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

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Shanghai MunicipalFinancial Regulatory Bureau
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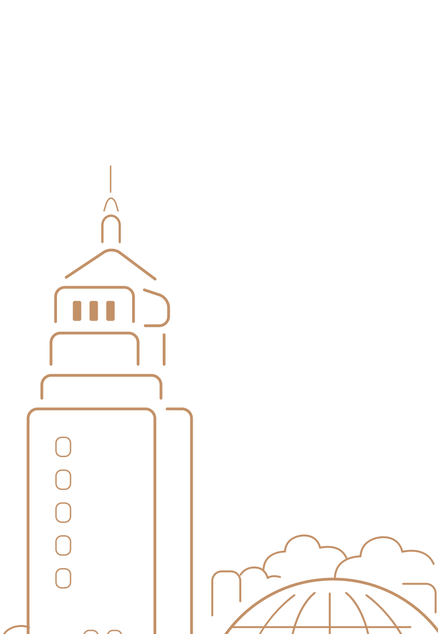

Foreword

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

Over the course of its 31-year history, from the establishment of the Shanghai and Shenzhen stock exchanges to the birth of the Beijing Stock Exchange, China's capital market has been keeping pace with China's reform and open-up. Its fund industry is no different. Facing a worldwide pandemic and a complex global situation, China's fund industry has domonstrated strong resilience and potential with an open mind to international cooperation, an inclusive approach to growth challenges, and a high standard for a new chapter in opening-up.

The opening-up of China's capital market and fund industry requires the implementation of both the "going global" strategy and the "bringing in" strategy. As opening-up measures set out in various policies are put into effect, China's goals to open its capital market and improve its multi-tiered market system and structure have become clearer. Learning from the asset management experience and practices in

overseas markets and fostering a diverse range of market entities are an important way toward a more robust market economy and national governance system.

We firmly believe that opening-up means not only more open policies for both domestic and overseas parties, but also a process by which they build mutual understanding, wider consensus, and mutual trust. Therefore, strengthening dialogue with all stakeholders has been a major objective for China's fund industry.

We understand that it is inevitable that different jurisdictions, for their unique political, economic, cultural, and historical background and legal traditions, also differ in their legal and regulatory systems. Accordingly, we are dedicated to international engagement to better understand the unique systems and position of each country's fund industry, and to inform them of the structure, legal framework, history, and achievements of China's fund industry, in order to build consensus and mutual trust to promote the joint, healthy, harmonious, and high-quality development of the international fund industry.

Shanghai is one of the regions at the very forefront of China's reform and opening-up; its achievements have been numerous and exciting. Globally, it is becoming one of the cities with the highest concentration of global financial institutions, a most complete financial market, and a most friendly business environment. According to the ***14th Five-Year Plan for the Building of Shanghai International Financial Center***, by 2025, Shanghai will establish a world-class financial ecosystem by building "two centers, two hubs, and two magnets," i.e., enhancing its status as a global asset management center and fintech center; establishing and consolidating its position as an international green finance hub and a hub for the cross-border use of RMB; and building and highlighting its role as a magnet for international financial professionals and for financial institutions. In May 2021, the General Office of Shanghai Municipal People's Government issued the ***Opinions on Accelerating Building Shanghai into a Global Asset Management Center***, which states that Shanghai will become an integrated and open asset management market with a high concentration of industry resources, a high level of international engagement, and a mostly complete ecosystem, a key hub for asset management in Aisa, and one of the leading asset management centers in the world in five years.

As one of the most open cities in China, Shanghai prides itself on its pro-market practices, law-based business environment, and a high concentration of domestic and foreign-invested financial institutions and financial talent. It has made pioneering and milestone progress in investment and trade facilitation and liberalization, as well as in financial opening-up and innovation.

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

We cordially welcome overseas asset management firms to do business in China and in Shanghai in particular, and to build synergy with domestic asset management firms, so as to provide Chinese investors with a richer selection of asset management services and, at the same time, to enjoy a share of the opportunities from China's economic growth.

