 20 major countries and regions around the world, particularly Shanghai, Shenzhen, and Hong Kong. While expanding its index-related businesses, CSI has also been committed to developing bond valuation. Its valuation products now include the CSI yield curve family, CSI bond valuation, and CSI special products valuation. As China's bond market continues to grow, valuation—a crucial bond market infrastructure—has been widely used by regulators and market participants as a benchmark indicator for risk management, market pricing, and market comparison.

⁵⁴ Article 51 of the Fund Law: To register a publicly offered fund, a prospective fund manager should submit the following documents to the securities regulatory authority under the State Council: (5) a legal opinion issued by a law firm

⁵⁵ Circular on Canceling the Qualification Approval for the Provision of Securities-Related Legal Services by Lawyers and Law Firms, issued by the Ministry of Justice and CSRC on December 23, 2002

⁵⁶ Article 8 and Article 9 of the Administrative Measures on the Provision of Securities Legal Services by Law Firms

Chapter 9 Fund Offering

1. Public Fund Offerings

As of June 2024, there were more than 12,000 public funds in China. The funds are distributed either by fund companies or through sales agents such as commercial banks, securities companies, futures firms, insurance firms, insurance brokerage companies, insurance agencies, securities investment advisers, and independent fund distributors.

Currently, the distribution of public funds primarily relies on the direct distribution by fund companies and the indirect distribution by commercial banks, securities

companies, and independent fund distributors. In 2023, commercial banks and securities companies contributed 53.2% to the total amount of fund subscription/purchase, showing a consistent increase since 2017. The contribution of independent fund distributors had also grown from 3.9% in 2017 to 32.1% in 2023. On the other hand, the contribution of direct distributors fluctuated over the last decade, peaking at 84% in 2016 before declining to 14.3% in 2023.

Figure 12: Share of Fund Subscription Channels, 2014-2023 (%)

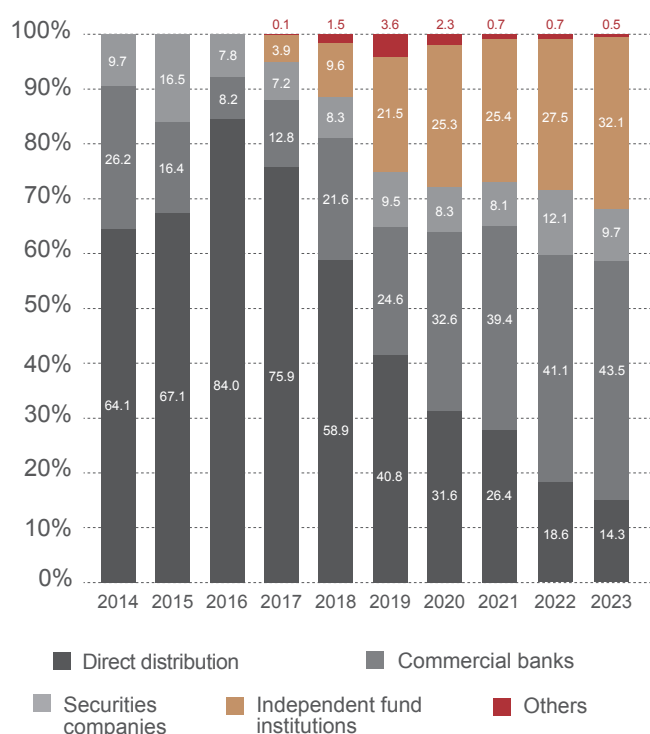
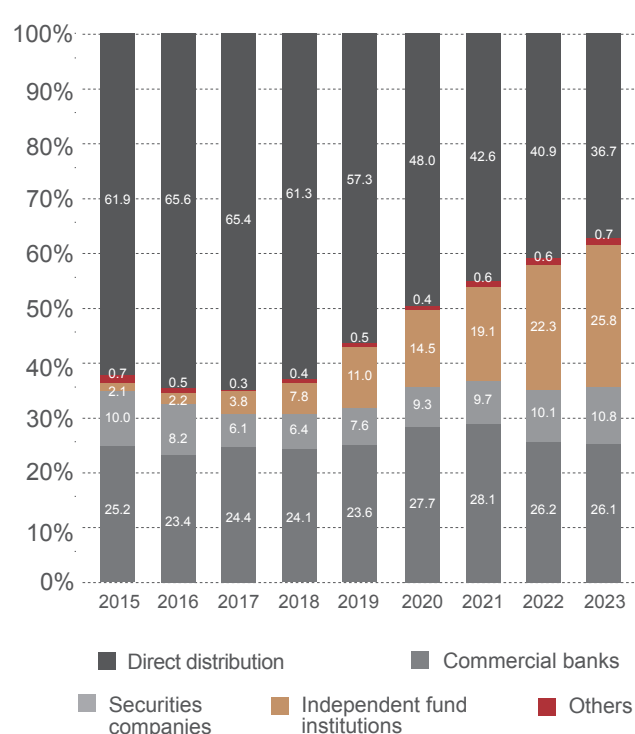


Figure 13: Breakdown of Fund Sales by Distribution Channels, 2015-2022⁵⁷ (%)



57 Source: CSRC

As of June 2024, 401 public fund distributors had been approved by CSRC, including 148 commercial banks (including foreign-owned banks incorporated in China), 98 securities companies, 106 independent fund distributors, and 49 other institutions (including insurance companies, insurance brokers, futures companies, and investment advisers)⁵⁸.

From 2015 to 2023, direct distribution channel recorded the highest fund sales, but its share had been falling since 2016 to 36.7% at the end of 2023. Sales by commercial banks and securities companies had fluctuated between 30.5% and 37.7% of the total. Independent fund distributors had seen a continuous rise in sales, reaching 25.8% at the end of 2023, up 23.6% from 2015.

In terms of holdings of funds, the proportion of public funds held by institutional investors surged to a peak in 2019 and then fell. At the end of 2023, individual investors accounted for 45.82%.

2. Private Fund Offerings

In accordance with the *Administrative Measures on the Offering of Private Investment Funds* promulgated on April 15, 2016, the offering of private funds may be carried out either by the PFM itself or by appointed institutions. According to the foregoing Administrative Measures and the *Guidelines on the Internal Control of Private Investment Fund Managers*, if private investment funds are to be offered through appointed intermediaries, the intermediaries should have obtained the fund distribution license from CSRC and become AMAC members. The *Private Fund Regulation* further requires that “a PFM shall offer private funds directly instead of through intermediaries, unless otherwise provided by the securities regulatory authority under the State Council.”

Funds are offered variously and in accordance with

different requirements based on the type of fund in question. Generally speaking, it is more common for private securities investment funds to be offered through intermediaries.

In most cases, private equity funds are directly offered by their managers to qualified investors. During this process, the managers generally directly send offering materials to target investors, directly engage the qualified investors through roadshows and other means to give presentations, and directly sign subscription documents with these investors.

