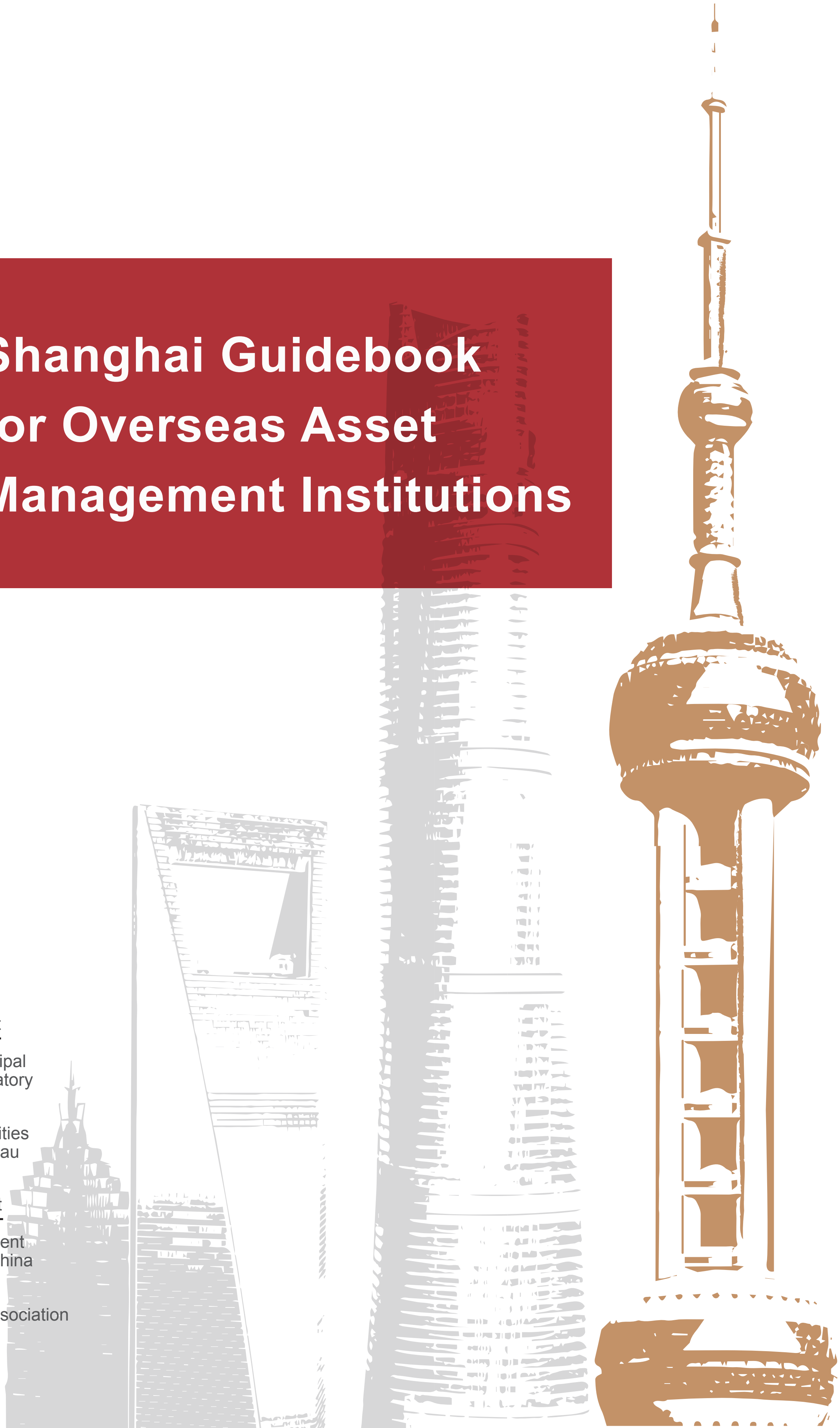
中国证券投资基金业协会
Asset Management Association of China

上海市基金同业公会
Shanghai Asset Management Association

Shanghai Guidebook for Overseas Asset Management Institutions



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Shanghai Municipal Financial Regulatory Bureau

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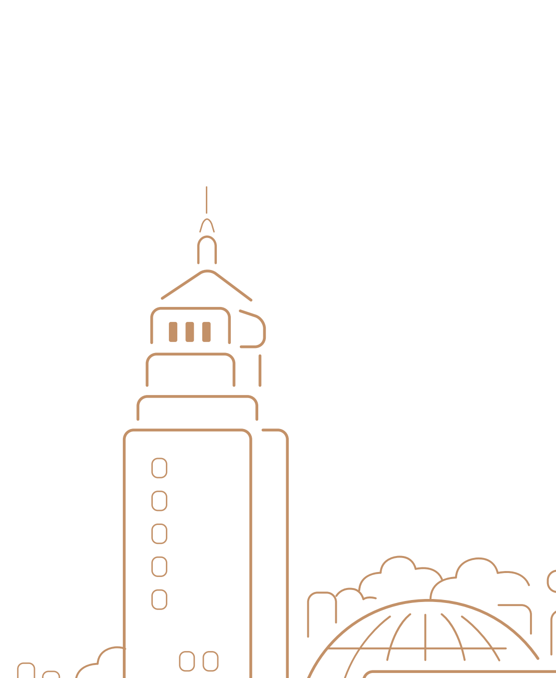
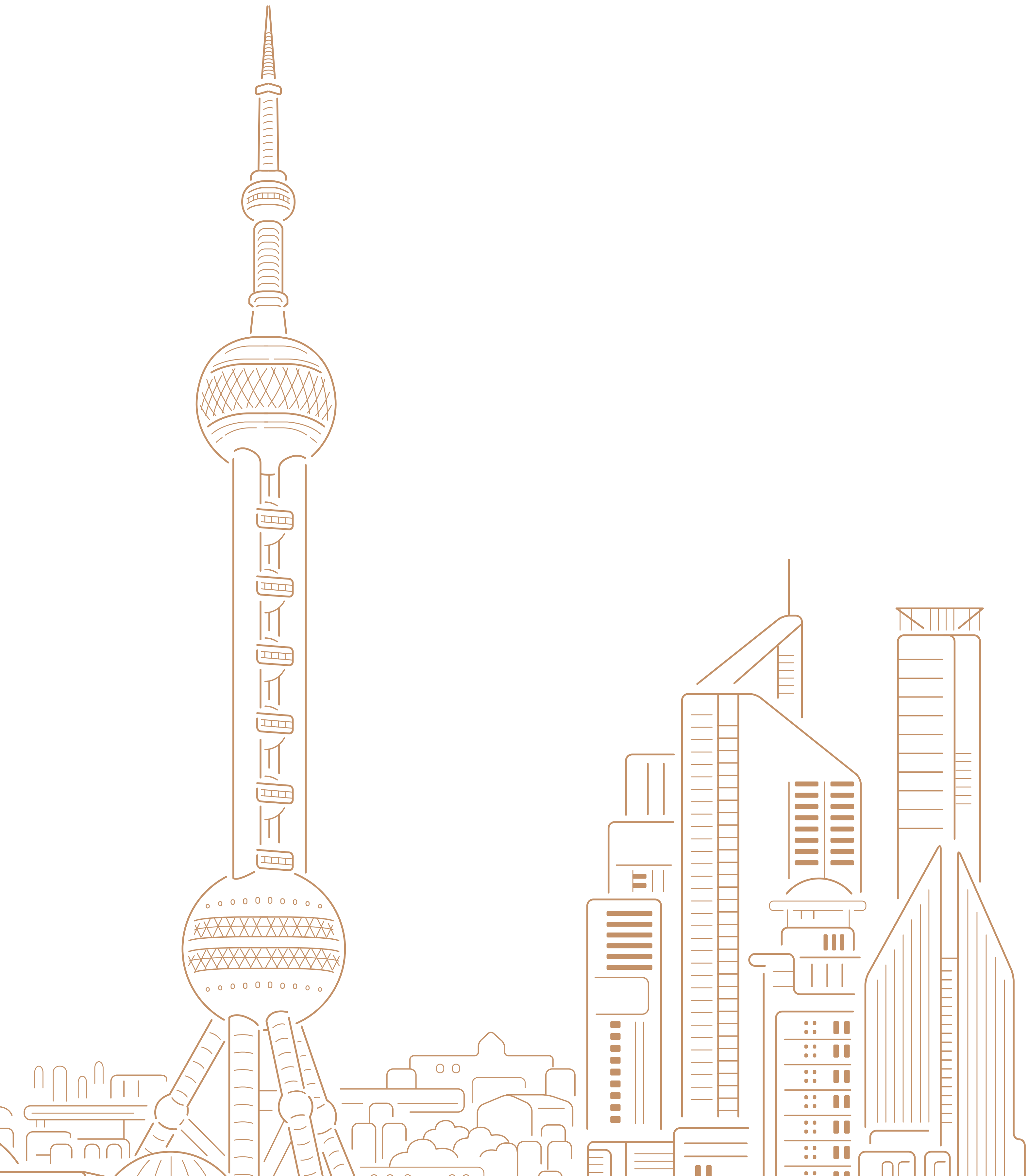




Foreword

Deepen Consensus and Mutual Trust to Promote A Stable and Long-term Opening of Fund Industry

For the past 22 years, China's fund industry has been consistently promoting international cooperation with an open mind, and stimulating new impetus of the economy to manage new challenge in its development. Facilitating the reform and development through opening up is not only the experience and inspiration gained from China's reform and opening up, but also vital to the development of China's fund industry.

As China accelerates the opening up of its capital market and fund industry, various opening-up measures are being implemented and put into effect. China's efforts to actively expand its opening up of the capital market, introduce overseas competitors, optimize the multi-level capital market system and structure, and introduce and cultivate diversified market entities have provided strong impetus for improving the market economy system, promoting the modernization of national governance system and governance capability.

We firmly believe that opening-up means not only loosening policies for both domestic and overseas parties, but also a process for each party to mutually understand each other, increase common

understanding, and build mutual trust. Therefore, strengthening communication with all relevant parties is an important task and policy objective of China's fund industry.

China's fund industry has been actively promoting international communication and cooperation. We understand that it is inevitable that different countries and regions have different legal system and regulatory schemes to certain extent, due to the variances in their politics, economy, societal culture, historical background, legal tradition, etc. Accordingly, we are dedicated to continuous international communications to foster a deep understanding of the system and developments of the fund industry in different countries and to introduce the industry structure, legal system, history, and achievements of China's fund industry, for the purpose of continuously deepening common understanding, building mutual trust, and promoting the common, healthy, and harmonious development of the international fund industry.

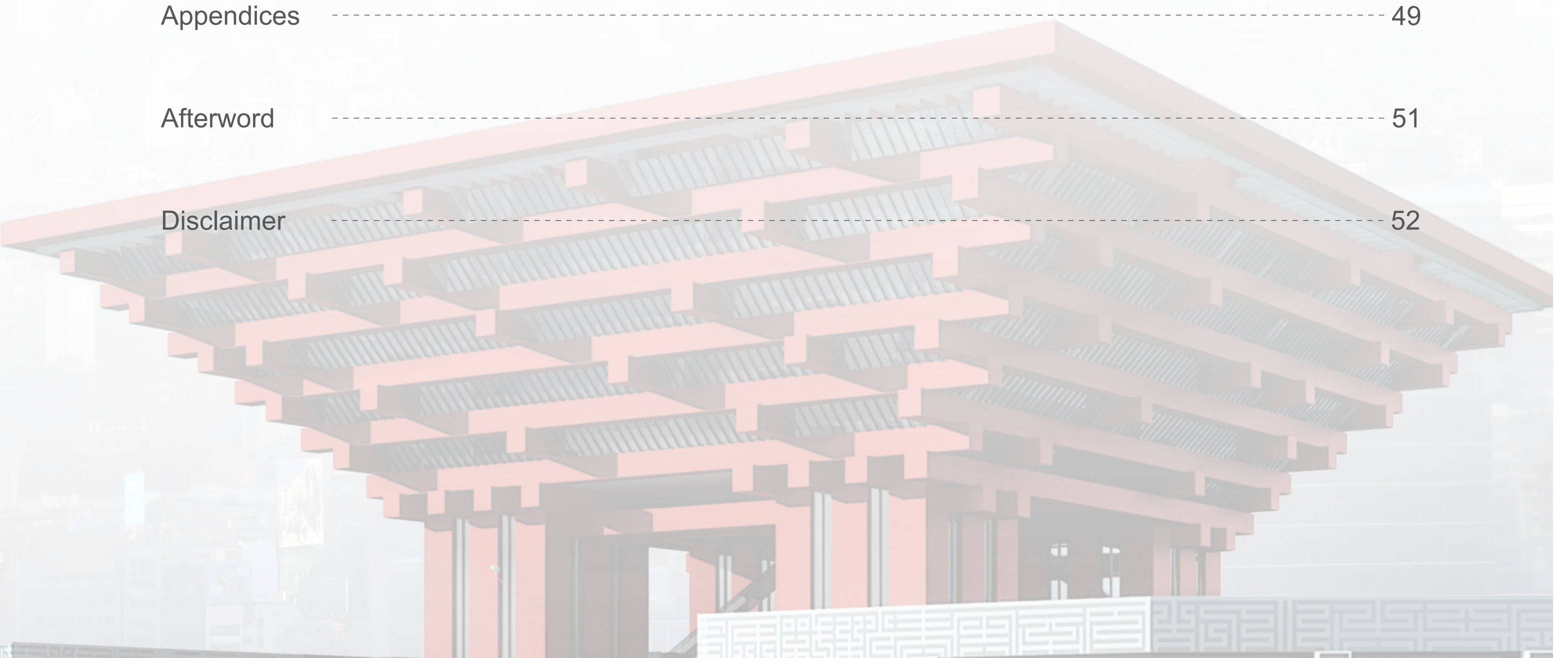
As an important window of China's reform and opening up and a vivid miniature of China's developmental achievements, Shanghai is becoming one of the cities with a high concentration of global financial institutions, most of the elements of a financial market, and most friendly financial environment in the world. According to the ***Action Plan for Building the Shanghai International Financial Center (2018-2020)*** jointly printed and circulated in January 2019 by eight ministries, including the People's Bank of China and the National Development and Reform Commission, Shanghai plans to build "six centers" to form "one system" by 2020, i.e., to build six major centers for global asset management, cross-border capital raising services, financial technology, international insurance, global RMB asset pricing, clearing and settlement, and financial risk management and stress testing, to form an international first-class financial ecosystem. On February 2020, the ***Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Financial Supports for the Yangtze River Delta Integrated Development*** were issued, which put forward 30 specific measures to actively promote the pioneering efforts in finance in Lin-gang Special Area, accelerate the opening-up to a higher standard of Shanghai's financial industry and financial support for the integrated development of the Yangtze River Delta, further confirming Shanghai's position as the leader of financial reform and opening-up, fully establishing the leadership role of Shanghai for the national financial opening-up efforts.

