

**Notice on the Issuance of the  
*Implementation Rules of the China Securities  
Depository and Clearing Corporation Limited  
Regarding the Registration and Settlement of  
Domestic Securities Investments by Qualified  
Foreign Institutional Investors and RMB  
Qualified Foreign Institutional Investors***

Disclaimer: For the avoidance of doubt, if there is any conflict in the meaning between the English version and the Chinese version, the Chinese version shall prevail.

To all market participants:

China Securities Depository and Clearing Corporation Limited (CSDC) has formulated the *Implementation Rules of the China Securities Depository and Clearing Corporation Limited Regarding the Registration and Settlement of Domestic Securities Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* in order to implement the reform disposition of China Securities Regulatory Commission (CSRC) for the rules and regulations regarding Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) (hereinafter collectively referred to as “Qualified Foreign Investors”) and to regulate the registration and settlement of domestic securities investments by

Qualified Foreign Investors. These rules have been formulated in accordance with laws and regulations, including the *Measures for the Administration of Domestic Securities and Futures Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* and the *Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*. With the approval from the CSRC, these rules are hereby published and will take effect as of November 1, 2020.

Appendix: Implementation Rules of the China Securities Depository and Clearing Corporation Limited Regarding the Registration and Settlement of Domestic Securities Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors

China Securities Depository and Clearing Corporation Limited

October 30, 2020

# **Implementation Rules of the China Securities Depository and Clearing Corporation Limited Regarding the Registration and Settlement of Domestic Securities Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors**

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## **Part I General Provisions**

**Article 1** In order to better regulate the registration and settlement of domestic securities investments by qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII) (hereinafter collectively referred to as “Qualified Foreign Investors”) as well as to protect the legitimate rights and interests of investors, China Securities Depository and Clearing Corporation Limited (CSDC) has formulated these Implementation Rules in accordance with laws and

regulations including the *Measures for the Administration of Domestic Securities and Futures Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* and the *Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* as well as the corresponding business rules of the CSDC.

**Article 2** These Implementation Rules are applicable to the registration and settlement of domestic securities investments by Qualified Foreign Investors.

**Article 3** Entities involved in the registration and Settlement of domestic securities investments, such as Qualified Foreign Investors, the Custodians and Clearing Participants concerned , shall abide by laws and regulations as well as the relevant CSDC business rules.

## **Part II Securities Accounts**

**Article 4** The Qualified Foreign Investor should appoint a custodian to open securities account(s) for its proprietary fund or clients' assets under management respectively. The Custodian shall make applications to the CSDC in accordance with the relevant business rules of the latter.

**Article 5** The name of the Qualified Foreign Investor on the securities

account shall be the same as the name used on said investor's RMB Special Account(s). Where the Qualified Foreign Investor is opening a securities account with its own funds, the account holder name shall be written using the format "Qualified Foreign Investor + Proprietary Funds"; where the Qualified Foreign Investor is opening a securities account for client assets that it is managing, the account holder name shall be written using the formats "Qualified Foreign Investor + Client Name"; "Qualified Foreign Investor + Funds", or "Qualified Foreign Investor + Client Funds".

**Article 6** For each of securities accounts, Qualified Foreign Investor shall select one existing qualified Clearing Participant of CSDC such as a commercial bank or a securities company, for handling the settlement of related securities transactions. The Qualified Foreign Investor may use different Clearing Participants for its various securities accounts.

At the time of an application for securities account opening, the Custodian shall, in accordance with requirements, declare in full and accurately the relevant Clearing Participant information.

**Article 7** The Qualified Foreign Investor shall, after obtaining a new securities and futures business license, apply for an update to the corresponding securities account information through the Custodian.

**Article 8** In the event of any of the circumstances described below, the

Qualified Foreign Investor shall apply for the closing of the corresponding securities account through the Custodian:

(i) In the event that securities and futures business license has been returned to the CSRC, not including cases where the Qualified Foreign Investor is applying for a new securities and futures business license due to a change in its name;

(ii) In the event that the asset management service between Qualified Foreign Investor and the fund owner has been terminated;

(iii) In the event that the Qualified Foreign Investor's RMB Special Account has been closed (not including cases where there has only been a change in the Bank); or

(iv) In the event of other situations stipulated by the CSDC.

The Qualified Foreign Investor shall apply to the CSDC, via the Custodian, to close the corresponding securities account within 15 trading days of the occurrence of the aforementioned situation(s). Failure to make such an application within the stipulated period may result in account closing or account restrictions imposed by the CSDC.

### **Part III Securities Registration**

**Article 9** Where a securities issuer distributes cash dividends, bond principal and interests, and other rights and interests to investors, the

CSDC will issue, on behalf of the securities issuer, said dividends/bond principal and interests, etc., owing to Qualified Foreign Investors to the settlement reserves accounts of the corresponding Clearing Participants. The Clearing Participants shall pass on the full amount of cash dividends, bond principal and interests to the respective Qualified Foreign Investors in a timely manner.