China-based private investment funds pool their capital from a diverse range of contributors, including various enterprises or government entities, asset management products or investment schemes issued by various asset managers, and individual investors.

As of the end of 2023, private securities investment funds were mainly invested by individual investors, with an increase in the share of contribution from individual and corporate investors and a decrease in that of contribution from asset management schemes. Individual investors⁵⁹ accounted for 44.97% with a total investment of RMB 2.26 trillion, various asset management schemes⁶⁰ accounted for 41.87% with RMB 2.1 trillion, and corporate investors⁶¹ accounted for 12.25% with RMB 0.62 trillion.⁶²



⁵⁸ Source: AMAC

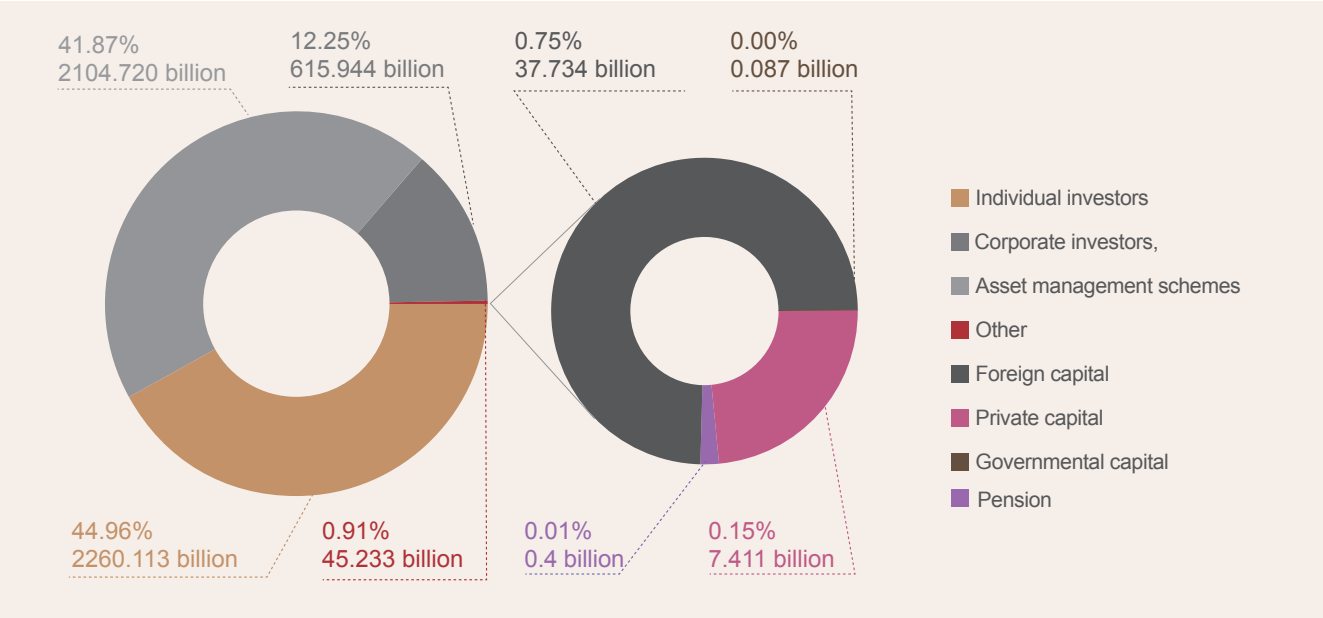
⁵⁹ Individual investors are natural persons as employees and non-employees of PFMs who make co-investment

⁶⁰ Asset management schemes include private funds, trust plans, asset management schemes of securities companies and their subsidiaries, asset management schemes of fund management companies and their subsidiaries, asset management schemes of futures companies and their subsidiaries, asset management schemes of insurance companies, and wealth management products of commercial banks.

⁶¹ Corporate investors include domestically incorporated institutions (such as companies), domestically unincorporated institutions (such as general partnerships), and PFMs that make co-investment

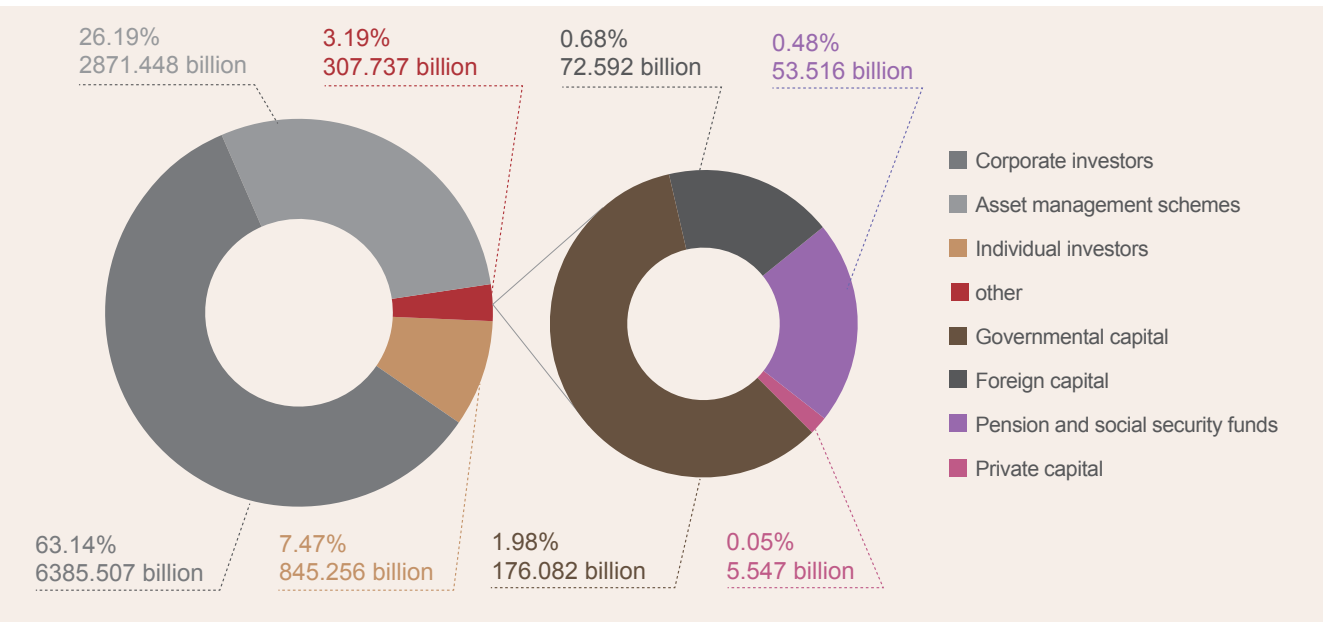
⁶² Source: AMAC

Figure 14: Share of Investment in Private Securities Investment Funds by Investor at the End of 2023



As of the end of 2023, private equity funds were mainly invested by with a total investment of RMB 9.49 trillion or 89.33% of the total, and individual investors had invested RMB 792.985 billion, or 7.47%⁶³.