As one of the cities with highest degree of opening-up in China, Shanghai has good market driven practices and a legal environment for businesses, as well as numerous domestic and foreign-invested financial institutions and high-quality financial talents. It has made many significant achievements through the pilot reform in facilitating and liberalizing investment and trade, opening up and innovation of the financial sectors, among other aspects.

As one of the cities which originated funds in China, Shanghai has witnessed almost every significant moment of China's fund industry, including the birth of China's first batch of fund companies, first batch of Sino-foreign equity joint venture fund management companies, first closed-end fund, first open-end fund, first index fund, first money market fund, and first Qualified Domestic Institutional Investor ("QDII") fund. Shanghai is now attracting globally well-known asset management institutions to set up there by further innovating its system, opening up its foreign investment policies and increasing its service support system for multi-level financial services.

We sincerely welcome overseas asset management institutions to come to China and Shanghai to develop its business, to provide Chinese investors with more abundant and diversified asset management services, and at the same time share the fruits of China's economic development with Chinese investors.

Table of Contents



Chapter 1 Why China

1. Important Role of China in the Global Economy

China, a top contributor to world economy since 2006, has emerged as the most powerful growth engine of the world economy. Between 2013 and 2018, China averaged an annual economic growth rate of 7%, significantly higher than the world average of 2.9% during the same period.

Since overtaking Japan to become the world's second-largest economy in 2010, China has maintained the second position in the world in terms of gross domestic product (GDP), and is accounting for an increasing proportion of the world's gross economy. According to data from the International Monetary Fund (IMF), China's GDP in 2018 was USD 13.6 trillion, accounting for 15.9% of the world's total, a 4.5% increase over 2012.

Since 2013, China has consistently ranked second in the world in terms of attracting foreign direct investments.

According to the ***World Investment Report*** released by the United Nations Conference on Trade and Development (UNCTAD), China has become one of the world's most attractive investment destinations. In 2018, foreign investment inflows to China increased to an all-time high of USD 139 billion, accounting for over 10% of the world's total, second only to the United States[1].

Table 1 | China's Contribution to World Economic Growth

Period	Average Annual Growth Rate of China's Economy	Average Annual Growth Rate of World Economy	China's Average Annual Contribution to World Economy	Ranking of Average Annual Contribution
1979-2012	9.9%	2.9%	15.9%	2nd in the world
2013-2018	7.0%	2.9%	28.1%	1st in the world

Table 2 | Foreign Direct Investment in China

Period	Proportion of GDP in World's Total	Ranking of Foreign Direct Investment
2012	11.4%	3rd in the world
2018	15.9%	2nd in the world

1 Source: World Investment Report 2019

2. Huge Prospects of Wealth Management Market

From 1952 to 2018, China's GDP increased by 174 times to account for nearly 16% of the world economy; the country's per capita GDP rose from RMB 119 to RMB 64,600, the 70-fold increase signifies a rapid growth of residents' wealth[2]. In 2018, China had 1.97 million high-net-worth individuals whose personal investable assets exceed RMB 10 million, boasting RMB 190 trillion of personal investable assets nationwide, and the figure was expected to reach RMB 200 trillion by the end of 2019[3].

Despite the steady development, China's asset management industry is now still at the initial stage, and has much room for development in a global context.

According to the analysis of Boston Consulting Group and Bain & Company, in 2018, only 4.6% of the assets of Chinese residents were invested in funds while the assets allocated to deposits and bank wealth management products accounted for over 60%, which demonstrates an insufficient market penetration of asset management products. Along with the changing social structure and residents' increasing awareness of wealth management, a substantial increase is expected in the proportion of actively managed and net asset value (NAV)-based investments such as public-offered funds and private funds.

3. A More Open Financial Market

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

3.1.1 RMB Internationalization

As the official entry of RMB into the special drawing rights (SDR) currency basket greatly facilitated the cross-border use of RMB, the total amount of cross-border RMB receipts and payments are increasing rapidly.

According to the statistics of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), by year-end 2018, RMB, representing a 2.1% share in international payment currency, had become the fifth largest payment currency in the world.

According to an IMF report, by the end of 2018, the proportion of RMB assets held by global foreign exchange reserve management agencies had climbed to 1.8%, surpassing Australian and Canadian dollars to reach the highest level since IMF started to report RMB reserve assets in October 2016.

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

As the international community increasingly recognizes China's efforts on legalization, marketization and internationalization in the capital market, China A shares and bonds are being included into mainstream international indexes with continuously increasing weights.

MSCI has announced that, from March 2019 to November 2019, the inclusion factor of all China large-cap A shares in the index would be increased from 5% to 20%, and China mid-cap A shares (including eligible Growth Enterprise Market stocks) would be included in the MSCI index with a 20% inclusion factor.

In January 2019, Bloomberg Barclays announced that, starting from April 1, RMB-denominated Chinese treasury bonds and policy bank bonds would be included in the Bloomberg Barclays Global Aggregate Index. The inclusion would be phased in over a 20-month period, starting with a scaling factor of 5% and increasing by 5% increments every month. After full inclusion into the Global Aggregate Index, RMB-denominated Chinese bonds are expected to emerge as the fourth largest denominated currency bonds after USD, EUR, and JPY.

2 Source: Data released by the National Development and Reform Commission
3 Source: 2019 China Private Wealth Report jointly released by China Merchants Bank and Bain & Company

In September 2019, FTSE Russell raised the inclusion factor for A shares from 5% to 15%.

In September 2019, S&P Dow Jones officially added 1,099 China A shares into its S&P Emerging BMI with an inclusion factor of 25%.

In February 2020, JPMorgan Chase & Co. officially included Chinese treasury bonds into its benchmark emerging-market indexes. The inclusion factor will eventually reach 10% within 10 months.

3.2 Opening up of the Capital Market

As the demand for Chinese assets is on the rise, various mechanisms have been provided in China to facilitate foreign investors to invest in China's capital market.

3.2.1 QFII and RQFII

In 2003, China established the Qualified Foreign Institutional Investor ("QFII") scheme, to make China's capital market accessible to foreign institutional investors. In 2011, China launched the RMB Qualified Foreign Institutional Investor ("RQFII") pilots, allowing foreign institutional investors to invest in China's capital market with offshore RMB funds.

In September 2019, the State Administration of Foreign Exchange ("SAFE") decided to remove the limit of investment quota imposed on QFII and RQFII[4] . As of February 28, 2020, SAFE had approved USD 112 billion for 294 QFIIs and RMB 699.8 billion for 224 RQFIIs.

3.2.2. Stock Connect: HK Connect and London Connect

On November 17, 2014, the Shanghai-Hong Kong Stock Connect was officially launched. On December 5, 2016, the Shenzhen-Hong Kong Stock Connect was officially launched. With increasingly strengthened connections between the securities infrastructure in the Chinese mainland and Hong Kong SAR, the turnovers of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect are increasing month over month.

On October 12, 2018, the China Securities Regulatory Commission ("CSRC") officially issued the ***Regulatory Provisions on Depository Receipts under the Connectivity Mechanism between the Shanghai Stock Exchange and the London Stock Exchange (for Trial Implementation)*** (i.e., the "Shanghai-London Stock Connect" mechanism), taking effect as of the date of promulgation. On June 17, 2019, the Shanghai-London Stock Connect was officially launched in London. The first global depository receipt (GDR) product under the Shanghai-London Stock Connect, issued by Huatai Securities Co., Ltd., a company listed on the Shanghai Stock Exchange ("SSE"), was listed on the London Stock Exchange.

3.2.3 Bond Connect

On July 2, 2017, the People's Bank of China ("PBOC") and the Hong Kong Monetary Authority issued a public announcement approving the launch of the Bond Connect between Hong Kong SAR and Chinese mainland. By the end of January 2020, nearly 1,668 overseas institutional investors from 31 countries and regions had participated in the bond market through the Bond Connect scheme, with an average daily trading volume of 22.4 billion in January 2020.

3.2.4 Fund Connect: Mutual Recognition of Funds, China-Japan ETF Connect

In 2015, the scheme for Mainland-Hong Kong mutual recognition of funds was launched. By the end of February 2020, 29 northbound funds had been registered under the scheme with a scale of RMB 15.7 billion.

In April 2019, the China-Japan ETF Connect was launched, and 4 ETF products are listed on SSE.

4 SAFE is seeking the State Council's approval for removing the relevant items of administrative licensing according to relevant procedures, and the State Council will make final announcement upon approval.

3.3 Opening up Policies for Institutions

3.3.1 Public-offered Fund Management Companies

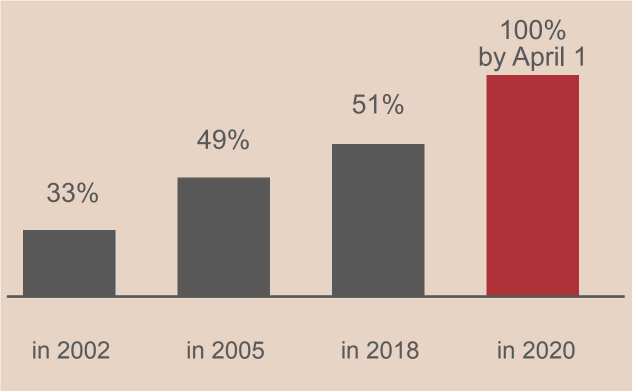
On June 28, 2018, the National Development and Reform Commission and the Ministry of Commerce issued the ***Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Edition)***,which adjusted the upper limit of the proportion of foreign equity in public-offered fund management companies from 49% to 51%, and set the timeline for officially removing the restriction on the proportion of foreign equity in 2021.

On July 20, 2019, the Financial Stability and Development Committee under the State Council released 11 measures on further expanding the opening up of the financial market, among which Article 9 reads "the ownership limits on foreign investors in securities companies, public-offered fund management companies and futures companies will be abolished in 2020, a year earlier than the original schedule of 2021".

On October 11, 2019, a spokesman for CSRC announced the timeline to lift the restrictions on the ownership of foreign investors in securities companies and public-offered fund management companies. Specifically, the restrictions on the proportion of foreign equity in public-offered fund management companies will be lifted nationwide starting April 1, 2020, and the restrictions on the proportion of foreign equity in securities companies will be lifted nationwide starting December 1, 2020.

On January 15, 2020, China and the United States signed the ***Economic and Trade Agreement Between the Government of the People's Republic of China and the Government of the United States of America (Phase I)***, under which China promised to lift the foreign equity limit and allow US wholly-owned service providers to enter the fields of securities, fund management and futures services no later than April 1, 2020. Therefore, the removal of the foreign equity limit on securities companies is advanced to April 1, 2020.

Figure 1 Evolution of the Limit on Foreign Equity in Public-offered Fund Companies



3.3.2 Private Securities Investment Fund Managers

On June 30, 2016, the Asset Management Association of China ("AMAC") released the ***Responses to Questions regarding Registration and Filing of Private Funds (No. 10)*** allowing foreign-invested financial institutions to set up wholly foreign-owned enterprise private securities investment fund managers ("WFOE PFMs") in China.

In April 2018, AMAC set up the English licensing examination for fund practitioners for the senior management personnel and investment managers of foreign-invested private funds.

In February 2019, the first batch of qualified foreign-invested private fund managers were approved to offer investment advisory services.

In February 2019, the qualified foreign-invested private fund managers were allowed to access the interbank bond market.

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

Chapter 2 Overview of the Fund Management Industry in China

Participants of China's asset management industry include institutions from banking, insurance, securities, funds, trust, futures, and other industrial sectors. By the end of December 2019, the total AUM (asset under management) of public-offered fund management companies and their subsidiaries, securities companies, futures companies, and private fund management institutions was approx. RMB 52 trillion[5], which consists of RMB 14.8 trillion of public-offered funds managed by public-offered fund companies,RMB 11 trillion of private funds managed by securities companies, RMB 4.4 trillion of private funds managed by public-offered fund management companies, RMB 4.3 trillion of private funds managed by the subsidiaries of public-offered fund management companies, RMB 143.3 billion of private funds managed by futures companies, and RMB 13.7 trillion of private funds managed by private fund management institutions (including RMB 2.5 trillion for private securities investment funds[6], RMB 9.7 trillion for private equity and venture capital funds, and RMB 1.5 trillion for other private investment funds).

1.Public-offered Fund Management Industry

1.1 Rapid Growth of AUM

As of the end of December 2019, according to the disclosure of CSRC, there are 143 companies with public-offered fund licenses, including 128 fund management companies, 13 securities companies or asset management subsidiaries of securities companies, and 2 insurance companies. These public-offered fund management institutions had managed 6,544 fund products of various types. Since 2012, the AUM of public-offered funds has achieved high growth for 8 consecutive years, reaching RMB 14.8 trillion by the end of 2019.

1.2 China's Mutual Fund Rises the 8th Position Worldwide in Terms of AUM

At year-end 2018, the asset in China's open-end funds (mutual funds) rose to the 8th place worldwide, accounting for 3.8% of the total mutual funds in the world and 27.5% of the mutual funds in Asia-Pacific[7].

1.3 Over 600 Million Investors

By the end of 2018, the number of valid fund accounts exceeded 600 million.

1.4 More and More Public-Offered Fund Management Companies with Foreign Participation

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-offered fund management companies have been operated in China for 18 years, since the inception of the first joint venture public-offered fund management company in 2002. They have been playing a pivotal role in the 22-year public-offered fund development in China.

As of the end of December 2019, 44 out of the 143 companies with public-offered fund license in China are with foreign equity participation, accounting

5 Source: Asset Management Business Statistics Express (as of end of 2019)，AMAC
6 In this Guidebook, discussions about the private investment funds refer only to the private securities investment funds
7 Source: Worldwide Regulated Open-end Fund Data (for funds in 47 jurisdictions worldwide) issued by the Investment Company Institute (ICI)

for 31% of the total numbers. Most of the foreign shareholders are large international investment institutions from the United States and Europe, and some are financial institutions in Asia, such as China's Hong Kong, Macao, and Taiwan region; Japan and Singapore.

2. Private Asset Management Industry of Securities and Futures Institutions

By the end of December 2019, the total AUM of private equity assets managed by securities and futures institutions was RMB 19.8 trillion.

