

CHINA EXPERTISE, GLOBAL REACH

JUNHE | 君合律师事务所

# China Financial Market Open Up

J U N H E

Prepared for Investment Management Association of Singapore

Natasha Xie

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# Open Up Measures

## ► Onshore Presence

### FMC JV

Foreign ownership limits in securities brokerage, mutual fund management, futures brokerage companies raised from 49% to 51% from April 28, 2018 and to be fully removed from April 27, 2021.

- On November 27, 2018, CSRC approved UBS AG to increase its equity stake in UBS Securities from 24.99% to 51%.
- Nomura Securities and JP Morgan have filed their applications to establish a majority-owned JV securities company and are now waiting for approval.
- BlackRock was reported to acquire a majority stake in CICC FMC in November 2018...

## ▶ Onshore Presence

———— ***WFOE PFM (private fund manager)*** ————

Total number increased from 10 at the end of 2017 to 16 at the end of 2018.

# ▶ QFII/RQFII

## QFII/RQFII

On June 12, 2018,

- 20% cap on outbound remittances for QFIIs was removed.
- The principal lock-up period for QFIIs and RQFIIs was removed.
- QFIIs and RQFIIs are allowed to hedge currency risk through foreign exchange hedging.

On January 12, 2019, the total quota for QFII scheme was increased from USD 150 billion to USD 300 billion.

# ▶ QFII/RQFII

## ***Proposed Amendments to QFII/RQFII Regulations***



On January 31, 2019, the CSRC issued the market's long-awaited consultation papers on QFII and RQFII.

—— QFII and RQFII schemes will be consolidated into one scheme.

# ▶ QFII/RQFII

## 🕒 *Proposed Amendments to QFII/RQFII Regulations*



- Relaxing the entry qualifications and requirements;



- Expanding the scope of permitted investment;

- Financial futures and options, commodity futures and options, private securities investment funds, margin financing and securities lending are included in the scope of permitted investment.

- Investment Mandate and Investment Recommendation

# ▶ QFII/RQFII

## ***Proposed Amendments to QFII/RQFII Regulations***



- Ongoing Supervision
  - Fund resources: “funds raised overseas”
  - Trade monitoring:
    - Abnormal trading;
    - Overseas hedging positions;
    - Shareholding percentage limits and information disclosure.







# ▶ Connect Program



## ***Bond Connect***



- Bond Connect celebrated its first anniversary in July, 2018 with tax policies being clarified on November 22, 2018.

# ▶ Connect Program

## *Specific Futures Contracts Opened for Foreigners*

- 01 Crude oil futures launched on March 26, 2018.
- 02 Iron ore futures opened for foreigners on May 8, 2018.
- 03 PTA approved to be the third one on September 21, 2018.

# ▶ QDII/QDLP/QDIE

## QDII

QDII regime was reopened in April 2018. On April 25, 2018, the investment quota of QDII was increased to USD 98.333 billion. Compared with 2015, the investment quota was increased by USD 8.34 billion.

## QDLP/QDIE

- On April 24, 2018, the total quotas for QDLP and QDIE have been increased to USD 5 billion respectively.
- Total number of QDLPs approved in 2018 is more than total of the past 5 years since 2013.

# ► Most Noteworthy Development - WFOE PFMs



## WFOE PFMs Approved

- 10 approved in 2017: Fidelity, UBS, Man, Fullerton, Value Partners, Invesco, Neuberger Berman, Aberdeen Standard, BlackRock, Schroder
- 6 approved in 2018: Azimut, Bridgewater, Winton, APS, Eastspring and Mirae.



## Number of Products Launched

As of January 27, 2019, 16 WFOE PFMs have launched 29 private securities funds in total.

## ► List of QDLP Approved

Approval time	Total	Name
<b>Before 2018</b>	15	Man, Winton, Oaktree, Citadel, Och-Ziff , Canyon, UBS, DEUTSCHE, Nomura, EJF Capital, CBRE,CIFM,GF-Persistent, BlackRock, Value Partners
<b>After 2018</b>	21	JP Morgan, Allianz, Aberdeen, Mirae Asset, Manual Life, Alliance Bernstein, Nomura, Taikang Asset, AXA, BNPP, Robeco, Neuberger Berman, State Street, Eastspring, Franklin Templeton, PGIM, Invesco, Barings, UBP, Morgan Stanley, Credit Swiss

*\*All information sourced from public domain but may not be exhaustive*

# ▶ Bio of Speaker

## Natasha XIE

Widely acknowledged as a leader in the provision of legal services for the derivatives market and private securities investments, Ms. Xie has had significant involvement in the formulation of law and policy for both the private fund industry and the derivatives markets in China. With almost twenty years' experience in financial regulatory compliance and complex transactions involving financial institutions, Ms. Xie has resolved and implemented effective legal solutions for a wide range of clients. Of note, she has assisted numerous international institutional investors with their China market entry, earning emphatic endorsements from her clients.

For more information on this topic, please email Natasha Xie at [xieq@junhe.com](mailto:xieq@junhe.com) or call 0086 21 2208 6238.

# THANK YOU!

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*If you need more information, please reach out to Natasha Xie ([xieq@junhe.com](mailto:xieq@junhe.com)).*

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