Figure 15: Share of Contribution to Private Equity Investment Funds by Investor at the End of 2023



63 Source: AMAC

Chapter 10 Tax Policies on Funds

The tax law system in China is under continuous development. In general, enterprises that are incorporated and doing business in China may be subject to corporate income tax (“CIT”), value-added tax (“VAT”), and stamp duty. If the enterprise holds any real estate, it may also be subject to other taxes such as the property tax, land use tax, and land value appreciation tax. Among all these taxes, CIT and VAT are the two major tax categories, and they are imposed on almost all foreign-funded enterprises that engage in the asset management business in China.

1. CIT

1) Scope of Taxation and Tax Rate

Under the CIT legal framework in China, a fund that is structured as a company is considered a Chinese tax resident enterprise and is therefore subject to CIT at the rate of 25% for its income generated both in and outside China.

Taxable income for calculating CIT mainly refers to the balance derived from an enterprise’s total revenue in each tax year after subtracting various deductions and permitted offsets of losses from the previous year(s). Taxable revenue mainly includes income from sale of goods, provision of services, interest, and investment; various deductions mainly refer to the costs, expenses, tax payments and losses actually incurred by an enterprise. In addition, certain types of revenue will be treated as non-taxable revenue or tax-exempt revenue; for example, government appropriations will be treated as non-taxable revenue and interest revenue from treasury

bonds will be treated as tax-exempt revenue.

Private equity funds often take the form of partnerships. For a private fund that is structured as a partnership, the principle of “allocation before taxation” applies to the partnership’s income from business activities and other income. Specifically, each partner of the partnership is a taxpayer. Natural-person partners are subject to personal income tax on the taxable income allocated to them; partners that are legal persons or other types of organizations are subject to CIT on the taxable income allocated to them.

2) Preferential Tax Treatment

According to relevant tax laws and regulations, CIT is not imposed, for the time being, upon: the revenue obtained by securities funds from the securities market, including the revenue derived from price differences between the purchase and sale of stocks and bonds, revenue from equity dividends and bonuses, and interest and other revenue on bonds; the revenue obtained by securities fund managers from price differences between the purchase and sale of stocks and bonds using funds; and revenue obtained by investors from the distribution of securities funds. The securities funds in this paragraph mainly mean public funds.

According to the ***Notice on the Pilot Corporate Income Tax Policy for Corporate Venture Capital Enterprises in Specific Areas of the Shanghai Pudong New Area*** issued in November 2021, corporate venture capital enterprises in specific areas of the Shanghai

Pudong New Area may be exempt from half or all of corporate income tax when they meet certain requirements.

As China introduced public REITs in 2021, the MOF and the State Taxation Administration (STA) released the Announcement [2022] No. 3 in 2022 to provide preferential tax treatment for these funds. Pursuant to the policy, before the establishment of an infrastructure REITs, where the original equity holder transfers the infrastructure assets to the project company in exchange for the equity interest of the project company, capital gain will not be recognized for both original equity holder and the project company, and CIT will not be levied. If the original equity holder transfers its equity interest of the project company to the infrastructure REITs during the establishment of the infrastructure REITs, the CIT derived from the increased value of the transferred assets will be deferred until the completion of fundraising and payment of the transfer price. The CIT derived from the increased value of transferred REITs units which are held by the original equity holder as per the strategic placement requirements will also be deferred until the actual transfer.

In accordance with applicable tax laws and regulations, if a venture capital structured as a company invests directly in the equity of a technology start-up and meets certain conditions, part of the investment amount could be used to offset its taxable income in the same year, and remaining amount could be carried forward to the subsequent tax years.

If a venture capital structured as a limited partnership invests directly in the equity of a technology start-up, part of the investment amount may be used to offset the income that corporate partners received from the partnership, and remaining amount may be carried forward to the subsequent tax years. Part of the investment amount may be used to offset the operating income that individual partners received from

the partnership, and remaining amount may be carried forward to the subsequent tax years.

3) Reporting Requirements

CIT is calculated based on calendar years. Enterprises should file tax returns and complete final settlement with the tax authority within 5 months after the end of a calendar year. In addition, enterprises are generally required to prepay CIT on a quarterly basis and file tax returns with the competent tax authority for prepayment within 15 days after the end of each period.

2. VAT

1) Scope of Taxation and Tax Rate

China implemented overall VAT reform starting May 1, 2016. In accordance with relevant regulations, the revenue generated from providing financial and insurance services, including loan services, direct-charge financial services, insurance services and transfers of financial commodities, is subject to VAT. Therefore, foreign-funded enterprises that engage in asset management business are also required to pay VAT on their operating revenue. As funds are an important means of capital formation, the relevant tax system is also being reformed in order to promote the development of funds and the formation of long-term capital.

Under the current VAT system, VAT taxpayers are classified into general taxpayers and small-scale taxpayers. The amount of VAT payable by general taxpayers is calculated as follows:

The amount of VAT payable = sales amount * VAT tax rate - input tax

In the above formula, the VAT tax rate varies based on the type of revenue, and the input tax generally refers to the amount of VAT paid by the

taxpayer when purchasing taxable goods, labor and services that are subject to VAT.

The amount of VAT payable by small-scale taxpayers is calculated as follows:

The amount of VAT payable = sales amount * VAT tax rate

In the above formula, the VAT tax rate is 3%.

It should be noted that partnership funds are required to separately file VAT returns and pay VAT on their taxable income according to the method described above because partnerships are independent taxpayers for purposes of VAT. For contractual funds, which are not VAT taxpayers in the traditional sense, their managers are required to pay VAT at a rate of 3% according to the simplified VAT collection method.

Under the current VAT system, taxpayers that engage in asset management business are subject to relatively complicated VAT treatment, which requires separating the business associated with asset management product operations from other businesses for different treatment, as set out in detail below.

For the asset management product operations business of asset management product managers, as mentioned above, the simplified VAT collection method applies at the rate of 3%. The asset management products specified in relevant regulations include public securities funds, private investment funds and other products, and the taxable revenue involved mainly includes revenue from loan services and from transfers of financial commodities.

For other businesses of asset management product managers, if the manager is a general taxpayer, the output tax should be calculated at the rate of 6% and input tax could be credited. "Other businesses" generally refers to direct-charge financial services, and taxable revenue refers to management fees, advisory service

fees, etc.

According to the relevant regulations, VAT for the two types of businesses above should be calculated separately.

In addition to VAT, enterprises are generally required to pay additional taxes, including urban maintenance and construction tax, educational surcharges and local educational surcharges, which will be assessed based on VAT paid by entities and individuals. According to the **Urban Maintenance and Construction Tax Law of the People's Republic of China**, which came into effect on September 1, 2021 and related regulations, when VAT is paid for imported goods or by foreign entities or individuals for labor, services and intangible assets sold in China, no urban maintenance and construction tax, educational surcharge and local educational surcharge should be collected.