Table 3 | AUM of Private Assets Management by Institutions

December 2019	Number of Products	AUM (RMB 100 million)
Asset management products of securities companies	16968	108308.5
Asset management products of fund companies	5374	43444.5
Asset management products of fund subsidiaries	5678	41884.7
Asset management products of futures companies	1219	1428.6

3. Private Fund Management Industry

By the end of December 2019, there are 24,471 private fund managers registered with AMAC, providing 81,739 products with an AUM of RMB 13.7 trillion, including 8,857 private securities investment fund managers ("PFM"), providing 41,399 products with an AUM of RMB 2.5 trillion.

On June 30, 2016, AMAC allowed eligible WFOE PFMs and Sino-foreign equity joint venture private securities fund management institutions ("JV PFMs") to be registered as PFMs. As of the end of 2019, 223 private fund managers with foreign controlling stakes had been registered with AMAC, with 610 funds filed, of which fund size amounts to RMB 323.01 billion. As of March 2020, there are 26 WFOE PFMs and JV PFMs , with 78 filed products and a fund size of RMB 7.88 billion.

Chapter 3 Why Shanghai

1.Shanghai Overview[8]

Locating in eastern China at the mouth of the Yangtze River and facing the Pacific Ocean, Shanghai is at the center of the Yangtze River Delta urban agglomeration. At the end of 2018, Shanghai had a land area of 6,340.5 square kilometers and a permanent population of 24.238 million.

Shanghai is the largest economic center of China. In 2018, Shanghai's GDP totaled RMB 3,267.99 billion, ranking first in China's urban GDP and accounting for 3.6% of China's GDP, of which the added value of the tertiary industry was RMB 2,284.3 billion, accounting for 69.9% of Shanghai's GDP. Shanghai is one of the international financial center cities. In 2018, the added value of the financial industry reached RMB 578.16 billion, and the total amount of transactions in Shanghai's financial market reached RMB 1,645.8 trillion. The volume of transactions in many varieties ranked among the top in the world. An RMB product market center suitable for RMB internationalization has been initially established.

Shanghai is an important international shipping center. In 2018, Shanghai's port cargo throughput was leading in the world, the port's international standard container throughput ranked first in the world for nine consecutive years, and the passenger throughput of the cruise ship's home port remained fourth in the world. Pudong and Hongqiao, the two international airports in Shanghai, accommodated 772,000 flights and 117.634 million arrivals and departures in 2018.

Shanghai is striving to build a global leading science and technology innovation center. In 2018, its spending on research and experimental development amounted to about 4% of Shanghai's GDP. A total of 233 science and technology innovation enterprises have been listed on the Technology Innovation Board of Shanghai Equity Exchange.

2. Complete Financial Factor Market Framework

As China's financial center, Shanghai has established a quite comprehensive financial market framework, consisting of the national money market, capital market, foreign exchange market, commodity futures market, gold market, and financial derivatives market. Meanwhile, a sound financial institutional structure consisting of commercial banks, securities companies, insurance companies, fund management companies, and futures companies is also developed. All these have enabled the effective and efficient allocation of assets.

By the end of 2018, the total market value of SSE stocks and the amount of IPO financing both ranked fifth in the world, the spot gold trading volume on the Shanghai Gold Exchange ranked first in the world, and the trading volume of commodity futures and options on the Shanghai Futures Exchange ranked first in the world in 2018. With the launch of a series of significant innovative initiatives, such as the Shanghai-Hong Kong Stock Connect, the Bond Connect, the Shanghai-London Stock Connect, the crude oil futures and the gold international board, Shanghai is now a forerunner in the opening up of China's financial market.

8 Source: *Shanghai Basic Facts 2019* released by the Shanghai Municipal People's Government

In 2019, the SSE's STAR Market, which pioneered in adopting a registration-based IPO mechanism nationwide, opened successfully. Under this mechanism, the profitability requirements for IPOs were removed, and trading restrictions were relaxed. These efforts have promoted the development of innovative science and technology enterprises and stimulated the market vitality.

Table 4 | 2018 Year-end Financial Factor Market of Shanghai

2018 Year-end Financial Factor Market[9]	Size
Total market value of SSE stocks	RMB 27 trillion (USD 3.9 trillion[10])
Commodity futures positions of the Shanghai Futures Exchange	4.193 million lots (one-sided)
Positions of the China Financial Futures Exchange	259,000 lots (one-sided)
Acceptance balance of the Shanghai Commercial Paper Exchange Corporation Ltd.	RMB 12 trillion (USD 1.7 trillion)
Initial fundraising involved in initial registration with the China Trust Registration Co., Ltd.	RMB 22.8 trillion (USD 3.3 trillion)
Existing products registered with insurance asset registration management platforms	RMB 1.3 trillion (USD 0.2 trillion)

Table 5 | 2018 Trading Volume of Shanghai's Financial Factor Markets

2018 Trading Volume of Financial Factor Markets[9]	Size
Cumulative turnover of the interbank market (RMB trillion)	1,262.89 (USD 184.0 trillion)
Cumulative turnover of negotiable securities (RMB trillion)	264.2 (USD 38.5 trillion)
Funds raised via Shanghai A and B shares (RMB trillion)	0.7 (USD 0.1 trillion)
Cumulative turnover of the financial derivatives market (RMB trillion)	26.1 (USD 3.8 trillion)
Cumulative turnover of the futures market (RMB trillion)	94.3 (USD 13.7 trillion)
Cumulative turnover of the gold market (RMB trillion)	10.7 (USD 1.6 trillion)

9 Source: data from *2019 Shanghai Financial Development Report*
10 Based on 6.8632 RMB/US dollar, the RMB-US dollar mid-market rate on December 28, 2018

3. Open Culture

Shanghai, bearing the urban spirit of "embracing diversity, pursuing excellence, and staying open-minded and humble", distinguishes itself through its openness, innovation, and tolerance - a vivid reflection of China's development and achievements in the new era.

In terms of the opening-up history, few other Chinese cities are 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 right geographical surroundings 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 ages, Shanghai attracted a large number of populations, industries, funds, technologies, information, and cultures. In particular, young immigrants with different backgrounds who were not content with their situation poured into Shanghai, which maintained the city's momentum of rapid development.

Backing onto the Yangtze River and facing the Pacific Ocean, Shanghai's open attitude 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 tolerant culture, prosperous and diversified economy, free and harmonious thinking, among many other aspects.

4. Business Environment

According to the ***China's Urban Business Environment Index Report 2019*** released in May 2019, Shanghai ranks top in comprehensive business environment index in China. In the Doing Business 2020 report released by the World Bank, China ranks 31st, and, as an important sample city of China, Shanghai ranks top 30 globally in five indicators including enforcing contracts, getting electricity, starting a business, registering property, and protecting minority investors. In 2018, Shanghai pioneered in promoting the "One-Portal Office" for government services, which took advantage of "Internet+" to improve the efficiency of administrative services. Significant progress has been made in six indicators which primarily rely on the local government capacity, namely, getting electricity, starting a business, dealing with construction permits, trading across borders, paying taxes and registering property, with an average reduction of 30.5% in processing and approval steps and 52.8% in processing time.

In March 2019, Shanghai issued the ***Action Plan for Optimizing the Business Environment and Accelerating the Construction of a New Open Economic System***, which proposed 88 reform measures and suggestions. In 2019, the 2019 version of the negative list for foreign investment access was released in the first half of the year; the ***20 Opinions on Pudong's Reform and Reopening up*** were issued in June; the ***Provisions of Shanghai Municipality on Encouraging Multinational Companies to Set up Regional Headquarters*** (Hu Fu Gui [2019] No. 31) were issued in July. In February 2020, the ***Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Financial Supports for the Yangtze River Delta Integrated Development*** (Yin Fa [2020] No. 46) were issued.

Shanghai has implemented 18 policy measures to reduce taxes and fees in 9 aspects, which further saved over RMB 50 billion for enterprises in 2018. The government service pricing catalog was revised, which reduced the number of items that are subject to government service charge from 53 to 35.

5. Legal Protection

Shanghai Financial Court, the first court in China which dedicates to financial disputes, was established in August 2018. The establishment of the Financial Court signifies a new era of China's financial justice and is of great importance for improving the financial judgment system, creating a sound financial legal environment, and enhancing healthy and orderly economic development. In addition, it provides a strong legal protection for Shanghai's efforts to become an international financial center and secures a legalized business environment for Shanghai's construction of a global asset management center.

In January 2019, the Shanghai Financial Court issued the ***Provisions of Shanghai Financial Court on the Model Judgement Mechanism for Securities Disputes***, the first model judgement mechanism for securities-related disputes. In February, the ***Outline of Shanghai Financial Court on the Five-Year Development Plan (2019-2023)*** was released, and set the court's focus on building a "professional, international and intelligent world-class financial court". In July, the ***Implementation Opinions of Shanghai Financial Court on Serving and Guaranteeing the Setting-up of STAR Market and the Pilot Registration System Reform*** were issued to provide high-quality judicial protection for Shanghai's construction of international financial center and science and innovation center.

6. Shanghai FTZ at the Forefront of China's Opening up

In August 2013, the State Council officially approved the establishment of China (Shanghai) Pilot Free Trade Zone ("Shanghai FTZ"). In April 2015, the State Council approved the plan for deepening the reform of the Shanghai FTZ. In November 2018, at the opening ceremony of the first China International Import Expo, President Xi Jinping suggested that a new area of the Shanghai FTZ to be established. In August 2019, the State Council printed and circulated the ***General Plan for Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone***, which signified the official establishment of Lin-gang Special Area. In February 2020, the ***Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Financial Supports for the Yangtze River Delta Integrated Development*** clearly promoted specific financial-related pioneering measures in Lin-gang Special Area.

The investment environment in the Shanghai FTZ is being gradually optimized. The negative list for foreign investment has undergone five rounds of revisions, through which the 190 entries in the earliest 2013 edition has been reduced to 40 in the 2019 edition, and the pre-entry national treatment applies to foreign investments in 90% of the industries in China's national economy. By the end of 2018, 96 of the 98 key reform tasks specified in the ***Plan for Deepening the All-Round Reform and Opening up of China (Shanghai) Pilot Free Trade Zone*** have been accomplished. In September 2019, the ***Opinions of Shanghai Municipal People's Government on Further Promoting Foreign Investments*** were released to further expand the opening-up policy. Foreign capital is pouring into the Shanghai FTZ at an accelerated speed, lifting the proportion of foreign-invested enterprises in all newly-established enterprises from 5% at the initiation of the Shanghai FTZ to around 20%.

The financial market system of the Shanghai FTZ is becoming full-fledged. Functions of the free trade account expand constantly to allow for the integrated management of local and foreign currencies, which is a basis for many important financial reforms such as overseas financing and the facilitated settlement and sale of foreign exchange. By the end of September 2018, 42,000 enterprises have settled at the Shanghai FTZ, most of which are enterprises in the finance, shipping, and trade industries. The factor market is fully functional, with 13 national factor markets and functional financial infrastructure institutions in such fields as securities, futures, diamonds, property rights and oil. More than 3,000 professional service providers gathering in the Shanghai FTZ have formed a relatively comprehensive service system.

In June 2018, the Shanghai FTZ Administrative Committee issued the ***Opinions of China (Shanghai) Pilot Free Trade Zone on Expanding the Opening up of Financial Services to Further Form New Advantages in Development and Opening up***. These opinions cover expanding the opening up of banking, securities and insurance industries in the Shanghai FTZ, encouraging multinational asset management institutions with leading AUM, advanced investment concepts and abundant investment experience to set up regional headquarters in the Shanghai FTZ, fully implementing the pre-entry national treatment and the negative list administration system, and facilitating the entry and stay of foreign talents. In the Shanghai FTZ, a dense industrial cluster with gathering overseas financial institutions has been formed.

As of the end of December 2019, 61 world-renowned asset management institutions have set up 84 wholly foreign-owned investment management/asset management companies in the Shanghai FTZ, including 9 of the top 10 global asset management institutions in terms of AUM.

7. Pilot Reforms for the Opening up of the Financial Sector

The pilot scheme of qualified foreign limited partnership ("QFLP") business started in Shanghai in 2011 refers to the business under which equity investment fund management enterprises established by foreign enterprises or individuals raise funds from overseas investors in a non-public manner and invest primarily in non-publicly traded domestic enterprise equity. The QFLP scheme has provided channels for overseas funds to invest in domestic equity projects.

QDLP, which originated in Shanghai in 2012, allows overseas investment fund management enterprises that are set up by overseas institutions and that have obtained the pilot qualifications and quotas to raise funds onshore from qualified investors and set up overseas investment fund enterprises for investment in overseas secondary markets. QDLP is one of the important innovations after QDII.

At the end of 2018, with the approval of the State Council, eight departments including the PBOC jointly printed and circulated the ***Action Plan for Building the Shanghai International Financial Center (2018-2020)***. The plan mentioned that Shanghai would build "six centers", one of which is the global asset management center. On June 14, 2019, Yi Gang, Governor of PBOC, said in his speech that the efforts to promote the Shanghai's building of an international financial center would be made from nine aspects, including: supporting international financial organizations to set up offices and foreign financial institutions to set up subsidiaries in Shanghai; supporting pilot programs of removing foreign equity limits on securities companies and public-offered fund management companies; and expanding the business scope of foreign-invested financial institutions. On September 18, 2019, Shanghai issued the ***Opinions on Further Promoting Foreign Investments***, which mentioned loosening or removing the restrictions on the proportion of foreign equity in financial institutions to provide further policy support for the opening up of Shanghai's financial market. On February 14, 2020, PBOC, China Banking and Insurance Regulatory Commission, CSRC, SAFE, and Shanghai Municipal Government issued the ***Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Financial Supports for the Yangtze River Delta Integrated Development*** which cover the perspectives of actively promoting Lin-gang Special Area's pioneering efforts in the finance area, accelerating the opening up of Shanghai's financial industry at a higher level, and providing financial support for the integrated development of the Yangtze River Delta. These Opinions further upgrade the policy on the building of Shanghai FTZ and Shanghai international financial center under the backdrop of financial opening up to help Shanghai and the Yangtze River Delta region to develop in an all-round, healthy and rapid way.

8. Rich in Talents from Top Universities and Overseas Returnees

Shanghai is rich in its higher education resources. By the end of 2018, there are 64 colleges and universities with an enrollment of 517,800 students and 132,500 graduates in Shanghai.

In November 2016, the Shanghai Financial Services Office (now Shanghai Municipal Financial Regulatory Bureau) printed and circulated the ***Plan for Talent Development in Shanghai's Financial Sector during the Thirteenth Five-Year Period***. In May 2018, Pudong New Area took the lead in implementing the "35 Rules" for Pudong's talent development in the financial sector. The Shanghai Municipal Financial Regulatory Bureau has been consistently providing a favorable environment for Shanghai's financial talents through campus recruitment, exchanges and training, and selecting and recommending outstanding financial talents each year.