**Article 10** Where a Qualified Foreign Investor applies for the transfer of securities between its securities accounts registered under the same Unified Account Platform (UAP) Account due to its participation in margin financing and short selling and stock options business, the Custodian or the securities company handling transactions for the said Qualified Foreign Investor is to send instructions to the CSDC in accordance with said Investor's commission. If the instruction for the transfer of securities is sent by the securities company, the Qualified Foreign Investor shall ensure that its Custodian has been informed of the instruction at the same time.

Where losses have been incurred to the Qualified Foreign Investor due to an erroneous instruction caused by the Custodian or the securities company handling the transaction, the Qualified Foreign Investor may demand compensation from the Custodian/securities company in accordance with the law. However, any such action may not affect securities transfer operations being executed at the time or that have been

completed by CSDC based on its business rules.

**Article 11** Where an erroneous transaction of a Qualified Foreign Investor has been performed, the Custodian and securities company handling the transaction may, in accordance with the provisions of the agreement on the prevention and handling of erroneous transactions filed with the CSDC, apply to the CSDC for a non-trade transfer of the securities. Materials such as the rectification agreement between the two parties of the transfer shall also be submitted.

**Article 12** The Qualified Foreign Investor may, in the event of any one of the following situations, apply to the CSDC for a non-trade transfer of securities:

(i) In the event of an “account split”, i.e., where the non-trade transfer is being made from a “Qualified Foreign Investor + Client Funds” account to a “Qualified Foreign Investor + Client Name” or “Qualified Foreign Investor + Fund” securities account opened separately by a underlying client/fund of said “Qualified Foreign Investor + Client Funds” account;

(ii) In the event of a change in asset management, i.e., a non-trade transfer of securities due to a change in asset manager for a client for a “Qualified Foreign Investor + Client Name” or “Qualified Foreign Investor + Fund” securities account; or

(iii) Where the non-trade transfer is being made by the client upon



obtaining Qualified Foreign Investor status, i.e., when a client corresponding to a “Qualified Foreign Investor + Client Name” securities account is seeking to have securities transferred for non-transactional purposes from said account to a new securities account it has opened following the granting of Qualified Foreign Investor license.

For the non-trade transfer of securities under the aforementioned circumstances, the Qualified Foreign Investor shall submit an application with its Custodian acting on its behalf.

**Article 13** Where an application is being made for the non-trade transfer of securities from a “Qualified Foreign Investor + Client Funds” account in an “account split”, the applicant is required to also submit supporting materials including information such as the name and asset status of the client or fund under the “Qualified Foreign Investor + Client Funds” securities account and a statement in writing by the Custodian and the Qualified Foreign Investor confirming said transfer.

**Article 14** Where an application for the non-trade transfer of securities is being made due to a change in asset management, the applicant is required to also submit supporting materials including a letter from the existing Qualified Foreign Investor stating that they and the client(s) concerned are aware of, and agree to, said change of management; a letter of legal opinion issued by a law firm in the country or region where the

Qualified Foreign Investor is located stating that the proposed change of asset management is compliant with the laws and regulations of said country/region; and a written statement by the Custodians of both parties to the transfer and the Qualified Foreign Investor confirming the proposed transfer.

**Article 15** Where an application for the non-trade transfer of securities is being made due to the acquiring of Qualified Foreign Investor status by a client, the applicant is required to also submit supporting materials including the securities and futures business license issued by the CSRC to the newly admitted Qualified Foreign Investor; a statement by the existing Qualified Foreign Investor and the client that they have agreed to terminate their contractual relationship; a letter of legal opinion issued by a law firm in the country or region where the Qualified Foreign Investor is located stating that said relationship termination is compliant with the laws and regulations of said country/region; and a written statement by the Custodians of both parties to the transfer and the Qualified Foreign Investor confirming the proposed transfer.

**Article 16** The applicant seeking the non-trade transfer of securities shall comply with all restrictions stipulated in laws and regulations pertaining to the holding period, time of sale, quantity of sale, and sale method for the securities involved in the proposed transfer.

**Article 17** In the event that there are parties that are obligated to make information disclosures at the time of an application for the non-trade transfer of securities, the applicant shall apply to the CSDC only after said information disclosure process has been completed.

#### **Part IV Securities and Cash Settlement**

**Article 18** Where a Qualified Foreign Investor has appointed an institution such as a commercial bank or a securities company to handle securities and cash settlement on its behalf, the Clearing Participant (i.e., the commercial bank, securities company) involved shall fulfill the settlement obligations *vis-à-vis* the CSDC for the securities transactions that it is responsible for settlement. The Clearing Participant may not refuse to perform its settlement obligations *vis-à-vis* the CSDC, due to the inability or failure of the Qualified Foreign Investor to fulfill their settlement obligations in a timely manner.

Any disputes between Clearing Participants, Qualified Foreign Investors or the Custodians shall not have any effect on the CSDC's ongoing and completed securities and cash settlement, and default handling performed in accordance with business rules of the CSDC.

**Article 19** Where a Qualified Foreign Investor has appointed a commercial bank to handle securities and cash settlement on its behalf, the commercial bank, as the Clearing Participant, shall open a Special

Deposit Account to be used only for settlement with the CSDC's settlement bank.