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Chapter 1 Why China

1. Important Role of China in the Global Economy

China has consistently been the top contributor to world economic growth since 2006. Between 2013 and 2021, China averaged an annual growth rate of 6.5%, significantly higher than the world average of 2.9%[1]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 by gross domestic product (GDP) and is accounting for an increasing proportion of the world economy. According to the International Monetary Fund (IMF), China's GDP in 2021 was USD 17.7 trillion, representing 18.5% of the world's total, a 7.1 percentage point increase over 2012.

According to the ***World Investment Report 2022*** released by the United Nations Conference on Trade and Development, China has become one of the world's most appealing economies. In 2021, foreign direct investment (FDI) in developing countries in Asia rose 19% year-on-year, and capital inflow to China, the main destination of FDI, increased 21.5% year-on-year to USD 181 billion[1].

Table 1: Foreign Direct Investment in China

Year	China's GDP as Percentage of Global Total	FDI Ranking
2019	16.7%	2nd in the world
2020	17.4%	2nd in the world
2021	18.5%	2nd in the world

2. Huge Prospects of Wealth Management Market

From 1952 to 2021, China saw a surge in GDP from RMB 67.91 billion to RMB 114.1 trillion, accounting for more than 18% of the world economy, and a growth in GDP per capita from RMB 119 to RMB 81,000, indicating a rapid rise in the residents' wealth[2]. In 2020, China had 2.62 million high-net-worth individuals whose personal investable assets exceeded RMB 10 million, giving a compound annual growth rate (CAGR) of 15% between 2018 and 2020[3]. Together, these individuals held RMB 84 trillion of investable assets,

1 Source: World Investment Report 2022 2 Source: National Bureau of Statistics
3 Source: 2021 China Private Wealth Report jointly released by China Merchants Bank and Bain & Company

or about RMB 32.09 million per person in 2020. Nationwide personal investable assets reached RMB 241 trillion, recording a CAGR of 13% between 2018 and 2020 . KMPG estimates that from 2021, the total investable assets of Chinese residents will grow at 10% each year to hit USD 50 trillion by 2025[4].

With the changing socioeconomic structure and residents' increasing awareness of wealth management, a substantial increase is expected in the proportion of publicly offered funds ("public funds") and privately offered funds ("private funds"). The capital market products held by Mainland residents—stocks, bonds, public funds, and private funds—have been growing at a markedly faster pace in recent years. Their CAGR reached around 27% between 2018 and 2020, much higher than that of individuals' total investable assets over the same period[5].

By the end of the fourth quarter of 2021, the assets under management (AUM) of China's asset management industry amounted to RMB 67.87 trillion, up 15.1%[6]. year-on-year. The Boston Consulting Group predicts that the industry would grow at a yearly average of 15% between 2018 and 2025, significantly higher than the average of 6% for the rest of the world[7].

3. A More Open Financial Market

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

3.1.1 RMB Internationalization

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 is increasing rapidly. At the end of 2021, RMB overtook JPY as the fourth-largest payment currency in the world[8].

As of the fourth quarter of 2021, the proportion of RMB assets held by the world's foreign reserve administrators had reached 2.79%, the highest level since IMF began to report RMB reserve assets in 2016. This puts RMB reserve assets in the fifth place globally[9]. As of December 2021, RMB has taken a 2.7% share in international payments[10].

In early 2021, six government ministries and commissions in China, including the People's Bank of China (PBOC), jointly issued the ***Notice on Further Optimizing the Cross-Border RMB Policy to Support the Stability of Foreign Trade and Foreign Investment*** (Yinfa [2020] No. 330). This Notice aims to streamline the cross-border RMB settlement process and enhance the administration of cross-border RMB investment and financing, and has further relaxed the requirements on payment and receipt under capital accounts.

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 indices 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.