At present, there are over 360,000 individuals working in the financial sector in Shanghai. In order to attract more financial talents, Shanghai is introducing the reform in the talent system, and providing various measures to better serve the financial sector, in addition to its strength in clustering colleges and universities.

9. Investor Protection

According to the ***Doing Business 2020*** report released by the World Bank, China's ranking in terms of protecting minority investors raised significantly, overtaking 36 competing countries to rank the 28th. As one of the sample cities of China, Shanghai has comprehensive mechanisms for protecting minority investors. The Shanghai Joint People's Mediation Committee for Dispute in the Securities, Funds and Futures Industries provides professional support for dispute mediation cases under the instruction of the Shanghai Securities Regulatory Bureau. In addition, the China Securities Investor Services Center, registered and established in Shanghai, provides solid protection for minority investors to safeguard their legitimate rights and interests.

Chapter 4 Overview of the Fund Management Industry in Shanghai

1. Public-offered Fund Management Industry

As of the end of December 2019, among the 143 public-offered fund management institutions in China, 62 public-offered fund managers were located in Shanghai[11], including 23 joint venture fund companies, accounting for over 50% of all joint venture fund companies in China. 32 non-Shanghai based fund companies have set up branches (offices) or wealth management centers in Shanghai.

As of the end of December 2019, Shanghai's public-offered fund managers managed 2,348 public-offered fund products with an AUM of RMB 5.2 trillion, including RMB 3.1 trillion excluded money market funds, which accounts for 60% of the total AUM, higher than the industry average[12].

Table 6 | Public-offered Fund AUM by Location (as of December 31, 2019 based on office location)

City	AUM
Shanghai	RMB 5.2 trillion
Beijing	RMB 4.6 trillion
Shenzhen	RMB 3.5 trillion
Guangzhou	RMB 1.2 trillion

Public-offered fund management companies in Shanghai, with a complete range of products, strong innovation and outstanding investment capabilities, has evident advantages over other places in equity investment. According to the statistics of Galaxy Securities Fund Research Center, as of the third quarter of 2019, 7 Shanghai fund companies were listed among the top 10 in terms of fund managers' active management ability in equity investment for the past 5 years.

2. Shanghai as the Business Destination Chosen by Most Well-known International Asset Management Institutions

The QFLP pilot scheme was launched in 2011. A total of 68 enterprises have obtained the pilot qualification over 26 batches, with a scale of USD 11.37 billion and an actual settlement of USD 3.5 billion of foreign exchange. Four of the world's top 10 equity investment management institutions in terms of AUM (TPG, Carlyle, Blackstone, and Warburg Pincus) have participated in the pilot scheme. Many other internationally renowned asset management institutions, including Fidelity, Softbank, CBRE, Mirae Asset, Invesco, Schroder and Manulife, have either obtained or are actively applying for the pilot qualification. Plenty of high-quality overseas funds, including sovereign funds, pension funds and campus funds, have invested in China's real economy projects through the QFLP pilot scheme.

Since the QDLP pilot scheme was launched in 2013, 38 internationally renowned large hedge funds and asset management institutions have obtained the pilot qualification in 5 batches, and obtained approved

11 Including 57 public-offered fund management companies and 5 securities companies or asset management subsidiaries thereof that have obtained the qualifications to manage public-offered funds
12 Source: Shanghai Asset Management Association

foreign exchange quota of USD 2.4 billion. The net outflow by the end of 2018 was USD 760 million. Among the top 20 asset management institutions in the world, 10 have participated in the pilot scheme, and another 8 are actively communicating about the application matters.

In 2016, China's fund industry continued to implement the opening-up policy by allowing overseas financial institutions to carry out the private securities investment fund management business through WFOEs. As of March 2020, Shanghai is home to 24 out of 25 WFOE PFMs which have registered with AMAC.

3. Private Fund Management Industry

Shanghai ranks first in China in terms of the number of private fund managers (including PFMs) and AUM thereof. As of the end of December 2019, there are 4,705 private fund managers in Shanghai, managing 22,731 funds.

4. Shanghai Asset Management Association (SAMA)

Shanghai Asset Management Association ("SAMA") was established on November 18, 2010. It is a non-profit social organization legal person voluntarily sponsored and formed by relevant enterprises in the fund industry in Shanghai. Under the supervision of the Shanghai Securities Regulatory Bureau, SAMA protect the legitimate rights and interests of its members and acts as a bridge between the Shanghai fund industry and the government, to promote and facilitate the compliant and healthy development of the fund industry in Shanghai.

By the end of December 2019, 7,876 products, with a total AUM of RMB 8.9 trillion, were managed by public-offered fund management companies and their subsidiaries in Shanghai.

In the context of China's further opening up of its financial industry and tightening regulation of the domestic financial sector, SAMA will continue to connect and devote itself to establishing a communication and exchange platform for asset management and to help them to explore new opportunities and paths.

Chapter 5 Laws, Regulations, and Regulatory Policies

1. Public-offered Funds

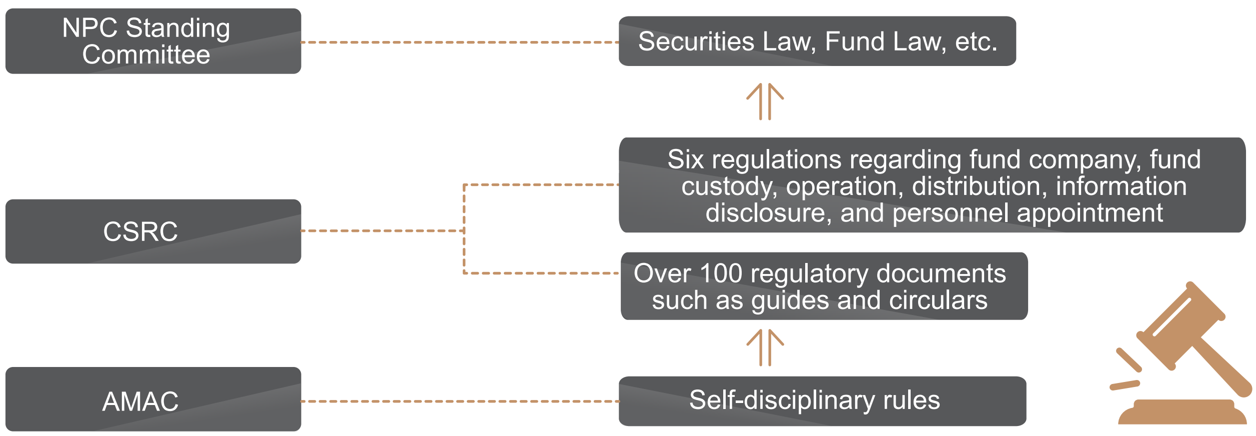
The legal cornerstone of China's public-offered fund industry is the ***Securities Investment Fund Law of the People's Republic of China*** ("Fund Law"), which was promulgated in 2004 and revised twice in 2012 and 2015. The Fund Law, as the fundamental law of China's fund industry, sets a framework for the operation of fund managers and funds. In addition, relevant investment activities are also governed by the Securities Law 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 the dispatched institutions thereof will perform their duties in accordance with authorization; AMAC is a self-disciplinary organization of the securities investment fund industry, which is subject to the instruction, supervision and management of CSRC.

As a regulator, CSRC has formulated a number of regulatory provisions within the framework of the Fund Law, the most important of which include: (1) the ***Administrative Measures on Securities Investment Fund Management Companies,*** which regulate the operation of public-offered fund management companies; (2) the ***Administrative Measures on Securities Investment Fund Custody Business***, which regulate fund custody; (3) the ***Administrative Measures on the Operation of Public Securities Investment Funds***, which regulate the investment restrictions and operation of funds; (4) the ***Administrative Measures on the Distribution of Securities Investment Funds***, which regulate fund distribution; (5) the ***Administrative Measures on Information Disclosure of Public Securities Investment Funds***, which regulate the information disclosure of funds; and (6) the ***Administrative Measures on the Appointment of Senior Management Personnel in Securities Investment Fund Industry***, which stipulate the qualifications and code of conduct for senior management personnel of public-offered fund management companies. In addition, CSRC has formulated over 100 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-offered 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-disciplinary organization, AMAC formulates self-disciplinary rules according to the authorization of law and the instruction of CSRC. The self-disciplinary 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, in accordance with the law, to join AMAC and be bound by its articles of association as AMAC members.

Figure 2 | Legislative Framework for Public-offered Funds



2. Private Asset Management Business of Securities and Futures Institutions

Both the ***Administrative Measures on Private Asset Management of Securities and Futures Institutions and the Administrative Provisions on the Operation of Private Asset Management Schemes of Securities and Futures Institutions***, the two major sets of regulatory provisions regarding private asset management products, refer to the Fund Law as their superior law. Therefore, the Fund Law is also the fundamental law for private asset management products.

CSRC and AMAC have issued, respectively, as the regulatory body and the self-disciplinary organization, a large number of regulatory provisions and self-disciplinary rules applicable to private asset management products, covering broad areas such as product fundraising, investment, operation, and compliance for private asset management products.

3. Private Securities Investment Funds

The Fund Law revised in 2012 was promulgated and came into force on June 1, 2013. One of the highlights of this revision is to subject the private securities investment funds to the 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 funds. In addition, relevant investment activities are also governed by the Securities Law and other relevant laws and regulations.

According to the Fund Law, CSRC is the regulator of the fund industry. Within the framework of the Fund Law, CSRC has formulated the Interim Measures on the Regulation of Private Investment Funds. In addition, the regulatory documents formulated by CSRC for certain fields (e.g., the Administrative Measures on the Suitability of Securities and Futures Investors) also apply to private securities investment funds.

According to the provisions of the Fund Law, AMAC is the self-disciplinary organization of the fund industry and is subject to the instruction and supervision of CSRC. Similar to the practice in the public-offered fund sector, AMAC, as a self-disciplinary organization, formulates or updates self-disciplinary rules in accordance with the authorization of law and CSRC and in light of market conditions. However, different from the practice in public-offered fund sector, according to the Fund Law, AMAC is also responsible for the registration of private securities investment fund managers and filing of private securities investment funds according to the law. In other words, AMAC's self-disciplinary management of private securities investment funds is more comprehensive. In this regard, AMAC has formulated and issued many self-disciplinary rules on fundraising, fund service and information disclosure, including but not limited to the ***Guidelines on the Internal Control of Private Investment Fund Managers***, the ***Guidelines on Private Investment Fund Contracts, the Administrative Measures on the Fundraising of Private Investment Funds***, the ***Administrative Measures on the Information Disclosure of Private Investment Funds***, the ***Implementing Guidelines on the Investor Suitability Management of Fundraising Institutions (for Trial Implementation)***, and the ***Measures on the Private Investment Fund Service Business (for Trial Implementation).***

Chapter 6
Fund Types and Legal Framework

1. Public-offered Funds

At present, all public-offered funds in China are contractual funds based on trust legal relationship, 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 the feature distinguishing the funds in China from those 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

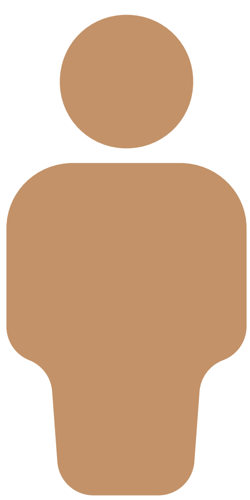
B handling the fund filing procedures

C separately managing and keeping accounts of different fund assets under management, and investing in securities

D determining the fund distribution plan according to the fund contracts, and making 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

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 undertaking safekeeping of 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 properties
- D maintaining records, books, statements, and other relevant materials of fund custody activities
- E handling liquidation and closing 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 fund managers according to relevant regulations
- K and other duties prescribed by the securities regulatory authority under the State Council

3) Each fund unit has equal rights. The fund unitholders exercise their rights through the "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.

Public-offered funds must be issued and managed by public-offered fund managers and be under the custody of fund custodians. According to the data released by CSRC, by the end of December 2019, there are 45 fund custodians in total in China[13], including 16 securities companies, the China Securities Depository and Clearing Corporation Limited (CSDC), the China International Capital Corporation Limited (CICC), and 27 commercial banks.

Under the Fund Law, the fund manager may appoint a fund service institution to handle the units registration, accounting, valuation, investment adviser and other matters for the fund, and the fund custodian may appoint a fund service institution to handle the accounting, valuation, review and other 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 Businesses of Securities and Futures Institutions

Most of the private asset management products issued by public-offered fund management companies, securities companies, futures companies are contractual products based on trust legal relationship, 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, to exercise shareholder's rights on behalf of the private asset management product, and to supervise the custodian.

2) The core functions and powers of the custodian

13 Appendix 1 List of Securities Investment Fund Custodians

upon entrustment are: to preserve the assets of the private asset management product, to carry out the manager's investment instructions, to conduct compliance review of investment instructions, to handle funds transfers, to review valuation and information disclosure, and to supervise the manager.

Different from public-offered funds, a mandate with sole investor (i.e., a private asset management product that is issued for a specific single investor) may, according to the asset management contract, not engage a custodian for custody.

3) Each unit of the asset management product has equal rights. The unitholders exercise their rights through the "unitholders' meeting". The unitholders' meeting has the right to replace the manager/custodian, to adjust the remuneration of the manager and the custodian, to change the operating model, investment strategy and distribution mechanism, and to decide on the termination and liquidation of the fund.

Slightly different from public-offered 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.

Same as pubic-offered funds, the manager or the custodian of private asset management products may appoint a service institution for the asset management product, provided that the fiduciary duties of the custodian should not be outsourced, and the liabilities of the manager and the custodian under the law will not be exempted due to such appointment.

3. Private Securities Investment Funds

Private investment funds are organized in the form of contractual funds, corporate funds, and partnership funds. Corporate funds and partnership funds are commonly seen in private equity investment and venture capital funds, but rare in private securities investment funds. Therefore, the private securities investment funds in this Guidebook refer only to contractual funds.

Same as public-offered funds, contractual private securities investment funds are all based on trust legal relationship, 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: to undertake investment management, to conduct valuation and accounting as the party responsible for accounting matters, to handle unit registration, to exercise shareholder's rights on behalf of the fund, and to supervise the fund custodian.

2) The core functions and powers of the fund custodian upon entrustment are: to preserve the fund assets, to carry out the manager's investment instructions, to conduct compliance review of the investment instructions, to handle funds transfers, to review valuation and information disclosure, and to supervise the fund manager.

3) Each fund unit has equal rights. The fund unitholders exercise their rights through the "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.