2) Preferential Tax Treatment

Under the current VAT system, preferential tax treatment mainly applies to VAT reduction and exemption of small-scaled taxpayers and to investment-related businesses.

In 2023, the MOF and STA issued the **Announcement on Clarifying Policies for VAT Reductions and Exemptions for Small-Scaled Taxpayers and Other Policies**. According to the announcement, small-scaled taxpayers with monthly sales revenue of RMB 100,000 or lower will be exempted from VAT from January 1, 2023 to December 31, 2023. For small-scaled taxpayers whose taxable sales income is applicable to 3% VAT levy rate, a reduced rate of 1% could be enjoyed; for those applicable to 3% VAT pre-levy rate on the pre-paid taxable items, a reduced rate of 1% could be enjoyed. The aforementioned policies are further extended to December 31, 2027 based on the relevant provisions under the **Guidelines on the Preferential Tax Treatment Policies in**

Support of Micro and Small Enterprises and Individually-Owned Businesses (1.0).

For investment-related businesses, such preferential tax treatment is applicable based on the investment targets. For example, tax-exempt treatment may apply to interest revenue derived from investments in treasury bonds, local government debt, and inter-financial institution transactions. Tax-exempt treatment also applies to revenue from transfers of financial commodities that are obtained by securities funds through the purchase and sale of stocks and bonds. The securities funds referred to in this paragraph mainly mean public funds.

Therefore, for asset management product managers, preferential tax treatment is mainly concentrated in the area of asset management product operations.

3) Reporting Requirements

Under the current VAT system, except in certain industries (such as banking and trust companies), general taxpayers are required to file tax returns on a monthly basis, and small-scale taxpayers are required to file tax returns on a quarterly basis. Taxpayers are generally required to file tax returns with the competent tax authority for VAT payment within 15 days after the end of each tax period.

3. Other Taxes

According to the ***Deed Tax Law of the People's Republic of China ("Deed Tax Law")*** which came into effect on September 1, 2021, any entities and individuals to whom the land use rights and house ownership are transferred within the territory of the People's Republic of China are considered taxpayers of deed tax and should pay deed tax at 3% to 5%.

According to the ***Stamp Duty Law of the People's***

Republic of China ("Stamp Duty Law") which came into effect on July 1, 2022, stamp duty is a tax category imposed on entities and individuals that issue taxable vouchers and trade securities in China; entities and individuals that issue taxable vouchers outside China and use them in China should pay stamp duty in accordance with the law. For asset management industry, the ***Stamp Duty Law*** provides that the tax basis for a taxable contract should be the amount in the contract, excluding the VAT amount set out in the contract. The law also specifies how to determine stamp duty payment obligations with respect to contracts signed outside China and performed in China. In addition, in accordance with the ***Announcement on Reducing the Stamp Duty by Half on Securities Transactions*** (MOF and STA Announcement [2023] No. 39), the stamp duty on securities transactions would be subject to a 50% reduction starting from August 28, 2023. This means the stamp duty rate is reduced from 0.1% to 0.05% of the transaction amount.

In general, these two laws mainly codify the existing regulations in addition to making updates to some policies.

4. Requirements for Compliance with the Common Reporting Standard

The ***Common Reporting Standard*** (CRS), issued by the Organization for Economic Co-operation and Development (OECD) on July 15, 2014, is the standard that guides participating jurisdictions on the regular exchange of financial account information of tax residents. China, as a participating country, promulgated relevant regulations to officially implement CRS on July 1, 2017. Under CRS, financial institutions perform due diligence and report the tax information of financial accounts.

1) Reporting Entities

The financial institutions that are required to collect and report information under CRS include investment institutions, which specifically refer to institutions that meet one of the following conditions:

i) an institution with 50% or more of its gross income in the last 3 accounting years, or during its existence if the institution has existed for less than 3 years, generated from financial asset investment and operations for clients;

ii) an institution with 50% or more of its gross revenue in the last 3 accounting years, or during its existence if the institution has existed for less than 3 years, generated from the investment, reinvestment or purchase and sale of financial assets; and which is subject to the management and investment decision-making of the depository institutions, custodial institutions, specified insurance companies or investment institutions referred to in (i) above; or

iii) securities funds, private investment funds and other investment entities that are established for the purpose of investment, reinvestment or purchase and sale of financial assets.

Meanwhile, relevant regulations have also clarified that securities fund management companies, PFMs, and partnerships engaging in private fund management businesses that are established in the People's Republic of China are reporting entities.

2) Financial Accounts

Relevant regulations have also defined deposit accounts, custodial accounts, and other accounts falling under the category of financial accounts that are subject to due diligence and information reporting under CRS as follows:

Deposit account: an account opened for the business of making deposits, including but not limited to demand deposits, time deposits, traveler's checks, and prepaid credit cards.

Custodial account: an account opened for the business of holding financial assets for the benefit of another person, including purchasing and selling financial assets on behalf of clients, and managing custodial assets for clients upon the client's entrustment.

Other accounts: an account which is:

i) any equity or credit interests of an investment institution, including partnership interests in a private

investment fund and beneficiary rights of a trust; or

ii) an insurance or annuity contract with cash value.

For asset managers, financial accounts subject to due diligence and information reporting mainly include:

(i) accounts for wealth management products, funds, trust plans, Segregated Account/collective asset management schemes and other financial investment products under their management that are not separate legal entities; and (ii) partnership or corporate funds, fund management companies (investment institutions) and other institutions should perform due diligence and report information on their own equity/interests (financial accounts).

3) Compliance Obligations

Under CRS, asset management firms are mainly under the following obligations:

i) **Registration:** asset management firms should register on the website of the STA timely.

ii) **Due diligence of accounts:** asset management firms should design and implement reasonable due diligence procedures to identify reportable financial accounts, i.e., non-resident financial accounts that are opened or maintained by financial institutions in China, and held by non-residents or by passive non-financial institutions with non-resident controlling person(s).

iii) **Information collection and reporting:** asset management firms should, as required, collect and report the following: basic information, account number or similar information of individual accounts and institutional accounts; the account balance or net value of each single non-resident account as of the end of the calendar year; the gross interest paid or credited to depository accounts in the calendar year; the gross interest, gross dividends, and other gross revenue generated from the assets under custody that are paid or credited to the custodial accounts in the calendar year; and gross revenue paid or credited to other accounts in the calendar year, including total proceeds from redemption. Financial institutions should report the above information as required by May 31 of each year.

iv) **Annual reporting:** financial institutions should

assess the implementation of CRS reporting on an annual basis, and submit a written report to the regulatory authorities of relevant industries and the STA by June 30 of the following year.

According to the **Notice on Submitting 2020 CRS Reports through AMBERS** issued by AMAC in May 2021, the function of “CRS Annual Report” added by AMAC to the Asset Management Business Electronic Registration System (AMBERS) as required by the STA would be formally launched on May 28, 2021; PFMs should submit their CRS report for the previous year to AMBERS before June 30 each year. Furthermore, according to the notice issued by the STA Service Platform for Automatic Exchange of Financial Account Tax Information (the Platform) in May 2022, PFMs who have provided written reports in AMBERS are no longer required to submit annual reports to the tax authorities.