From April 1, 2019, RMB-denominated Chinese treasury bonds and policy bank bonds have been included in the Bloomberg Barclays Global Aggregate Index. Full inclusion was achieved in November 2020 at a weight of 6.3%. Indeed, RMB has emerged as the fourth-largest denomination currency—after USD, EUR, and JPY—for bonds.

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%.

On February 28, 2020, J.P. Morgan Chase & Co.

4 Source: Future of Wealth Management – Industry Trends and Prospects in China and Beyond, KPMG
5 Source: World Investment Report 2022
6 Source: Asset Management Statistics (Fourth Quarter, 2021), AMAC
7 Source: Boston Consulting Group
8 Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)
9 Source: IMF report
10 Source: SWIFT statistics

officially included Chinese treasury bonds into its benchmark emerging-market indices.

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

3.2 Opening up of the Capital Market

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

3.2.1 QFII and RQFII

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

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

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

As of the end of September 2022, 723 foreign institutional investors have gained access to China's capital market[11].

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

3.2.2. Stock Connect: Shanghai-Hong Kong and Shenzhen-Hong Kong

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.

As of the end of October 2021, total turnover of northbound trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect was RMB 63.14 trillion with a net inflow of RMB 1.53 trillion; total turnover of southbound trading under the two schemes was HKD 22.93 trillion, with a cumulative net flow of HKD 2.14 trillion into Hong Kong[13].

In 2021, total turnover of northbound trading under the two schemes was RMB 27.6 trillion, up 31% year-on-year; the figure in the other direction rose 70% year-on-year to HKD 9.3 trillion[14].

3.2.3. Opening up of the Interbank Bond Market: CIBM Direct and Bond Connect

In August 2010, the PBOC issued the ***Notice on Issues Concerning the Pilot Program on Investment in the Interbank Bond Market with RMB Funds by Three Types of Institutions***

11 Source: China Securities Regulatory Commission
12 Source: China Securities Regulatory Commission
13 Source: Tsinghua PBCSF Global Finance Forum
14 Source: 2021 market statistics released by HKEx

Including Overseas RMB Settlement Banks, thereby permitting overseas central banks and monetary authorities, RMB settlement banks in Hong Kong and Macao, and overseas banks offering RMB settlement services for cross-border trades to enter China's interbank bond market under the settlement agent model. This marks the official opening up of China's interbank bond market.

In February 2016, the PBOC released ***Announcement [2016] No. 3 ("Matters Concerning Investment in the Interbank Bond Market by Overseas Institutional Investors"),*** allowing overseas financial institutions and their financial products to invest in the interbank bond market under the settlement agent mode. This access model is referred to as CIBM Direct and heralds the full opening-up of the interbank bond market.

On July 2, 2017, the PBOC and the Hong Kong Monetary Authority jointly announced the approval of the Bond Connect scheme between Hong Kong and the Mainland.

In July 2020, the PBOC and the CSRC jointly released an announcement, approving the connectivity of infrastructures between the interbank bond market and the stock exchange bond market. On May 27, 2022, the PBOC, CSRC, and SAFE jointly published the Announcement on Matters Concerning Further Facilitating the Investments of Overseas Institutional Investors in China's Bond Market (2022 No.4), which makes coordinated arrangements for promoting the opening-up of both the interbank bond market and the stock exchange bond market, centralizes the management of market access and cross-border capital flows for overseas institutional investors, and encourages overseas institutional investors with approved access to the interbank bond market to invest in the stock exchange bond market directly or through stock connectivity schemes.

According to the PBOC Shanghai Head Office, as of the end of June 2022, overseas institutions held RMB 3.57 trillion of bonds in the interbank market, of which 92.2% or RMB 3.29 trillion were under the custody of China Central Depository & Clearing Co., Ltd. ("CCDC"). CCDC's data show that, as of the end of June 2022, CIBM Direct accounted for RMB 2.62 trillion or 79.6% of the bonds held by overseas institutions.