According to data released by AMAC, as of the end of December 2019, there are 8,857 PFMs in total in China; fund custodians can engage in the custody business for public-offered funds and private funds simultaneously.

Same as public-offered funds, the fund manager and the fund custodian of private securities investment funds may appoint a service institution for the fund, provided that the fiduciary duties of the custodian should not be outsourced, and the liabilities of the manager and the custodian under the law will not be exempted due to such appointment.

Chapter 7 Application and Approval of Products and Institutions

1. Public-offered Funds

1.1 Establishment of Public-offered Fund Management Companies

Public-offered fund management companies that are established upon approval by CSRC may raise funds and manage public-offered funds. In accordance with the provisions of the Fund Law, the fund assets shall be used for the following investments: (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-offered fund management companies may conduct. The following conditions shall be met to establish a public-offered fund management company:

1) Shareholders. The Fund Law and CSRC impose relatively complicated requirements on the qualifications of each type of shareholder of public-offered fund management companies. In short, shareholders of public-offered fund management companies can be divided into four types: major shareholder (i.e., the largest shareholder holding 25% or more of equity), non-major shareholder(s) holding 5% or more of equity, shareholder(s) holding less than 5% of equity, and foreign shareholder(s). Besides, after a public-offered fund management company is established, in case of any change in shareholders representing 5% or more of equity, including through transfer of 5% or more of equity or subscription of 5% or more of increased registered capital, the qualifications of the new shareholder(s) are also subject to CSRC's prior review and approval.

The requirements on the qualifications of the sole shareholder of a wholly foreign-owned public-offered fund management company, which basically combine the requirements on major shareholder and foreign shareholders, are as follows:

① duly incorporated and lawfully existing under the laws of the country or region where it is incorporated;

② the domicile country or region of the shareholder has well-established securities laws and regulatory system, whose securities regulatory authority shall 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;

③ a financial institution with experience in financial assets management (mainly refers to the experience in the management of public-offered funds, pension funds, charitable funds, endowment funds, etc.) and good performance in financial business operation;

④ having a stable financial condition and a good credit standing;

⑤ having net assets of not less than the equivalent of RMB 200 million in a convertible currency;

⑥ having sound corporate governance and well-established internal control system;

⑦ not having taken any action that harms the interests of clients, such as misappropriation of client's assets;

⑧ not being subject to any investigation by the regulatory authority or in the process of rectification due to violation of the laws and regulations;

⑨ having good social reputation, not having been subject to any penalty imposed by the regulatory or judicial authority in the last three years, and having no negative record with self-disciplinary organizations, commercial banks and other institutions in the last three years.

2) Capital. Public-offered fund management companies must be established in the form of company (instead of partnerships or any other form) with a registered capital of not less than RMB 100 million which shall be actually paid in in cash. Foreign shareholders shall make capital contributions in a convertible currency.

3) Personnel. Public-offered fund management companies are required to have the legal representative, general manager, chief compliance officer, deputy general managers if needed, and other senior management personnel. The number of such senior management personnel, together with the personnel engaging in research, investment, valuation and marketing, shall be not less than 15, and all of them must have obtained the fund practitioner qualification.

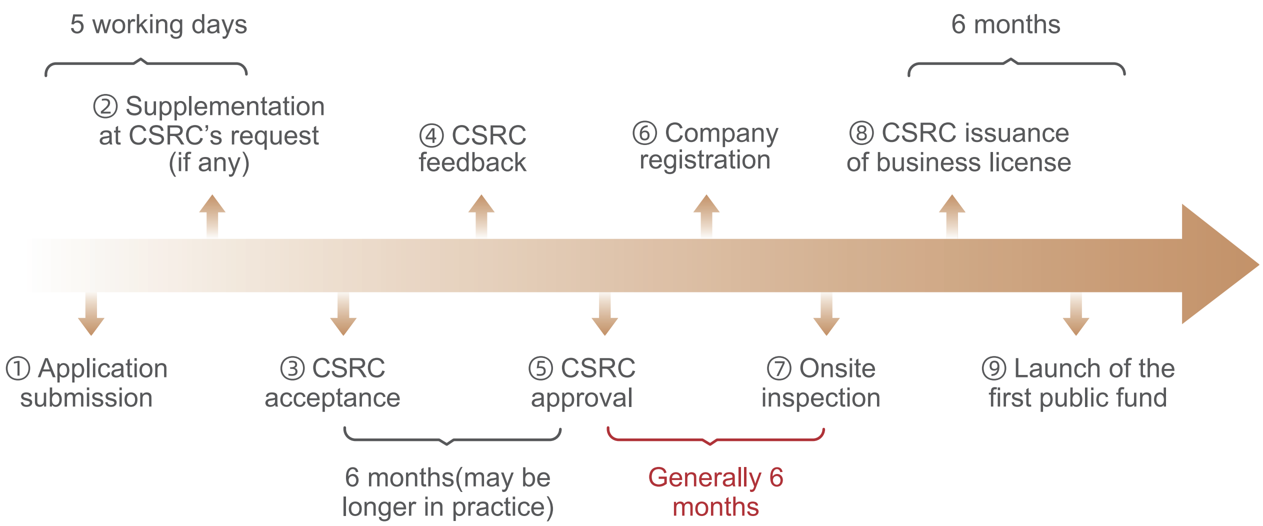
4) Software and hardware facilities. Public-offered fund management companies must have premises and IT systems that are sufficient to support their operation, which generally cover the aspects of investment management, fund distribution, registration, accounting, office automation system (OA), etc.

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

Currently, a public-offered fund management company is established under the “approval first, preparation later” mode. Under this mode, relevant parties shall first apply to CSRC for establishing the public-offered fund management company, during which period they will go through the steps of acceptance of application, review of shareholders’ qualifications and feedback opinions of CSRC. During the preparation phase, which commences upon CSRC’s approval of the establishment of the public-offered fund management company, the applicant shall complete the work required for carrying out public-offered fund management business, including 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 business permit to the established public-offered 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-offered fund management companies complete the preparation work within six months after obtaining the approval on establishment.

Figure 3 | Application Procedures for Establishment of Public-offered Fund Management Companies



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-offered 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 provisions of the effectiveness of the fund contract, the investment of the fund, subscription, redemption, valuation, distribution, liquidation, 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 relevant laws and regulations, CSRC shall make the decision on whether to approve the registration of the fund within six months after accepting the application, or for public-offered funds to which streamlined procedures may apply, within twenty working days after accepting the application. The fund manager shall undertake fundraising within six months after receiving the document on registration approval.

1.3 Licenses for Public-offered Fund Management Companies

Public-offered fund management companies, upon being duly established, have the license for public-offered fund management and may concurrently apply for the license for private asset management (Segregated Account) business. In addition, where the requirements of relevant regulations on net assets, AUM, investment performance and staffing are satisfied, public-offered fund management companies may further apply for the license for QDII, basic pension, enterprise annuity investment management, social security fund investment management, insurance fund entrusted management and other businesses.

1) License for the Private Asset Management Business

At present, except for a few newly-established companies, all public-offered 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-offered fund management company must apply to CSRC separately after establishment. More details will be elaborated in Section 2 of this Chapter.

2) License for QDII

With the QDII license, the public-offered fund management company is entitled to raise funds within the foreign exchange quota granted by the SAFE 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 management services for enterprise annuity. This license is granted by the Ministry of Human Resources and Social Security of China. There are 11 public-offered fund management companies with this license since it was established in 2005.

4) License for Social Security Fund Investment Managers

A social security fund investment manager is to 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").

The Social Security Fund Council reviews the qualification of investment managers in a prudent and strict manner. Since 2001, 16 public-offered fund management companies have obtained this license over 3 batches.

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 shall 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 Social Security Fund Council (SSFC), this license is granted by the SSFC.

In 2016, the first batch of 14 public-offered fund management companies obtained this license.

6) License for Entrusted Management of Insurance Funds

License for entrusted management of insurance funds refers to the provision of discretionary investment management services for insurance funds as entrusted by insurance companies or insurance asset management companies. This license is subject to review and is granted by the China Banking and Insurance Regulatory Commission. Since 2012, most public-offered fund management companies have obtained this license.

7) Subsidiaries of Public-offered Fund Management Companies

Eligible public-offered fund management companies may establish, upon approval by CSRC, specialized subsidiaries controlled by the public-offered fund management company, including subsidiaries engaged in Segregated Account business, subsidiaries engaged in the distribution of financial products, and Hong Kong subsidiaries. All three types of subsidiaries must be limited liability companies controlled by public-offered fund management companies, holding separate licenses, refraining from concurrently engaging in each other's businesses, and implementing segregation of risk between parent company and the subsidiary. According to statistics published by CSRC, as of the end of December 2019, 79 Segregated Account subsidiaries, 6 distribution subsidiaries and over 20 Hong Kong subsidiaries have been established.

8) License for the Fund Investment Adviser Business

In October 2019, CSRC started the pilot scheme of fund investment adviser business on a small scale based on the principle of "pilot scheme before steady expansion". Pilot institutions, including fund 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 benefits in accordance with relevant agreements. As of December 2019, CSRC had approved 8 such pilot institutions.

2. Private Asset Management Business of Public-offered Fund Management Companies

2.1 Application for the License for Private Asset Management Business

Public-offered fund management companies may apply for the license for private asset management business during the phase of establishment application, or apply to CSRC separately after establishment. Please see Section 1 of this Chapter for the establishment of public-offered fund management companies.

Public-offered fund management companies shall obtain the approval from CSRC to engage in the private asset management business.

The private asset management products issued and managed by public-offered fund management companies (excluding their subsidiaries) may invest in:

1) bank deposits, interbank deposits, and standardized credit assets conforming to relevant requirements, 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 the stock exchange, interbank market or other trading venues established upon approval by the State Council, can be divided into equal shares, and have reasonable fair value and 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 commodity and financial derivative assets that are traded and cleared in a centralized manner in the securities and futures exchange or other trading venues established upon approval by the State Council;

4) public-offered funds and asset management products administered mutatis mutandis to public-offered funds recognized by CSRC;

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

6) other assets recognized by CSRC.

In order to engage in the private asset management business, a public-offered fund management company shall meet the following conditions:

1) complying with relevant laws, administrative regulations and rules of CSRC in terms of net assets, net capital, and other financial and risk control indicators;

2) having good 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 personnel engaging in investment research;

5) having business premises, security facilities and IT systems that comply with relevant requirements;

6) not having been subject to any administrative penalty or criminal penalty due to 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 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 suspected material violation of the laws and regulations;

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

2.2 Filing of Private Asset Management Products

Public-offered fund management companies shall, within five working days after the establishment of a private asset management product, submit the asset management contract, list of investors and their subscription amount, capital verification report or asset payment certificate and other materials to AMAC for filing, with a copy to the relevant dispatched institution of CSRC.

3. Private Securities Investment Funds

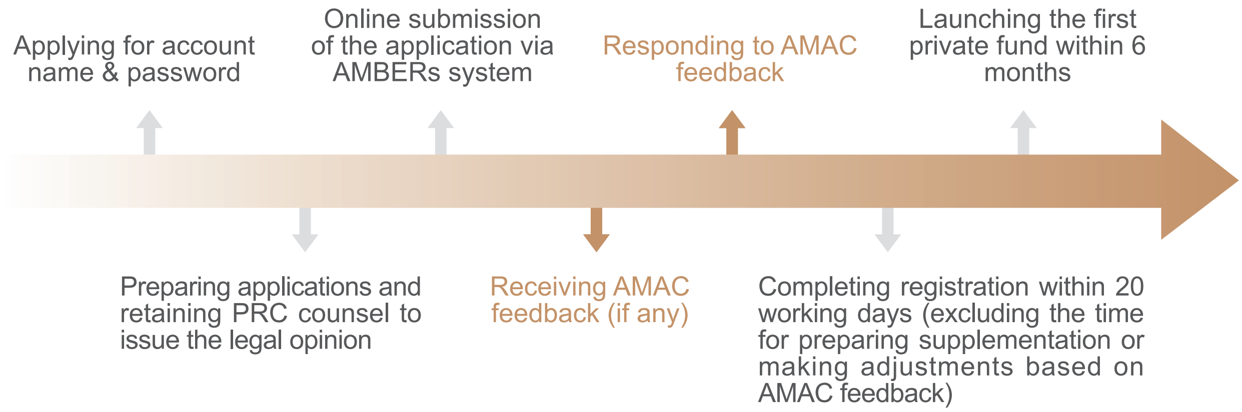
PFMs may issue and manage private securities investment funds. In accordance with the Fund Law, private securities investment funds may trade a company limited by shares' public-offered stocks, bonds and fund units, as well as other securities and derivatives thereof prescribed by the securities regulatory authority under the State Council[14]. Besides, a qualified PFM may operate other asset management businesses (please see Section 3.3 of this Chapter for details).

3.1 Registration as Private Fund Managers

A duly incorporated company may issue private securities investment funds only after being registered as a PFM with AMAC. A legal opinion issued by a Chinese law firm is required in applying for registration with AMAC. AMAC will publicize the registration results on its official website after the application is approved upon its review.

14 Appendix 2 Comparison of Scope of Assets That May Be Invested by Public-offered Funds and Private Securities Investment Funds

Figure 4 | Application Procedures for Registration of Private Fund Managers



3.1.1 General Conditions for PFM Registration

In accordance with the Fund Law, the ***Interim Administrative Measures on Private Investment Funds, the Measures for the Registration of Funds, the Measures for the Registration of Private Investment Fund Manager and the Filing of Funds (for Trial Implementation)*** and other laws and regulations, AMAC is in charge of the private fund manager registration and sets out various requirements for PFM registration through relevant self-disciplinary rules and operation guidelines, which mainly include:

1) Internal Control

The institution planning to apply for PFM registration shall establish sound internal control mechanism, specify the duties of the internal control function, optimize its internal control measures, enhance the safeguarding measures for carrying out internal control duties, and carry out ongoing evaluation and supervision on internal control.

2) Capital

The applying institution shall, based on its operation conditions and business development plan, make sure that it has sufficient capital to guarantee effective operation of the institution. AMAC generally requires that the capital of the applying institution shall be sufficient to cover its operation expenses, including reasonable employee remuneration and rent, for a certain period.

3) Premises

The applying institution shall have independent office premises necessary to carry out private fund management business.

4) Personnel

Senior management personnel of a private fund manager include the legal representative/representative appointed by the executive partner, general manager, deputy general manager (if any), compliance/risk control officer and other positions, among which the legal representative/executive partner (appointed representative) and compliance/risk control officer are must-have senior management personnel.

The total employee number of the applying institution shall be not less than 5.

Fund practitioners (including the senior management personnel) of private fund managers shall have obtained the fund practitioner qualification.