On the form of the written reports, the Platform issued the **Form of CRS Annual Report for Financial Institutions** in April 2023, which includes the financial institutions’ basic information, rules and systems establishment, due diligence, information reporting, other relevant information, as well as the

issues and suggestions.

In April 2023, the Platform released the **Non-Resident Financial Account Tax Information Reporting Standard** (version 2.02), which updates the reporting format of certain fields.

Any financial institution that fails to perform relevant obligations under CRS may be subject to punishment by the regulatory authorities, which may include lowering tax credit ratings, winding up for rectification, revoking business permits and disqualifying officers.

In addition, with respect to the **Foreign Account Tax Compliance Act** (FATCA), China and the US reached a preliminary agreement on June 26, 2014 regarding their intent to enter into the Model 1 IGA for FATCA. However, China has not announced the official implementation of this Act. Therefore, asset management firms within China are not obligated to comply with FATCA compliance. If an asset management firm in China has a US parent company or has business transactions with any US company, the institution may be required to submit information requested under FATCA at the corporate level.

Chapter 11 Other Helpful Information on Doing Business in China

1. Company Establishment

1.1 Name and Establishment Registration

The competent authority for market regulation (“AMR”) oversees name and establishment registration for prospective companies.

An overseas institution that intends to establish a foreign-funded enterprise may submit the relevant information and materials via the enterprise name declaration system or at the service window of a local AMR to look up, compare, and screen for potential enterprise names and select one that complies with applicable regulations.

AMR will retain, for two months, the proposed enterprise name successfully submitted via the enterprise name declaration system. If the overseas institution is legally required to seek approval on the business establishment, or if any items in the proposed scope of business have to be approved before business registration, the name will be retained for one year. The overseas institution should complete the procedures for establishing the new enterprise (such as purchasing or leasing office premises and appointing/hiring relevant directors, supervisors and senior management personnel) before the retention period expires and apply to AMR for establishment registration. The new enterprise is duly established upon the issuance of a business license by AMR.

1.2 Shanghai's Supporting Measures

In recent years, in order to mitigate risks and combat companies that illegally engage in fundraising, asset management and other activities, local AMRs

are generally tightening establishment registration for investment companies (i.e., companies with “investment”, “investment management” or similar expressions in their name or business scope).

Shanghai provides quality services for overseas institutions with sound qualifications. For example, the Shanghai Municipal Financial Regulatory Bureau, Shanghai Lujiazui Financial City Development Bureau, and other authorities have actively provided many supportive measures for foreign institutions to invest and establish companies in Shanghai.

2. Working in China as Overseas Individuals (including those from Hong Kong SAR, Macau SAR, and Taiwan Region)

2.1 Conditions for Foreigners' Employment in China and Classification Standard for Talent

Foreigners must meet all of the following criteria to work in China:

- 1) being at least 18 years of age and in good health;
- 2) having the professional skills required for their work and the relevant work experience;
- 3) having no criminal record;
- 4) having a definite employer in China;
- 5) holding a valid passport, or any other international travel document that can serve as a

substitute for passport;

6) engaging in works that are consistent with demand for economic and social development of China and being a professional urgently needed in China; and

7) meeting any other criteria prescribed by laws and regulations.

2.2 Foreign Talent Classification

In accordance with the ***Evaluation Criteria for Foreigners Employed in China (For Trial Implementation)***, foreigners working in China are classified into three categories—Category A, Category B and Category C, which are evaluated and administered according to different criteria. Category A foreigners are entitled to the most convenient and favorable policies. Category A foreigners may be identified using a simple and convenient method, i.e., annual salary: if a foreigner's annual salary is higher than 6 times of the average salary published by the local government for the previous year, such a foreigner will be determined as falling under Category A. Shanghai Municipality's current standard is RMB 600,000 in pre-tax annual salary with at least RMB 120,000 in annual individual income tax levied; this standard is expected to be consistently adjusted and raised in the future.

2.3 Certificates Required for Foreigners' Employment in China: Work Visa, Work Permit and Residence Permit

If an investment company established by an overseas asset management firm in Shanghai intends to hire a foreign employee, it must assist the foreign employee in obtaining a work visa, work permit and employment-type residence permit before such foreign employee can legally reside and work in China. Specific requirements and procedures for obtaining these permits are listed below.

2.4 Work Visa

Foreign talent under Category A, B and C are required to apply for different types of work visas: R Visa (a multiple-entry visa with a validity period of up to 5-10 years) for high-level foreign professionals and urgently needed specialized professionals and Z Visa for Category A, Category B, and Category C foreigners.

2.5 Conditions and Requirements for the Alien Employment Permit and Employment-Type Residence Permit

1) Conditions for Applying for the Alien Employment Permit

Within 15 days (excluding the quarantine period required by the COVID-19 policy) after a foreigner enters China with a valid visa, his/her employer should apply online for the Alien Employment Permit and obtain such permit from the Shanghai Municipal Science and Technology Commission.

Additionally, since April 2017, in contrast to Category B foreigners who are generally subject to an age limit of 60 years old, Category A foreigners are not subject to any age restrictions. Category A foreigners are also not subject to restrictions in terms of educational background and work experience. Category A foreigners who are over 60 years old can still obtain a work permit.

2) Employment-Type Residence Permit

Within 30 days after a foreigner enters China with a work visa, he/she should apply to the Exit-Entry Administration Bureau of the Shanghai Public Security Bureau for the foreigner residence permit, the validity period of which will be determined based on the validity period of his/her employment permit.

3) Work Permit Is Not Required for Hong Kong SAR, Macau SAR, and Taiwan Region Residents

Starting from July 28, 2018, Hong Kong SAR, Macau SAR, and Taiwan region residents working in the Chinese Mainland are no longer required to obtain a work permit. They may handle various

human resources and social security matters using their Mainland residence permits for Hong Kong SAR, Macau SAR and Taiwan region residents, the Mainland travel permit for Hong Kong SAR and Macau SAR residents, the Mainland travel permit for Taiwan region residents, or other valid identity certificates. They may also use the business license, employment contract (engagement contract), salary payment voucher, social insurance payment record or other materials as proof of their employment in the Chinese Mainland.