3.2.4. Two-Way Opening-up of Public Funds

In 2015, the scheme for Mainland-Hong Kong mutual recognition of funds was launched. By the end of Q1 of 2022, 38 funds in the Mainland and 47 funds in Hong Kong had been registered under the scheme.

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

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

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

In a joint announcement in June 2022, CSRC and the Securities and Futures Commission (SFC) of Hong Kong approved the inclusion of eligible ETFs in the Mainland-Hong Kong stock connect schemes. On July 4, 2022, trading of ETFs under the Mainland-Hong Kong stock connect schemes was officially launched. The first wave consisted of 87 ETFs[15].

3.3 Opening up Policies for Institutions

3.3.1 Public Fund Management Companies

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

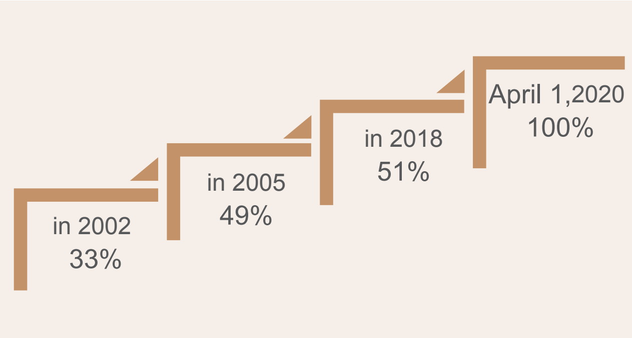
In June 2021, CSRC granted a license to BlackRock Fund Management, Co. Ltd., marking the establishment of China's first wholly foreign-owned public fund management company.In September, BlackRock

15 Source: CHINAFUND

Fund Management launched its first public fund, raising about RMB 6.881 billion from more than 111,000 subscribers.

In August 2021, Fidelity International received an approval from CSRC to establish FIL Fund Management (China) Co., Ltd. Neuberger Berman Fund Management (China) Co., Ltd. was approved in September 2021 and has recently announced the receipt of a public fund license. Other major names in the asset management industry, such as Schroders, AllianceBernstein, and VanEck, have also applied for the establishment of a wholly foreign-owned fund manager.

Figure 1: Progression of Foreign Ownership Cap for Fund Companies



3.3.2 Private Securities Fund Managers

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

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

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

3.3.3 Private Equity Fund Managers

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

In January 2011, Shanghai officially issued the ***Implementing Measures for the Pilot Program of Foreign-invested Equity Investment Enterprises in Shanghai***, marking the launch of the QFLP (Qualified Foreign Limited Partnership) pilot scheme in the Mainland. This scheme offers a "fast track" for pilot foreign private equities (PEs) to invest in domestic enterprises. Beijing, Tianjin, Chongqing, Shenzhen, Suzhou, Hainan, and Qingdao have since launched their own version of the scheme.

4. Complete RMB Price Benchmark System

4.1 Chinese Treasury Bond Yield Curves

As an important indicator of monetary and fiscal policies, and one of important financial risk parameters, Chinese treasury bond yield curves compiled by CCDC is widely used by the Ministry of Finance (MOF), the PBOC, the China Banking and Insurance Regulatory Commission (CBIRC), and other government departments,and displayed on their offcial website. The three-month ChinaBond government bond (CGB) yield is used by the IMF as a representative RMB interest rate to calculate the SDR interest rate. CCDC publishes more than 3,500 yield curves of various type, including government bond yield curves on a daily basis..This complete suite of yield curves accurately reflects the price and risk changes in the bond market and provides a pricing reference for more than RMB 145 trillion of financial assets. CGB yield curves are used by nearly 1,500 domestic and foreign institutions for pricing analysis and risk monitoring.