Relevant staff of the applying institution engaging in private fund management business shall have professional ethics and competence suitable to the requirements of their positions. Practitioners shall observe non-compete principle, be dedicated to their duties, exercise due diligence, and refrain from concurrently engaging in any activity that may conflict with the private fund business.

5) Specialized Operation

Private fund managers shall observe the principle of specialized operation, have clear main businesses and may not concurrently engage in any business that may conflict with the private fund business (e.g., private lending, private financing, financing lease, margin lending, mini-wealth management, mini-lending, P2P/P2B, crowd-funding, factoring, guarantee, real estate development, trading platform etc.), any business that conflicts with the buyer business of “investment management” or other non-financial businesses.

In order to implement the requirements on specialized operation of private fund managers, the name and business scope of a private fund manager shall include “fund management”, “investment management”, “asset management”, “equity investment”, “venture investment” or other expressions closely related to the nature of business of private fund managers.

3.1.2 WFOE PFMs and JV PFMs

The foreign shareholder(s) and actual controller of WFOE PFMs and JV PFMs shall 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 is incorporated shall have entered into a memorandum of understanding on the cooperation in securities regulation with CSRC or other organizations recognized by CSRC; besides, the foreign shareholder(s) and actual controller shall not have been subject to any material penalty by the regulatory authority or judicial authority in the last three years.

The use of capital and the RMB funds acquired through foreign exchange settlement of WFOE PFMs and JV PFMs shall be in compliance with relevant requirements of the State foreign exchange administration authority. Such capital and funds shall be used for securities and futures trading in China and shall be subject to independent investment decision making, and no trading instructions shall be given through overseas institutions or overseas systems, except as otherwise prescribed by CSRC.

3.2 Filing of Private Funds

Private fund managers shall apply to AMAC for filing of a private fund within 20 working days after completion of its fundraising. Private fund managers shall provide documents and information required for registration and filing of private funds and warrant the authenticity, accuracy and completeness of the documents and information provided. If the materials for filing of the private fund are complete and comply with relevant requirements, AMAC will complete the filing procedures for private funds by publicizing basic information of the private fund on AMAC website within 20 working days from receipt of the complete filing materials.

Newly-registered private fund managers shall file the first private fund product within 6 months from the completion of the registration procedures.

3.3 Investment Advisory Service

PFMs that meet all of the following conditions may provide investment advisory services for private asset management products of securities and futures institutions (including securities companies, public-offered fund management companies, futures companies, and their respective subsidiaries) and private securities investment funds of other PFMs:

1) a member of AMAC that has been registered with AMAC for one year or more without any record of material violation of the laws and regulations; and

2) having not less than 3 investment management personnel with more than 3 years’ continuous and traceable performance record in securities and futures investment management and without negative practice record.

4. QDLP Pilot Qualification

The QDLP pilot policy, initiated in Shanghai since 2012, allows qualified overseas asset management institutions to apply to the relevant authority of Shanghai Municipality (i.e., Shanghai Municipal Financial Regulatory Bureau) for the QDLP pilot qualification. In addition to local pilot qualification administrative requirements, the QDLP fund management institutions being private fund management institutions and the QDLP funds being private funds shall also comply with the regulatory requirements of the private fund regulatory authority (i.e., CSRC) and self-disciplinary association of the private fund industry (i.e., AMAC).

Figure 5 | Specific Procedures for QDLP Operation

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

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-offered funds shall be subject to registration or filing in compliance with the requirements of CSRC.

A service provider for private funds is required to apply for the qualification of corresponding type of services by filing with the AMAC and is subject to self-disciplinary administration by AMAC in accordance with the Fund Law and relevant self-disciplinary rules of AMAC. As of December 2019, 45 private fund operation service providers had registered with AMAC[15].

2. Securities and Futures Brokers

Fund managers may engage in the trading of securities and futures listed on an exchange via brokerage services provided by securities and futures institutions. To be specific, securities shall be traded via securities companies and futures shall be traded via futures companies.

Securities and futures companies providing brokerage services in China shall obtain the prior approval from CSRC.

As of December 2019, 133 securities companies[16] and 149 futures companies[17] have obtained the approval from CSRC for providing brokerage services.

3. IT System Service Providers

In accordance with Article 44 of the ***Administrative Measures on the Information Technology of Securities and Fund Institutions*** promulgated by CSRC in December 2018, public-offered fund management companies shall 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 December 2019, 5 IT system service providers have completed the filing with AMAC, of which 3 mainly provide IT business systems and 2 provide data communication[18].

4. Accounting Firms and Law Firms

4.1 Accounting Firms

In accordance with the Securities Law, an accounting firm which intends to provide securities and futures services shall file with CSRC and relevant departments of the State Council. During actual business operation, fund managers and the funds under their management are required to undergo the capital verification, auditing and other processes by accounting firms that comply with the Securities Law. Besides, during operation, 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 shall also consult the accounting firms for their professional opinion.

As of December 2019, 40 accounting firms

15 Appendix 3 Link of the Publicized List of Private Fund Service Institutions: Transfer Agency/ Fund Accounting Agency
16 Appendix 4 Link of the List of Securities Companies
17 Appendix 5 Link of the List of Futures Companies
18 Appendix 6 Publicized List of Private Fund Service Institutions: IT System Services

have obtained the securities and futures service qualification, and 1 of them has become an AMAC associate member in accordance with the Administrative Measures on AMAC Membership, the self-disciplinary rules of AMAC[19].

4.2 Law Firms

For a public securities investment fund to be issued, the legal opinion shall be issued by lawyers or a law firm[20]. For private securities investment 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 services[21]. Any lawyer or law firm that complies with relevant provisions of ***the Administrative Measures on the Provision of Securities Legal Services by Law Firms***[22]may provide the service of issuing legal opinions to fund managers.

AMAC issued the ***Administrative Measures on AMAC Membership***, the self-disciplinary rules of the industry. Article 9 of the measures stipulates that associate members include law firms which provide professional legal services for fund business.

As of December 2019, a total of 16 law firms serve as the associate members of AMAC[23].

19 Appendix 7 Link of the List of Accounting Firms Providing Securities and Futures Services
20 Article 51 of the Fund Law: To register a public-offered fund, the prospective fund manager shall submit the following documents to the securities regulatory authority under the State Council: ... (5) a legal opinion issued by a law firm.
21 *Circular on Canceling the Qualification Approval for Securities Legal Services Provided by Lawyers and Law Firms*, issued by the Ministry of Justice and CSRC on December 23, 2002
22 Article 8 and Article 9 of the *Administrative Measures on the Provision of Securities Legal Services by Law Firms*
23 Appendix 8 Link of the Associate Members of AMAC: Law Firms

Chapter 9 Fund Distribution

1. Distribution Channels for Public-offered Funds[24]

Public-offered funds are distributed mainly by direct sale through public-offered fund management companies themselves, supplemented by distribution through commercial banks and securities companies. In addition, independent fund distribution institutions are becoming an increasingly important distribution channel.

Figure 6 | Proportion of Fund Subscription Channels from 2014 to 2018

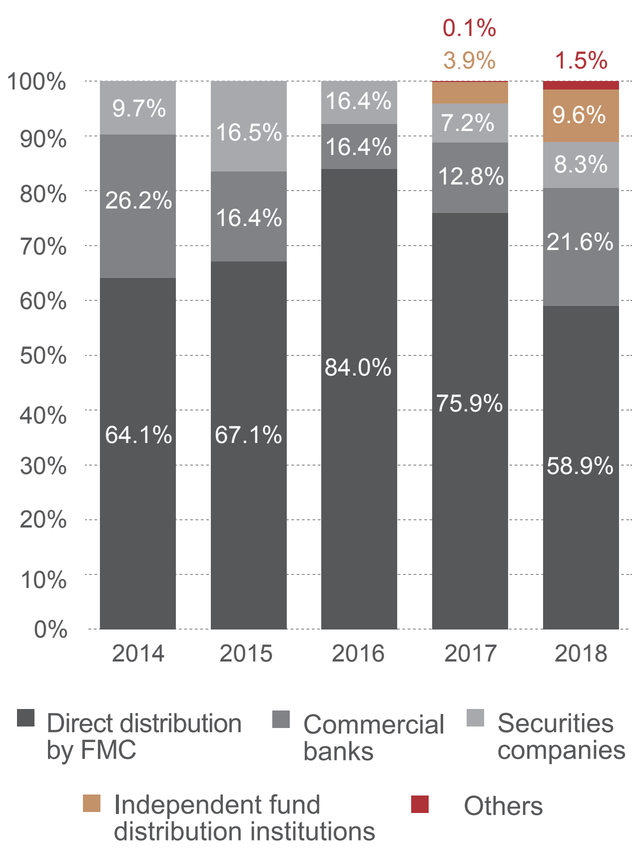
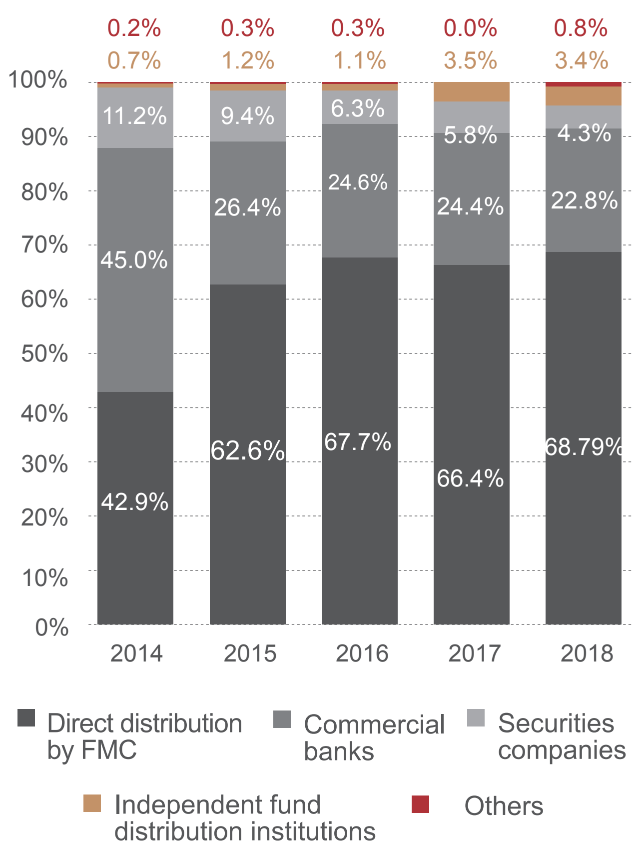


Figure 7 | Proportion of Net Fund Sales of Each Distribution Channel from 2014 to 2018



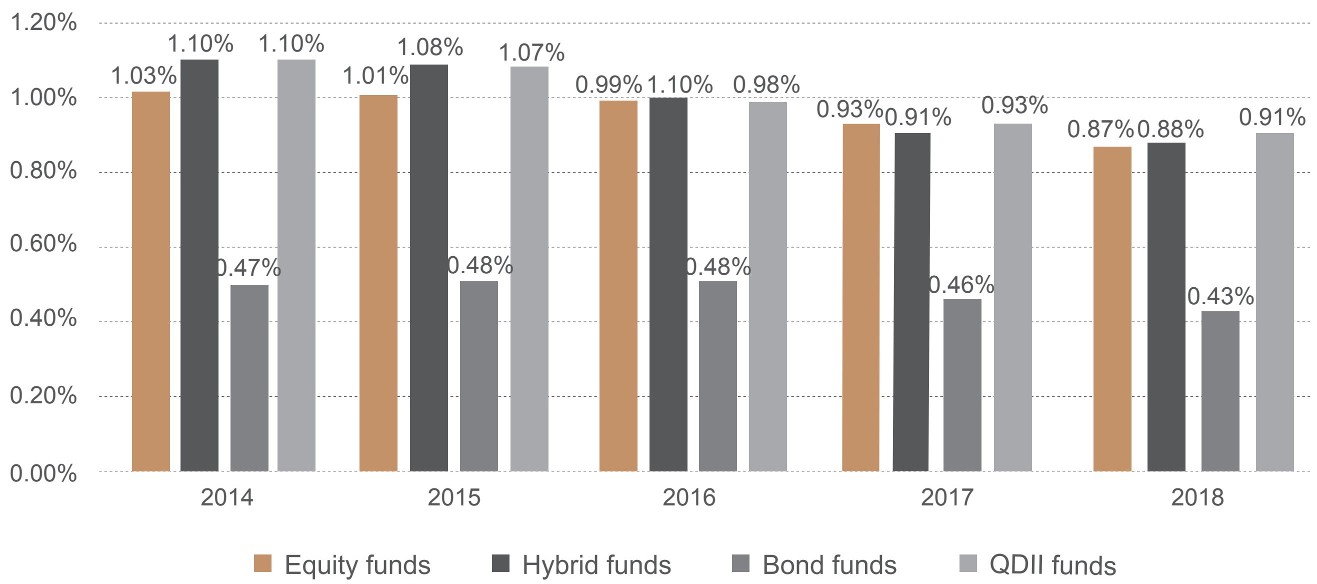
24 Source: 2019 China Securities Investment Fund Fact Book

As of August 31, 2019, a total of 433 fund distribution institutions had been approved by CSRC, including 158 commercial banks, 122 securities companies, 118 third-party institutions, and 35 insurance and futures companies.

2. Subscription Fee at Fund's Initial Offering

Except for money market fund with no subscription fee, the average subscription fee during the initial offering for all categories of funds has been trending down.