The name of the account holder shall be the same as the name of the commercial bank. Filing shall also be performed in accordance with the relevant supervisory and regulatory provisions.

The account shall be used as the commercial bank's designated account for funds transfers with the CSDC. All transfers to and from the commercial bank's settlement reserves account must be performed through this account.

Where a Qualified Foreign Investor has appointed an institution such as a securities company to handle securities and cash settlement on its behalf, the funds transfers shall be handled through said institution's settlement reserves account and the corresponding designated receiving account.

**Article 20** The Clearing Participant's day-end settlement reserves balance shall not be lower than the minimum settlement reserves amount approved by the CSDC. The amount of the minimum settlement reserves and any adjustments to be made to said amount are to be in line with the related business rules of the CSDC.

**Article 21** Clearing Participants who have any objections to the Settlement data provided by the CSDC shall inform the latter of said objections in a timely manner. The CSDC will take the corresponding

measures to rectify confirmed errors in settlement based on the specifics of the situation. However, the Clearing Participant shall not refuse to perform its settlement obligation, or put off said obligation, as a result.

**Article 22** In the event that the Qualified Foreign Investor has a need to appoint another Clearing Participant for either some of, or all of, their securities accounts, they may do so by making an application to the CSDC through their Custodian. Any such changes shall be undertaken in accordance with the related business rules of the CSDC.

### **Part V Risk Management**

**Article 23** Clearing Participants and Custodians shall establish internal risk management and control policies and work to improve said policies, as well as take substantive measures to fulfill their duty to ensure the stable operation of the securities registration and settlement.

**Article 24** Clearing Participants shall pay in securities settlement margins in accordance with the CSDC's corresponding business rules.

**Article 25** Clearing Participants shall pay in securities settlement risk funds in accordance with the provisions of the *Administrative Measures Relating to Securities Settlement Risk Funds*.

**Article 26** Where a default has occurred with a Clearing Participant, the CSDC shall have the right to take various measures such as default handling, risk management and self-discipline measures in accordance

with the corresponding regulations of the CSRC and the business rules of the CSDC.

All expenses and losses incurred as a result of said default shall be borne by the default Clearing Participant.

**Article 27** The CSDC reserves the right to take measures such as raising the Settlement Guarantee Fund required for Clearing Participants to the level called for by ongoing circumstances; making changes to the method of calculation and time intervals for the minimum settlement reserves required; and requesting that Clearing Participants perform their settlement business through other Clearing Participants.

## **Part VI Supplementary Provisions**

**Article 28** The fees to be collected in relation to the registration and settlement of domestic securities investments by Qualified Foreign Investors are stipulated in the CSDC's Fee Schedule. CSDC has also been authorized or commissioned by the CSRC and various exchanges to collect various fees on their behalf. The CSDC will collect these fees in accordance with the respective regulations or commissioning agreement.

Tax matters relating to domestic securities investments by Qualified Foreign Investors shall be handled in accordance with the relevant regulations of PRC.

**Article 29** All materials required for submission as stipulated in these

Implementation Rules shall in the Chinese language. Where materials submitted by the applicant are in a foreign language, the applicant must also submit a Chinese translation with content consistent with what is in the foreign language. The translated text shall be notarized by the Chinese embassy or consulate in the country or region or a notary institution in China.

**Article 30** The applicant shall ensure that all application materials submitted and instructions conveyed are true, accurate, complete and legal. All legal liabilities arising as a result of the failure by the applicant to ensure that said application materials and instructions are in compliance with the relevant laws and regulations and the CSDC’s business rules shall be borne by the applicant.

**Article 31** The CSDC will rectify errors in registration and settlement data that have occurred due to force majeure, technical failures in the registration and settlement system, and human error, etc., following verification with the institution(s) concerned.

The CSDC may not be deemed liable for any losses caused to the parties concerned as a result of force majeure or unexpected occurrences such as system failures, equipment failures, communication failures, or power outages that could not have been foreseen or mitigated.

**Article 32** The “Clearing Participant” referred to in these Implementation Rules is defined as an institution (such as a commercial

bank or a securities company) that has been qualified as a Clearing Participant by the CSDC and which carries out settlement obligations with regard to the CSDC.

The “Custodian” referred to in these Implementation Rules is defined as a domestic institution which has accepted custody of assets for a Qualified Foreign Investor, and which performs the related duties, in accordance with the relevant provisions of the *Measures for the Administration of Domestic Securities and Futures Investments by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*.

**Article 33** All other matters that have not been covered in these Implementation business rules shall be handled in accordance with the CSDC’s other business rules.

**Article 34** The CSDC reserves the right of interpretation to these Implementation Rules.

**Article 35** These Implementation Rules will take effect on November 1, 2020. At the same time, the provisions of the *Implementation Rules for the Registration and Settlement of Domestic Securities Investments by Qualified Foreign Institutional Investors* issued on February 20, 2013 and the *Notice of Matters Relating to the Registration and Settlement of Domestic Securities Investments by Fund Management Companies and*



*Securities Companies on Behalf of RMB Qualified Foreign Institutional Investors* issued on February 15, 2012 will be annulled.