4.2 Benchmark Indices in China's Bond Market

ChinaBond New Composite Index, ChinaBond Treasury Bond Aggregate Index, ChinaBond Finance Bond Aggregate Index, and ChinaBond Credit Bond Index are the major benchmark indices-reflecting the overall trend and yield of the RMB bond market,which are provided by CCDC (https://yield.chinabond.com.cn/cbwebmn/).ChinaBond has the most comprehensive RMB bond index series, which consists of more than 1,400 indices from more than 10 index families, including aggregate indices, theme indices, green bond indices, and more. ChinaBond indices are listed on Singapore Exchange Limited (SGX), Luxembourg Stock Exchange (LuxSE), and ChongWa (Macao) Financial Asset Exchange (MOX); ETF products tracking ChinaBond indices are listed on the Taiwan Stock Exchange (TWSE), New York Stock Exchange (NYSE),and SGX. The ChinaBond index information is available globally through domestic and foreign information providers, providing a representative investment benchmark and an effective tracking target for overseas investors with exposure to the Chinese bond market.

Chapter 2 Overview of Fund Management Services in China

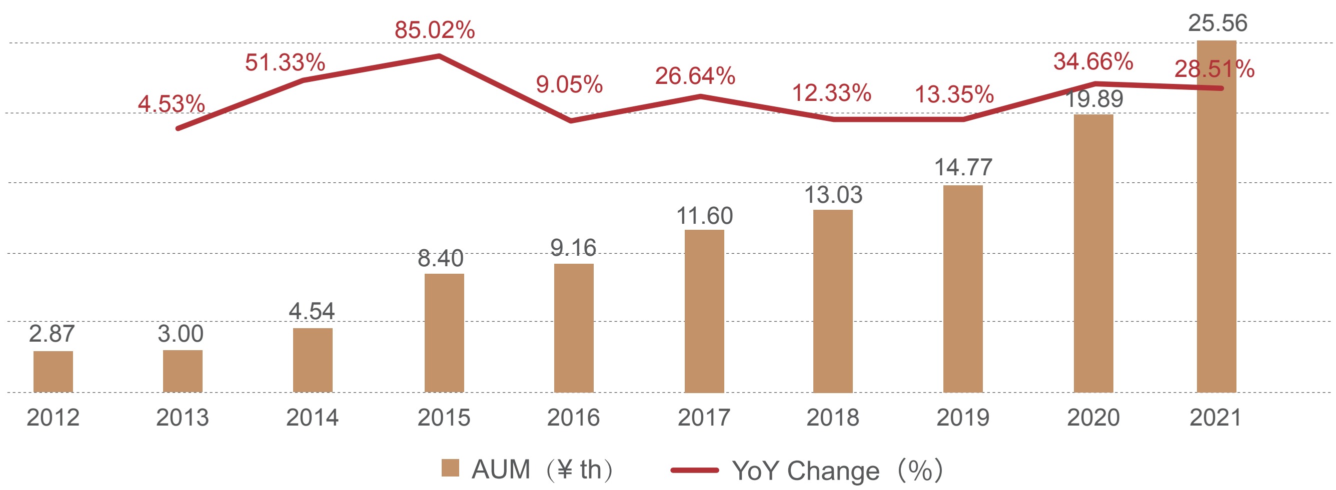
By the end of the fourth quarter of 2021, the total AUM of public fund management companies and their subsidiaries, securities companies, futures companies, and PFMs was approximately RMB 67.87 trillion[16], comprising RMB 25.56 trillion of public funds managed by public fund companies, RMB 8.24 trillion of private funds managed by securities companies and their subsidiaries, RMB 7.39 trillion of private funds managed by fund companies and their subsidiaries, RMB 3.96 trillion of pension funds managed by fund companies, RMB 354.9 billion of private funds managed by futures companies and their subsidiaries, RMB 20.27 trillion of private funds managed by PFMs (consisting of RMB 6.31 trillion of private securities funds, RMB 13.14 trillion of private equity and venture capital funds, RMB 4.815 billion of private asset allocation funds, and RMB 814.012 billion of other types of private investment funds), and RMB 2.25 trillion of special asset-backed schemes.