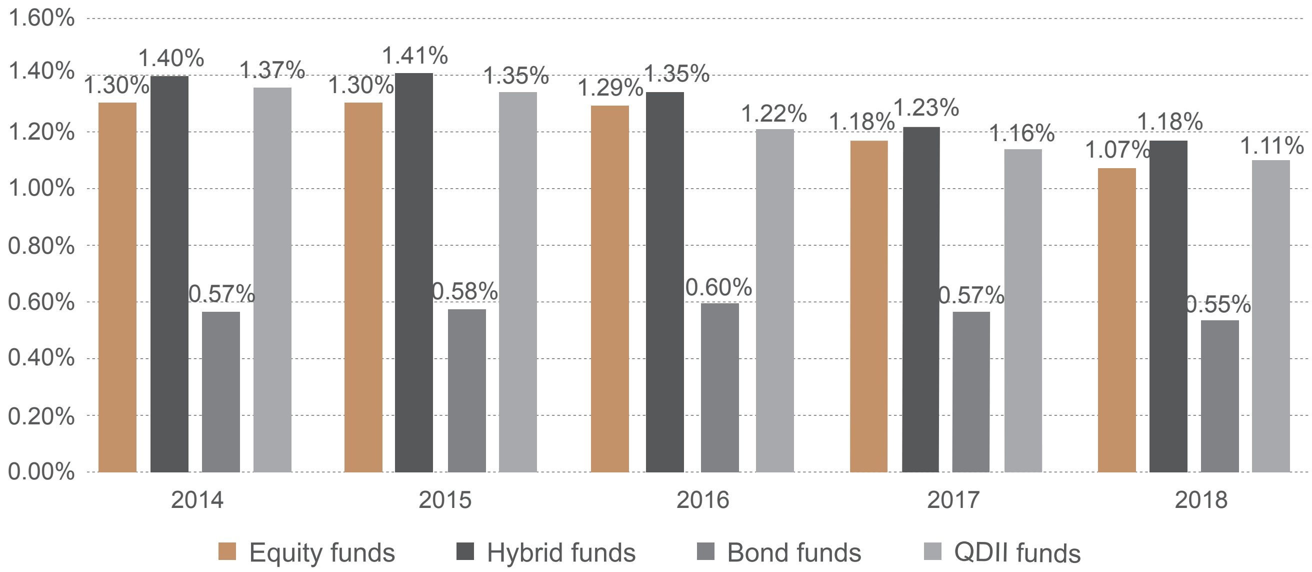
Figure 8 | Average Subscription Fee Rate during the Initial Offering of Each Type of Funds from 2014 to 2018



3. Subscription Fee after Fund's Launching

Except for money market fund with no subscription fee, the average subscription fee after launch for all other types of funds has been trending down over the years.

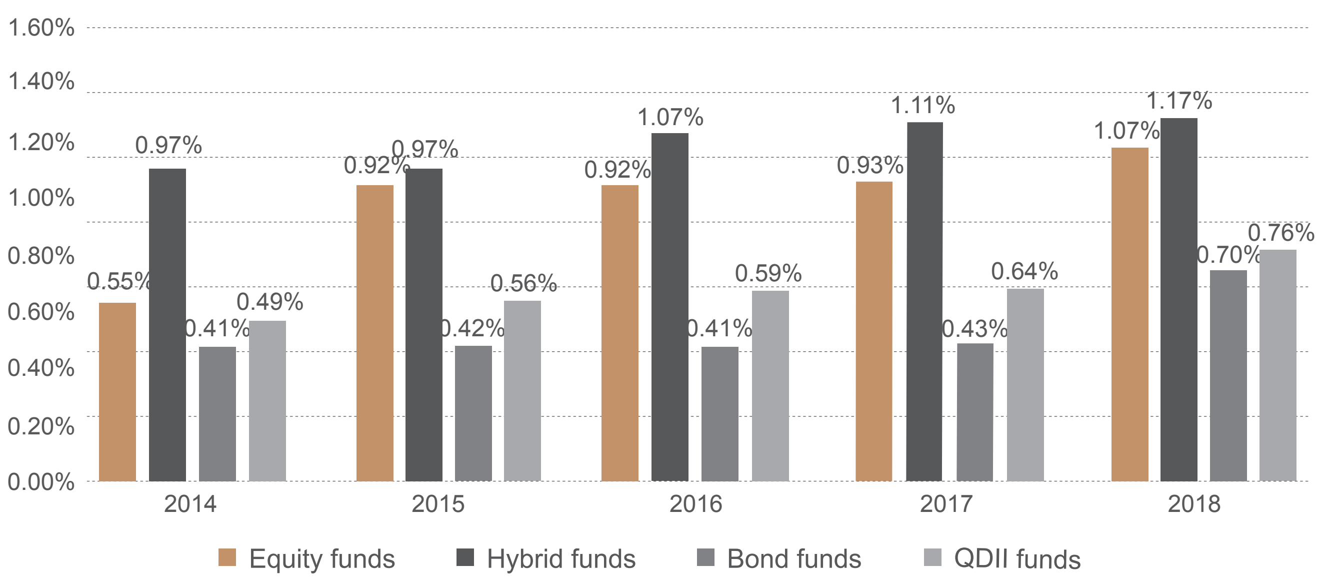
Figure 9 | Average Subscription Fee Rate after Launch of Each Type of Funds from 2014 to 2018



4. Redemption Fee

In August 2017, CSRC issued the Administrative Provisions on the ***Liquidity Risks of Public Open-end Securities Investment Funds***, which requires that for open-end funds other than money market funds and exchange traded funds, investors holding the fund less than 7 days should be subject to a redemption fee of not less than 1.5%. Except for money market funds with no redemption fee, the average redemption fee for all other types of funds is on the rise.

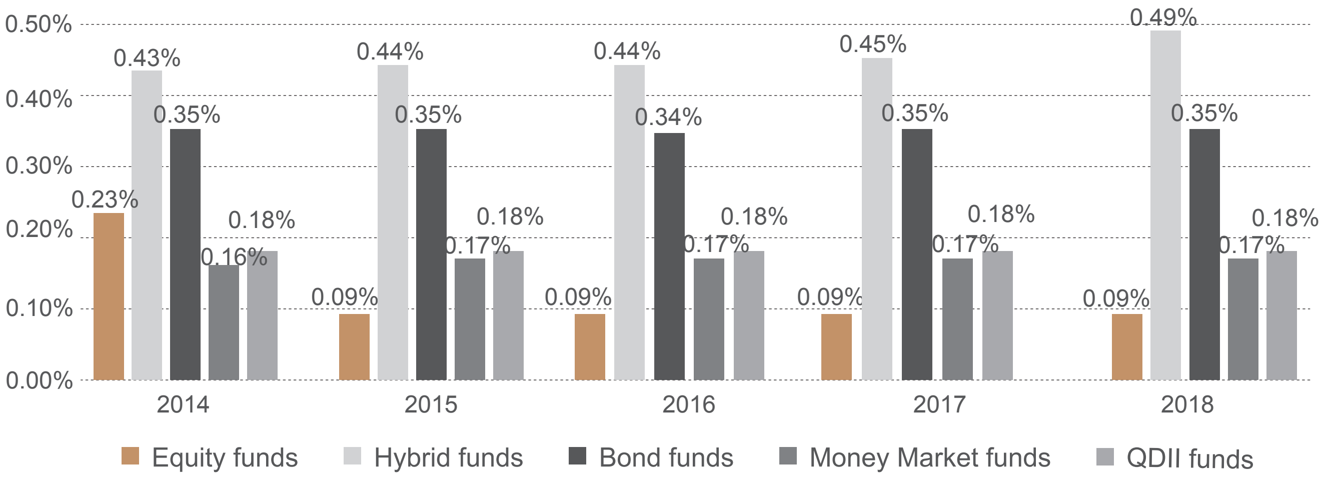
Figure 10 | Average Redemption Fee Rate of Each Type of Funds from 2014 to 2018



5. Sales Service Charge

Sales service charge refers to the fee accrued from the assets of open-end funds as a certain proportion of the fund assets, which will be specially used for the distribution of funds and services for fund unitholders. In general, funds will adopt the model of respectively charging subscription fee after launch, redemption fee and sales service charge with respect to different classes of units. Generally, money market funds only charge sales service fee.

Figure 11 | Average Sales Service Charge Rate of Each Type of Funds from 2014 to 2018



6. Administrative Provisions on the Distribution of Private Funds

In accordance with the Administrative Measures on the Fundraising Activities of Private Investment Funds promulgated on April 15, 2016, fundraising of private funds may be carried out either by the private fund manager itself or by appointed institutions. For fundraising by appointed institutions, only an institution which has been granted the fund distribution license by CSRC and become an AMAC member can be appointed to raise private funds, and the fund manager shall formulate relevant policy for selection of fundraising institutions to effectively ensure the safety of raised settlement funds; the private fund manager shall also ensure that private funds are raised from qualified investors, and it will not conduct public offering in a disguised manner.

Chapter 10 Tax Policies on Funds

The tax law system in China is under continuous development. In general, enterprises that are incorporated and that conduct 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. Corporate Income Tax

1) Scope of Taxation and Tax Rate

Under the CIT legal framework in China, a Chinese tax resident enterprise is 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, fees, tax payments and losses actually incurred by an enterprise. Besides, 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.

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 investment 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 investment 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 investment funds. The securities investment funds in this paragraph mainly mean public-offered funds.

3) Reporting Requirements

CIT is calculated based on calendar years. Enterprises shall 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. Value-added Tax

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%.

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, the simplified VAT collection method applies at the rate of 3%. The asset management products specified in relevant regulations include public securities investment 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 shall 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.

2) Preferential Tax Treatment

Under the current VAT system, preferential tax treatment mainly applies to investment-related businesses, and 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 is obtained by securities investment funds through the purchase and sale of stocks and bonds. The securities investment funds referred to in this paragraph mainly mean public-offered 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. 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:

① 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;

② 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 paragraph , above; or

③ Securities investment 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 investment fund management companies, private fund management companies, and partnerships engaging in private fund management businesses which are established in the People's Republic of China are reporting entities.

2) Financial Accounts

Relevant regulations have also defined the 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:

Custodial account: an account that is 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: equity or credit interests of an investment institution, including partnership interests in a private investment fund and beneficiary rights of a trust.

For asset management institutions, financial accounts subject to due diligence and information reporting mainly include: ① accounts for wealth management products, funds, trust plans, Segregated Account/collective asset management plans and other financial investment products under their management that are not separate legal entities; and ② partnership or corporate funds, fund management companies (investment institutions) and other institutions shall perform due diligence and report information on their own equity/interests (financial accounts).

3) Compliance Obligations

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

① Registration: asset management institutions shall register on the website of the State Taxation Administration timely.

② Due diligence of accounts: asset management institutions shall design and implement reasonable due diligence procedures to identify reportable financial accounts, i.e., non-resident financial accounts, including financial accounts held by non-residents or by passive non-financial institutions with non-resident controlling person(s).

③ Information collection and reporting: asset management institutions shall, 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. Financial institutions shall report the above information as required by May 31 of each year.

④ Annual reporting: financial institutions shall assess the implementation of CRS reporting on an annual basis, and submit a written report to the regulatory authorities of relevant industries and the State Taxation Administration by June 30 of the following year.

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.

Besides, 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 institutions within China are not obligated to comply with FATCA compliance. If an asset management institution 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 Matters Relating to Doing Business in China

1. Company Establishment

1.1 Name Pre-Approval and Establishment Registration

The State Administration for Market Regulation (or its local branches; "AMR") oversees name pre-approval and establishment registration for companies seeking to be established.

An overseas institution that intends to establish a foreign-funded enterprise shall first propose several company names and apply to AMR for name pre-approval. If a proposed company name is confirmed to meet the provisions of relevant laws and regulations without infringing on the trademark or other legitimate rights of other companies or individuals, AMR will issue the ***Notice of Name Pre-approval***.

Within the validity period of the ***Notice of Name Pre-approval*** (which is generally 6 months), the procedures for organizing the new company (such as purchasing or leasing office premises and appointing/hiring relevant directors, supervisors and senior management personnel) shall be completed, and an application for establishment registration shall be submitted to AMR. The new company is duly established upon the issuance of a business license by AMR.

1.2 Supporting Measures of Shanghai Municipality

In recent years, in order to mitigate risks and combat against 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 Municipality provides quality services for overseas institutions with sound qualifications. For example, the Shanghai Municipal Financial Regulatory Bureau, 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. Employment of Foreigners and Hong Kong SAR, Macau SAR, and Taiwan Region Residents in China

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

Foreigners shall meet all the following conditions to work in China:

1) at least 18 years old and in good health condition;

2) having professional skills required for his/her work and relevant work experiences;

3) having no criminal record;

4) having a specified employer in China;

5) holding a valid passport or other international

travel certificate that can be used as a substitute for passport;

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

7) and other conditions prescribed by laws and regulations.

2.2 Foreign Talents 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 institution in Shanghai intends to hire a foreign employee, it must assist the foreign employee in obtaining a work visa, work permit and 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 Obtaining the Work Visa

Foreign talents under Category A, B and C are required to apply for different types of work visa: R Visa (a multiple-entry visa with a validity period of up to 5-10 years) for Category A talents and Z Visa for general foreigners (i.e., Category B and Category C foreigners).

2.5 Conditions and Requirements for the Alien Employment Permit and Work-type Residence Permit

1) Conditions for Applying for the Alien Employment Permit

Within 15 days after a foreigner enters China with a valid visa, his/her employer shall apply online for the Alien Employment Permit and obtain such permit from the Shanghai Administration of Foreign Experts Affairs.

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) Work-type Residence Permit

Within 30 days after a foreigner enters China with a work visa, he/she shall 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 permit 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 English Qualification Exam for Fund Practitioners

In order to meet the demand for industrial development and attract talents, the AMAC has further enriched the format of exams, provided diversified exam services for the industry, and launched the fund qualification exam in the English language (available by appointment). Any person that meets the following scope and conditions may register to attend the English qualification exam for fund practitioners:

1) with full capacity for civil conduct;

2) being foreign senior management personnel (including the legal representatives, chairmen of the board, general managers, deputy general managers etc.) or investment management personnel responsible for investment, research or trading (including fund managers) of a WFOE PFM or a JV PFM that has submitted an application for institution registration to the AMAC. The compliance/risk control officer must register to attend the fund qualification exam in the Chinese language;

3) foreign senior management personnel shall have obtained relevant overseas practice qualifications related to fund and asset management or hold relevant qualification certificates such as the Chartered Financial Analyst (CFA) credential, and shall have 5 years or more work experience related to overseas asset management;

4) senior management personnel of financial institutions in Hong Kong SAR and Macau SAR may also attend the fund qualification exam in English, and may apply for the fund qualification certificate in accordance with the relevant provisions of the ***Mainland and Hong Kong Closer Economic Partnership Arrangement*** (CEPA) after having passed the exam; and

5) other conditions prescribed by the CSRC and AMAC.

3. Taxes

In accordance with current Chinese laws and regulations on individual income tax, the tax-resident individuals and non-resident status of individuals will be determined by taking into account the person's domicile, duration of residence in China and other factors. If a foreigner is determined to be a tax resident of China, he/she shall pay individual income tax in China in respect of his/her income generated both in and outside China (subject to certain special treatment as stipulated in the regulations); otherwise, he/she is generally required to pay individual income tax in China in respect of his/her income generated in China. The amount of taxable income is calculated based on the tax-resident individual's income for each tax year after deducting an expense of RMB 60,000, special deductions and special expense deductions. Special deductions mainly refer to social insurance and housing fund contributed by the individual; special expense deductions include expenses for children's education, continuing education, medical treatment for serious diseases, housing loan interest or rent, support for elderly persons, and other expenses.