2.6 Ways for Overseas Individuals to Obtain Fund Practitioner Qualification in China

An overseas individual may have himself/herself qualified as a fund practitioner by passing a combination of subjects of the Fund Practitioner Qualification Exam organized by AMAC (i.e., a combination of Subject 1 “Fund-related Laws and Regulations, Professional Ethics and Code of Conduct ” and Subject 2 “Basic knowledge of Securities Investment Funds”, or a combination of Subject 1 and Subject 3 “Basic knowledge of Private Equity Funds”) according to the type of fund business he/she intends to engage in, or by only passing Subject 1 (available in English for overseas individuals) if he/she meets one of the following conditions:

1) serves as the chairman, the senior management personnel or any other director or supervisor for business management of a public fund manager, or the senior management personnel of the fund custody department of a public fund custodian, and has overseas fund practitioner qualification. The overseas fund practitioner qualification means that fund/ asset management or fund sales and any other qualification in a jurisdiction that has signed the Memorandum of Understanding Regarding Securities and Futures Regulatory Cooperation with CSRC, or if such qualification is not required in a jurisdiction, evidence for continuous engagement in asset management, securities investment analysis, fund sales and other business over the past five years;

2) is a Hong Kong specialist engaging in the

fund business in Mainland China and holds a Type 4 (advising on securities) or Type 9 (asset management) license issued by SFC;

3) is a Taiwan compatriot engaging in the fund business in Mainland China, and has qualification as a securities investment trust and consulting professional, securities investment analyst, senior securities specialist, trust operations specialist, or advanced financial management analyst (AFMA) in Taiwan;

4) is an overseas specialist employed by a fund manager, fund custodian, or fund service provider in Beijing, Shanghai, Hainan, Chongqing, Hangzhou, Guangzhou, Shenzhen, China (Tianjin) Pilot Free Trade Zone, China (Jiangsu) Pilot Free Trade Zone, China (Shandong) Pilot Free Trade Zone, Chengdu-Chongqing Economic Circle, or China (Yunnan) Pilot Free Trade Zone and engaging in the fund business in such region, and has overseas fund practitioner qualification. See 2.6. 1) for the definition of “overseas fund practitioner qualification”.

3. Taxes

In accordance with current Chinese statutes on individual income tax, a person's tax residency status is determined by his domicile, duration of stay in China, and other factors. If a foreigner is recognized as a tax resident of China, he is required to pay individual income tax in China on the income obtained both in and outside China (subject to certain special treatment as provided by the regulations). For a non-tax resident, the individual income tax is assessed on the income obtained in China only. The amount of taxable income is based on an individual's income in each tax year after an RMB 60,000 deduction for expenses as well as special deductions and special additional deductions. Special deductions mainly refer to social insurance and housing fund contributed by the individual; special expense deductions include expenses for child education, continuing education, medical treatment for serious illnesses, mortgage interest or rent, support for the elderly, and care of children under the age of 3, among others.

Between January 1, 2019 and December 31, 2027, foreigners that are determined to be tax residents of China may elect to enjoy either the special expense deductions for individual income tax, or the tax exemptions for housing allowance, language training fees, children's tuitions, and other allowances and subsidies as listed below (note that the special expense deductions and the tax exemptions are mutually exclusive):

1) Reasonable housing allowance, meal allowance and laundry fee allowance provided to foreign individuals in non-cash form or on an at-cost basis are exempt from individual income tax.

2) Relocation income provided to foreign individuals

on an at-cost basis and in relation to taking or leaving office in China is exempt from individual income tax.

3) Domestic and overseas travel allowance provided to foreign individuals based on a reasonable standard is exempt from individual income tax.

4) Fare for trips home provided to foreign individuals is exempt from individual income tax.

5) Allowances for language training and children's education provided to foreign individuals are exempt from individual income tax.

Once a choice is made, foreign individuals may not change the selection during the same tax year.

Chapter 12 Relevant Government Authorities, Institutions and Other Organizations

1. Financial Regulatory Authorities

1.1 China Securities Regulatory Commission

China Securities Regulatory Commission (“CSRC”) is under direct administration of the State Council, which oversees and administrates China’s securities and futures market, maintains the order of the securities and futures market, and ensures the lawful operation of the securities and futures market according to the relevant laws and regulations and the authorization of the State Council.

Headquartered in Beijing, CSRC has established 36 regional offices in provinces, autonomous regions, municipalities directly under the central government and cities specifically designated in the national plan, as well as the Shanghai Commissioner Office and the Shenzhen Commissioner Office.

Official website: <http://www.csrc.gov.cn>

1.2 China Securities Regulatory Commission Shanghai Office

The China Securities Regulatory Commission Shanghai Office (“CSRC Shanghai Office”) is a CSRC’s branch in Shanghai. In accordance with relevant laws, regulations and policies, the CSRC Shanghai Office oversees securities and futures activities of listed companies, securities and futures business organizations, securities investment advisers, as well as securities and futures service providers such as law firms, accounting firms, asset appraisal institutions and credit rating agencies within its jurisdiction. In addition, the CSRC Shanghai Office

investigates violations within its jurisdiction and mediates controversies and disputes arising out of securities and futures transactions.

Official website of CSRC Shanghai Office:
[http:// www.csrc.gov.cn/shanghai/](http://www.csrc.gov.cn/shanghai/)

1.3 Shanghai Pudong New Area Financial Work Bureau

The Shanghai Pudong New Area Financial Work Bureau, previously known as the Shanghai Pudong New Area Financial Service Bureau, is a department of the Pudong New Area People’s Government and responsible for building Pudong into a pillar of the Shanghai International Financial Center. It is committed to attracting and empowering financial institutions; building the financial market system and infrastructures; aligning the financial sector with local economic and social development goals; providing better government services to promote the growth of financial institutions and financial talent; and building a law-based, international, and friendly business environment. Since the official expansion of Shanghai FTZ in 2015, the Administrative Committee of Shanghai FTZ has been sharing office premises with the Pudong New Area People’s Government, and the Pudong New Area Financial Service Bureau has been newly tasked with promoting financial opening up and innovation in Shanghai FTZ. For this updated role, it is referred to as the “Financial Service Bureau of China (Shanghai) Pilot Free Trade Zone.” In February 2019, according to the Plan for Institutional Reform of Shanghai Pudong New Area approved by the Shanghai Municipal CPC Committee

and Shanghai People's Government, the Pudong New Area Financial Service Bureau was renamed as the Pudong New Area Financial Work Bureau.

After years of development, Pudong New Area has gathered 13 financial markets and infrastructures. It has become one of the places with the most complete financial market and most active trading activities in the world. It also formed a financial institution system under which emerging financial institutions and financial professional service institutions develop together, and has become one of the places with the most concentrated financial institutions in the world. As of the end of June 2024, the Pudong New Area had 1,224 licensed financial institutions in banking, securities, and insurance industries, including 305 banks, 558 securities institutions, and 361 insurance companies. Additionally, there were 1,688 private equity, venture capital, and private securities investment fund managers registered with AMAC. Also, Shanghai boasts the highest concentration of financial institutions across various sub-sectors, including 17 foreign-funded corporate banks, 22 foreign-funded insurance companies, 10 shipping insurance operation centers, 92 branches of securities companies, 21 futures companies, and 45 public funds.

1.4 Shanghai Huangpu District Investment Promotion Office

Shanghai Huangpu District Investment Promotion Office ("Huangpu IPO") was renamed from the former Shanghai Huangpu District Financial Service Office after the 2024 institutional reform and runs the Huangpu District Investment Promotion Center. As a department of the district government, Huangpu IPO is mainly responsible for formulating policies for investment promotion and taking the lead in achieving the relevant objectives; coordinating and promoting regional financial industry development, based on the overall strategy of building Shanghai into an international financial center and with a focus on the construction of the Bund financial clustering belt; implementing and promoting the financial supply-side structural reform, and enhancing the

development of new finance and improvement of regional financial functions; organizing, instructing, coordinating, administering, and serving for the investment attraction, business services, and building economy.

Currently, Huangpu District has attracted more than 700 licensed financial institutions and 6 of the 14 national-level financial markets in Shanghai. The district has a solid foundation of banking, securities, insurance, and other traditional financial institutions, and has evident advantages in private banking, trust, securities asset management, funds, and other sub-sectors featuring asset management and wealth management. As high-quality institutions represented by industry finance and sci-tech finance continue to gather in the district, Huangpu now has a multi-type, comprehensive, and integrated clustering of financial institutions. In 2023, the added value of the financial industry in Huangpu District reached RMB 135.767 billion, making up 43% of the district total; the financial industry contributed a tax revenue of RMB 19.170 billion, accounting for 24.4% of total tax revenue of the district. The financial service industry, whose scale and proportion match the position and role of the "One Economic Belt," has become a core sector of the district's high-end service industry system.

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1.5 Shanghai Hongkou District Service Sector Development Office

Shanghai Hongkou District Service Sector Development Office ("Hongkou SSDO"), previously known as Shanghai Hongkou District Financial Work Bureau, was set up in April 2024. As a department of the Hongkou District People's Government, Hongkou SSDO is mainly responsible for holistically coordinating the development of a modern service industry in the district and promoting the financial and professional service industry in the district. Hongkou SSDO has five internal divisions, namely the General Division, the Industry I Division, the Industry

II Division, the Industry Service Division, and the Industry Administration Division. Shanghai Hongkou District Financial Service Center is a subordinate institution of Hongkou SSDO.

Hongkou district aligns with the overarching arrangement of the 14th Five-Year Plan for Shanghai's financial industry on "creating a financial hub in the Lujiazui-Bund-North Bund region with higher service capacity, and enhancing the financial functions of the North Bund in resource concentration and allocation." The district is contributing to developing Shanghai into an international financial center and transforming the North Bund into the central area of Shanghai's aspiration as a global asset management center and fintech center. Since setting the goal in 2012 to become a wealth management magnet, Hongkou District has witnessed rapid growth in its financial industry. It now hosts over 2,100 financial institutions, managing assets totaling RMB 8 trillion. These institutions form a comprehensive, well-structured industrial ecosystem. The North Bund is emerging as a wealth management magnet, and the financial industry is increasingly characterized by its high-end positioning and globalization. In serving the real economy, Hongkou District boasts 103 listed companies and has been selected as one of Shanghai's first equity investment clusters. Moving forward, the district will refine its industrial policies, enhance business incubation and investment-loan linkage programs, and promote innovative development in new sectors like technology finance, maritime finance, and carbon finance. These initiatives are designed to boost the development of new productive forces, contributing significantly to the technology, green, inclusive, pension, and digital finance sectors.

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1.6 Shanghai Jing'an District Investment Promotion Office

A department of Jing'an District Government, the Office functions to foster the formation of financial institution clusters, and support their development by providing services and creating a conducive business environment. By providing corporate services, local assistance, and policy guidance, the Office is committed to supporting the high-quality development of the financial industry from multiple perspectives. As an active contributor to the Shanghai International Financial Center and Global Assessment Management Center initiatives, the Office has implemented the "one axis with three belts" program, i.e., building a premier financial hub along the West Nanjing Road, a global wealth management center in the Suhe Bay Area, and a demonstration zone for industry-finance cooperation along the Middle Ring Road, in a bid to develop Jing'an District into a magnet for wealth management firms and a pillar for the Shanghai global asset management center.

Jing'an's financial services industry is experiencing rapid growth, boasting a wide diversity of high-quality institutions. A large number of notable financial entities, including securities headquarters, financial companies, asset managers, and public funds, are steadily advancing. As a magnet for foreign investments, Jing'an has attracted many of the world's top primary market investment funds, becoming a preferred destination for foreign financial institutions looking to expand their operations in China. As one of Shanghai's first equity investment clusters, Jing'an is home to a concentration of leading funds and asset managers, contributing to a vibrant private equity sector with strong development momentum. Additionally, emerging financial markets, such as digital finance, are taking shape,

characterized by high potential, broad influence, and robust international resource allocation.

Jing'an is committed to building a supportive financial business environment, leveraging the strengths of concentrated industry associations and professional organizations to create platforms for professional communication and exchange. It also actively capitalizes supporting infrastructure, such as the Zhangyuan Urban Renewal Project and various high-quality resources, to enable financial institutions to expand their operations.

Looking ahead, Jing'an aims to shape a more open financial business cluster that offers efficient, customized, professional financial services. For this end, it will cultivate a favorable environment conducive to business growth, driving the high-quality advancement of the financial industry.

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1.7 Shanghai Xuhui District Commission of Commerce

In April 2024, following an institutional reform and with the approval of the Xuhui District Party Committee and District Government, the overall functions of the Shanghai Xuhui District Financial Service Office were transferred to the Shanghai Xuhui District Commission of Commerce. Consequently, the Shanghai Xuhui District Financial Service Office was dissolved.

Xuhui District boasts a large lineup of financial institutions: there are over 1,000 financial institutions (including their branches) in the district, offering a wide range of services covering banking, securities, insurance, public funds, futures, asset management, trust, third-party payment, microloans, financing guarantee, finance lease, and pawn services. During the 14th Five-Year Plan period, Xuhui District will build a modern financial hub specializing in sci-tech financial services and asset management.

By improving industry structure, planning, and environment, Xuhui is aiming to create a financial hub and a financial street.

In particular, the West Bund Financial District is located at the heart of Binjiang, with Longhua Middle Road to the north, Dong'an Road to the west, Longteng Avenue-Ruining Road to the south, and Ruijin South Road-Rihui Port to the east. Offering an expansive view of the south coast of the Huangpu River, it is the last riverside green land in the downtown of Shanghai. The project boasts an above-grade floor area of 1.08 million m² and a gross area of 1.7 million m², and is designed to attract financial infrastructures and markets, licensed financial institutions, and international firms.

The Hengfu Financial Street, located in the Hengfu Historical District, straddles the Tianping Road and Hunan Road sub-districts which are home to more than 1,000 distinctive, century-old houses. Taking advantage of the existing PE and VC firms in the area, the Hengfu Financial Street will appeal to other national-level funds and premier private investment firms to become a center for PE firms. At the policy level, Xuhui District has introduced 15 incentives for financial development and 16 incentives for sci-tech financial services. The aim is to help financial institutions settle in the region and support sci-tech-oriented financial services as well as human resource services. The district also seeks to improve financial services to empower the real economy, bolster sci-tech finance, and encourage more businesses to access the capital market. It will strengthen the demonstration area for inclusive finance with financial support from the central government. Specifically, it will improve financing services for sci-tech innovation companies to provide them with full-lifecycle financial services.