Between January 1, 2019 and December 31, 2021, 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 education fees, and other allowances and subsidies as listed below (they could not enjoy both the special expense deductions and the tax exemptions at the same time):

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 made, foreign individuals may not change their selection during the relevant tax year. Starting January 1, 2022, foreign individuals will no longer be entitled to tax exemptions on allowances for housing, language training and children's education, and only the special expense deductions will be available in accordance with relevant regulations.

Chapter 12 Relevant Government Authorities, Institutions and Other Organizations

1. Financial Regulatory Authorities

1.1 CSRC

CSRC is a ministerial-level public institution directly under the supervision of 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.

CSRC is located in Beijing and has established 36 securities regulatory bureaus in provinces, autonomous regions, municipalities directly under the central government and cities specifically designated in the national social and economic development plan, and the Shanghai Commissioner Office and the Shenzhen Commissioner Office.

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

1.2 Shanghai Securities Regulatory Bureau

Shanghai Securities Regulatory Bureau ("SSRB") was officially set up as a dispatched office of CSRC in Shanghai. In accordance with relevant laws, regulations and policies, SSRB oversees and administrates securities and futures activities of listed companies, securities and futures institutions, asset management operators, securities investment advisers, as well as such intermediaries providing securities and futures services as law firms, accounting firms, asset appraisal institutions and credit rating agencies, within its jurisdiction. Besides, SSRB investigates the violation of laws and regulations within its jurisdiction and mediates controversies and disputes arising out of securities and futures business according to the law.

Official website: http://www.csrc.gov.cn/pub/shanghai/

1.3 Shanghai Municipal Financial Regulatory Bureau/Shanghai Financial Work Bureau

Shanghai Municipal Financial Regulatory Bureau is in charge of local financial regulation and financial development in Shanghai. The bureau also works under the name Shanghai Financial Work Bureau. The bureau consists of Policy & Regulations Division, Financial Survey & Statistics Division, Financial Stability Division, Local Financial Supervision and Administration Division I, II and III, Financial Development Coordination Division, Financial Market Service Division, Financial Institution Service Division, and Financial Cooperation Division. Its main duties include to facilitate the gathering of financial institutions, to attract financial institutions to develop in Shanghai, and to improve core competitiveness of various categories of financial institutions.

Official website: http://jrj.sh.gov.cn

1.4 Shanghai Pudong New Area Financial Work Bureau

Shanghai Pudong New Area Financial Work Bureau, previously known as Shanghai Pudong New Area

Financial Service Bureau, is a department of Pudong New Area People's Government. Shanghai Pudong New Area Financial Work Bureau is responsible for promoting the construction of Pudong as the core bearing area of Shanghai international financial center and dedicates to attracting and facilitating financial institutions. After years of development, Pudong New Area has had 13 financial factor markets and infrastructures. It has become one of the places with the most complete financial factor markets and the most active trading 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 September 2019, Pudong New Area has 1,069 licensed financial institutions in banking, securities, and insurance industries, including 281 banks, 489 securities institutions and 299 insurance institutions, and 1,688 private equity/venture capital and PFMs that have registered with AMAC. Pudong New Area ranks top in China in the clustering of financial institutions in several segmented sectors. In terms of its proportion in total number of entities in the same sector: 17 foreign banks represent 80% in Shanghai and 42% in China, 21 foreign insurance companies represent 87.5% in Shanghai and 40% in China, 10 shipping insurance operation centers represent 91% in Shanghai and 91% in China, 4 joint-venture securities companies represent 57% in Shanghai and 28% in China, 13 joint-venture public-offered fund management companies represent 81% in Shanghai and 29% in China, 80 foreign asset management companies, 9 of which rank top ten globally in terms of AUM, represent 97% in Shanghai and 95% in China.

Pudong New Area is striving to promote the construction of a financial service system covering the full life cycle of science and technology innovation enterprises by optimizing the service chain for listing and facilitating the listing of enterprises located in Pudong New Area. By the end of September 2019, Pudong New Area has a total of 107 enterprises listed in China, 56 enterprises listed overseas, 152 enterprises listed on the New Over- the-Counter Market, and 178 enterprises listed on the Shanghai Equity Exchange. Since the opening of the STAR Market, 11 enterprises in Pudong have applied to CSRC for listing on the STAR Market, and 6 of them have been successfully listed, representing 75% in Shanghai. In addition, Pudong New Area also sets up the credit enhancement fund for small and micro enterprises, which lowers enterprises' financing costs by providing subsidies for enterprises' guarantee fee, reduces bank loan risks by increasing risk compensation proportion, and encourages banks to launch innovative loan products and to enlarge the size of loans for small and micro enterprises by giving rewards. Small and micro enterprises in Pudong have obtained bank loans of RMB 6.78 billion in aggregate through these efforts.

1.5 Shanghai Huangpu District Financial Service Office

Shanghai Huangpu District Financial Service Office ("Huangpu FSO") was set up in 2009 and consists of Huangpu District Administration Service Center and Huangpu District Financial Development Service Center. After the institutional reform in 2019, Huangpu FSO also works under the name of Huangpu District Investment Promotion Office. As a department of the district government, Huangpu FSO, 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, is mainly responsible for: coordinating and promoting regional financial industry development; 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 facilitation, building economy, headquarters economy and merchants settlement and retaining.

Currently, Huangpu District has attracted 664 licensed financial institutions and 6 of the 13 financial sector 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 2018, the added value of the financial industry in Huangpu District reached RMB 91.688 billion, making up 40.4% of GDP of the district and 15.86% of the added value of the financial industry in Shanghai; in 2018, the financial industry contributed a tax revenue of RMB 16.121 billion, a 16.6% increase year on year, making up 23.7% of total tax revenue of the district. The financial service industry, whose scale and proportion matches the position and role of the "One Economic Belt", has become a core sector of the district's high-end service industry system.

Tel: 021-63740636 (office)
Address: 300 East Yan'an Road, Shanghai

1.6 Shanghai Hongkou District Financial Work Bureau

Shanghai Hongkou District Financial Work Bureau ("Hongkou FWB"), previously known as Shanghai Hongkou District Financial Service Bureau, was set up in April 2019. As a department of the Hongkou District People's Government, Hongkou FWB is mainly responsible for promoting the financial industry development and maintaining a stable financial environment in the district. Hongkou FWB consists of 5 internal divisions, including the Office, the Industry Clustering Division, the Industry Administration Division, the Capital Market Division, and the Financial Stability Division, and has 18 registered staff members at present. Shanghai Hongkou District Financial Service Center, affiliated to Hongkou FWB, is a public institution which now has 18 registered staff members. Hongkou FWB performs its functions to promote financial industrial clustering, improve the service system for financial institutions and talents, strengthen exchange and cooperation in the financial industry, and consistently enhance the North Bund's construction of wealth management highland and asset management center.

Financial enterprises in Hongkou District are increasing rapidly. The total number of enterprises is increasing at an average annual rate of 45% and the total number of financial enterprises has now reached 1,550, with an AUM of RMB 5 trillion. Financial enterprises in Hongkou include: 16 public-offered fund management companies, making up 1/9 of total number in China; 23 subsidiaries of public-offered fund management companies; almost 70 securities companies, trusts and asset management subsidiaries of insurance companies; around 900 angel funds, VC/PE, and buyout funds; and almost 400 hedge funds and third-party organizations. These entities basically cover all the licensed and new financial business areas that exist in China, and have an apparent trend towards developing a high-end and international financial industry. Meanwhile, Hongkou District actively coordinates with Shanghai FTZ in financial opening up and innovation, promotes the implementation of the FT account expansion policy, actively promotes the restructuring and public offering (listing) of key enterprises, takes the initiative to liaise with SSE on establishing the STAR Market, and drives in-depth integration of finance with science and technology.

Contact: Huang Chen, Hongkou District Financial Work Bureau

Tel: 021-25658893

E-mail: hc748@126.com

Contact: Guan Xian, Hongkou District Financial Service Center

Tel: 25658880

E-mail: 13003286851@163.com

1.7 Shanghai Jing'an District Financial Service Office

Shanghai Jing'an District Financial Service Office ("Jing'an FSO"), a department of Jing'an District government, consists of 3 divisions after the institutional reform in April 2019 - the Financial Investment Division, the Supervision & Administration Division, and the Planning & Development Division.

Based on the strategy of developing “one axis with three belts” of Jing’an District, Jing’an FSO performs its own functions to actively promote the clustering of diversified financial factors, and build the three clustering belts including the high-end finance belt along West Nanjing Road, the emerging financial services belt along the Suzhou River, and the sci-tech finance belt along the Middle Ring Road. It also endeavors to build a high-level financial industry service system and integrated risk prevention system to effectively promote regional financial development and maintain regional financial stability.

Currently, Jing’an District has over a thousand of financial institutions covering various financial areas including securities, asset management, futures, banking, insurance, fund, finance companies, micro-credit companies, financing guarantee, financing lease and equity investment. Jing’an District accommodates the gathering headquarters of securities companies, finance companies and asset management companies; foreign-invested financial institutions have been consistently active in Jing’an District, and many high-profile foreign-invested financial institutions represented by insurance, asset management and banking operators have been established; and the emerging financial industry clustering such as equity investment institutions and digital finance is taking shape. As one of the five major industries in Jing’an District, the financial service industry makes increasing contribution to regional economic development, provides increasing support to the development of other industries, and has become a major force for the economic development of Jing’an. The district is gradually developing into a distinctive function bearing area of Shanghai international financial center.

Tel: 021-33372323
E-mail: jinrongban204@163.com
Address: 915 Julu Road, Shanghai

2. Self-Disciplinary Organizations and Service Institutions

2.1 AMAC

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-disciplinary organization of the securities investment fund 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 “Applet for search for the laws and regulations of the fund industry”. The Applet includes more than 550 laws and regulations relating to the fund industry in six categories (industry comprehensive rules, public-offered funds, private funds, asset management, custodian and distribution, and practitioners) and 24 sub-categories. The Applet can be accessed by scanning the QR code below via WeChat, or by clicking “Search regulations” in the menu bar of AMAC’s official WeChat account (CHINAAMAC).

Official website:http:// www.amac.org.cn

2.2 SAMA

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 Shanghai Civil Affairs Bureau, reports to SSRB, and is subject to the supervision, administration, and instruction of Shanghai Civil Affairs Bureau and SSRB.

Official website: http://www.samacn.org.cn
E-mail: mishuchu@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 factor markets.

Contact: Xiong Xinda
Tel: 021-60893796
E-mail: xiongxinda@lujiazuicity.com

Appendices

1. Link of the List of Securities Investment Fund Custodians

http://www.csrc.gov.cn/pub/zjhpublic/G00306205/201509/t20150924_284313.htm

2. Comparison of Scope of Assets that may be Invested by Public-offered Funds and Private Securities Investment Funds

(for reference only, with relevant regulations needed to be checked when investment is made)

Types of assets	Public-offered funds	Private funds
Stocks	√	√
Stocks on Growth Enterprises Market	√	√
Stocks on STAR Market	√	√
Stocks privately issued	√	√
Bonds (treasury bonds, financial bonds, enterprise bonds, corporate bonds, local government bonds, central bank bills, medium-term notes, short-term commercial papers, super & short-term commercial papers, subordinated bonds, convertible bonds, exchangeable bonds), asset-backed securities, interbank deposits, bank deposits (including agreement deposits, time deposits), money market instruments, bond repurchases	√	√
Private placement bonds	X	√
Asset-backed securities	√	√
Interbank deposits	√	√
Securities investment funds	X (except for FOF)	√
Structured funds	X	√
Warrants	√	√
Commodity futures	√	√
Equity futures	√	√
Treasury bond futures	√	√
Non-standard assets (e.g., commercial bank wealth management products, trust products, infrastructure credit investment plans)	X	√
Bank deposits	√	√

3. Link of the Publicized List of Private Fund Service Institutions: Transfer Agency/ Fund Accounting Agency

http://fo.amac.org.cn/amac/allNotice.do

4. Link of the List of Securities Companies

http://www.csrc.gov.cn/pub/zjhpublic/G00306205/201509/t20150924_284310.htm?keywords=%E8%AF%81%E5%88%B8%E5%85%AC%E5%8F%B8

5. Link of the List of Futures Companies

http://www.csrc.gov.cn/pub/zjhpublic/G00306224/201705/t20170525_317295.htm?keywords=%E6%9C%9F%E8%B4%A7%E5%85%AC%E5%8F%B8

6. Link of the Publicized List of Private Fund Service Institutions: IT System Service

http://fo.amac.org.cn/amac/allNotice.do

7.Link of the List of Accounting Firms Engaging Securities and Futures Business

http://www.csrc.gov.cn/pub/zjhpublic/G00306213/201910/t20191009_364098.htm?keywords=%E4%BC%9A%E8%AE%A1%E5%B8%88

8. Link of the Associate Members of AMAC: Law Firms

http://gs.amac.org.cn/amac-infodisc/res/pof/member/index.html

Afterword

Shanghai is the largest city in China. With the most concentrated domestic and foreign-invested financial institutions, Shanghai stands at the forefront of the financial opening up of Chinese Mainland, takes the pilot role for financial reform and innovation, and is one of the regions with the best financial development environment in China. Along with the accelerated opening up of China's economy, Shanghai also emerges as one of the cities with the most complete financial factor markets in the world.

In order for the asset management companies planning to do business in China to know further about Shanghai and the asset management business in Shanghai, we prepared this ***Shanghai Guidebook for Overseas Asset Management Institutions***, which aims at facilitating overseas asset management institutions to know about the preparation works and application procedures for doing asset management businesses in Shanghai, as well as the city's business policies and relevant professional service institutions.

The Guidebook was jointly compiled by AMAC and SAMA, with the supervision and support of Shanghai Financial Work Bureau and Shanghai Securities Regulatory Bureau.

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Due to limited time of preparation, this Guidebook is released for further improvement. Your valuable advice and suggestions are appreciated. We strive to continuously commit our effort to better this Guidebook from time to time.

Disclaimer

This Guidebook is for information reference only and does not intend to provide advice to any specific person. Taking any decision based on this Guidebook is not recommended. We suggest that you consult qualified professionals before making any decision based on this Guidebook. None of AMAC, SAMA nor anyone contributing to this Guidebook will assume any responsibility for the losses caused by the decision made based on this Guidebook.

Asset Management Association of China

Address: 9/F, Block B, Bank of Communications Building,
No. 20, Financial Street, Xicheng District, Beijing
Post code: 100033
Website: http://www.amac.org.cn

Shanghai Asset Management Association

Address: 15/F, LJZ Plaza, 1600 Century Avenue, Shanghai
Post code: 200122
Website: http://www.samacn.org.cn