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2. Self-Regulatory Organizations and Service Institutions

2.1 Asset Management Association of China

Asset Management Association of China (“AMAC”) is a social organization legal person registered with the Ministry of Civil Affairs upon approval by the State Council in accordance with the Fund Law and the Regulations on the Registration and Administration of Social Organizations. AMAC is a self-regulatory organization of the asset management industry and is subject to the instruction, supervision, and administration of CSRC and the Ministry of Civil Affairs. According to the Fund Law, fund managers and fund custodians are required to join the AMAC and fund service institutions are allowed to join the AMAC.

In order to strengthen the legal system construction of the industry and facilitate access to laws and regulations, AMAC provides fund practitioners and investors with access to the “mini app for search for the laws and regulations of the fund industry.” The mini app features a wide range of fund-related laws and regulations organized into six categories (namely general industry rules, public funds, private funds, asset management, custodian and distribution, and professionals) and 24 sub-categories. The mini app is accessible by scanning QR code below in WeChat, or by clicking the menu item “Laws and Regulations” in AMAC’s official WeChat account (Comprehensive Searching).

Official website of AMAC: www.amac.org.cn



2.2 Shanghai Asset Management Association

Shanghai Asset Management Association (“SAMA”) is an industry-oriented non-profit social organization legal person voluntarily sponsored and formed by relevant entities of the fund industry in Shanghai. SAMA is registered with the Shanghai Municipal Bureau of Civil Affairs, and the business supervisory unit is the CSRC Shanghai Office. Under the advice of Shanghai Municipal Bureau of Civil Affairs and the CSRC Shanghai Office, SAMA complies with national laws, regulations and policies, protects the legitimate rights and interests of its members, and acts as a bridge between the Shanghai fund industry and the government, promoting the high-quality development of the fund industry in Shanghai.

Official website of SAMA: <http://www.samacn.org.cn>

2.3 Lujiazui Financial City Development Bureau

Lujiazui Financial City Development Bureau is a statutory institution with separate legal personality. It is sponsored and established, upon approval of Shanghai Municipal People’s Government, by Pudong New Area People’s Government based on relevant decisions of the People’s Congress of Pudong New Area. As a public administration service institution, the Authority, through corporate and specialized operation, implements and coordinates public affairs within Lujiazui Financial City (Lujiazui Finance & Trade Zone), and organizes and implements relevant matters on co-governance with the industry. It is mainly responsible for formulating and implementing the development plan of Lujiazui Financial City, promoting economic development and investment, facilitating the clustering of headquarters of different types of institutions, and encouraging the innovation of various markets.

2.4 Asset Management Association of Shanghai

In September 2022, the Asset Management Association of Shanghai was officially established. The association aims to become an asset management

industry organization with distinct Shanghai characteristics, serving as a key platform for international services in the asset management field, cross-industry exchanges, regulatory communication, and fintech empowerment.



Afterword

Shanghai is one of the megalopolises in China, the core city of the Yangtze River Delta region, and one of the cities with the highest concentration of global financial institutions. Shanghai stands at the forefront of China's financial opening up, plays a leadership role in financial reform and innovation, and has one of the most business-friendly financial environments in China. Shanghai has preliminarily developed itself into an international financial center commensurate with the economic strength of China and the international status of RMB. This city has become a magnet to and an innovation incubator for various financial markets, institutions, products, and infrastructures.

To help overseas asset management companies plan their business in China and better understand Shanghai and its asset management sector, we prepared and released the ***Shanghai Guidebook for Overseas Asset Management Institutions*** (this "Guidebook") in 2020. This guidebook aims at helping overseas asset managers in and outside Shanghai to know about the necessary preparations and application procedures for engaging in asset

management services in Shanghai, as well as the city's business policies and relevant professional service institutions. From 2021 to 2023, we made yearly updates to the cited laws, regulations, and data and released three versions of Guidebook in both Chinese and English to provide a relevant and effective reference for overseas asset managers.

Based on the latest policies and investment environment, the 2024 Shanghai Guidebook for Overseas Asset Management Institutions contains updates and supplements to the policies, regulations, industry data, and innovative practices referenced in the previous four editions. We give our special thanks to Llinks Law Offices, KPMG Advisory (China) Limited, Shanghai Everbright Assets Management Limited, and JPMorgan Asset Management (China) Company Limited for making this update possible.

Due to the limited time of preparation, this Guidebook is open for further improvement. Your comments and suggestions are appreciated. We are committed to making this Guidebook ever more helpful on an ongoing basis.

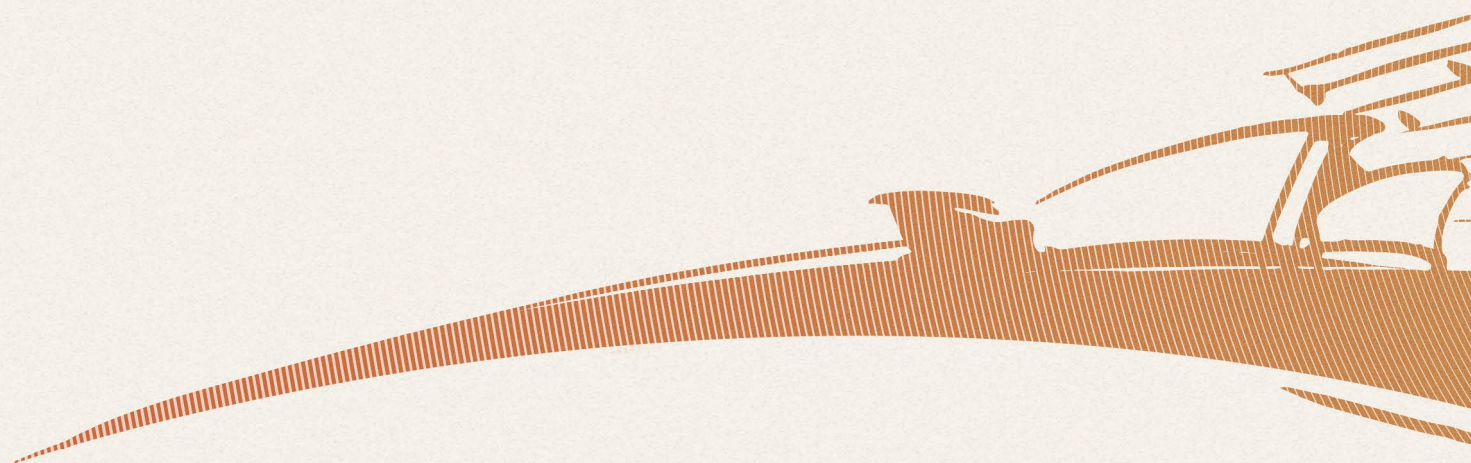


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