1. Public Fund Management

1.1 Rapid Growth of AUM

At the end of December 2021, there were 151 public fund management firms, consisting of 137 fund management companies (including 45 foreign-funded firms and 92 domestic-funded firms), 12 securities companies or asset management subsidiaries of securities companies with a public fund license, and 2 insurance companies with a public fund license. These public fund management firms managed 9152 fund products of various types[17]. Since 2012, the AUM of public funds has achieved high growth for 10 consecutive years, reaching RMB 25.56 trillion by the end of 2021[18].

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



16 Source: Asset Management Statistics (Fourth Quarter, 2021), AMAC
17 Source: China Securities Regulatory Commission 18 Source: AMAC

1.2 Public Fund AUM Ranking Fourth Globally and First in Asia

At the end of 2021, China became the world's fourth largest open-end fund market at an AUM of USD 3.53 trillion, or 4.97% of the world's total.

AUM of public funds worldwide, ranking first in Asia[19].

1.3 Over 1,400 Million Fund Investment Accounts

By the end of 2021, there were 1,423 million active fund accounts[20].

1.4 Pivotal Role of Public Fund Management Companies with Foreign Capital

The asset management industry has always been at the forefront of the opening up of China's financial markets. The Sino-foreign equity joint venture public fund management companies have operated in China for 19 years, since the inception of the first joint venture public fund management company in 2002. They have been playing a pivotal role in the public fund development in China.

As of the end of August 2021, 44 out of the 151 companies with public fund license in China had a combined AUM of RMB 11.39 trillion, or 47.4% of the total[21].

2. Private Asset Management Business of Securities and Futures Institutions

By the end of the fourth quarter of 2021, the total AUM of securities and futures institutions through private asset management services was RMB 15.99 trillion[22].

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

End of the Fourth quarter of 2021	Number of Products	AUM (¥tn)
Asset management products of securities companies	17,872	8.24
Asset management products of fund companies	7,293	5.07
Asset management products of subsidiaries of fund companies	4,134	2.32
Asset management products of futures companies	1,724	0.36

19 Source: Worldwide Regulated Open-end Fund Data, Investment Company Institute (ICI)
20 2022 China Securities Investment Fund Fact Book
21 Source: AMAC
22 Source: Asset Management Statistics (Fourth Quarter, 2021), AMAC

3. Private Fund Management

At the end of the fourth quarter of 2022, there were 24,610 PFMs registered with AMAC, managing 124,098 private funds with a total AUM of RMB 20.27 trillio[22]. This makes China second only to the United States in both the number and AUM of private funds[23].

As of December 2021, Shanghai, Shenzhen, and Beijing were the top three places of registration for PFMs—at 4,531, 4,308, and 4,296 managers respectively— together representing 53.4% of the total number in China. Managers in those three cities were overseeing 35,323, 19,783, and 19,689 products, amounting to 60.3% of the national total; the aggregate AUM of those products were RMB5.07 trillion, RMB 2.27 trillion, and RMB 4.26 trillion, or 58.7% of the national total[24].

3.1 Private Securities Funds

As of the end of the fourth quarter of 2021, there were 9,069 private securities fund managers in China, managing 76,818 funds with a total AUM of RMB 6.31 trillion, up RMB 2.01 trillion or 46.7% compared with the end of the fourth quarter of 2020[22]. As of May 2022, there were 37 WFOE PFMs who were managing 217 products, of which 184 were active, with a total AUM of RMB 58.5 billion[25].

3.2 Private Equity Funds and Venture Capital Funds

As of the end of the fourth quarter of 2021, there were 15,012 private equity and venture capital fund managers registered with AMAC, who were managing 45,311 products with a total AUM of RMB 13.14 trillion, an increase of RMB 1.58 trillion or 13.7% from the close of 2020. Among those, there were 30,800 private equity funds with a total AUM of RMB 10.77 trillion, an increase of 4.8% and 9.1%, respectively, from the close of 2020, and 14,511 venture capital funds with a total AUM of RMB 2.37 trillion, an increase of 39.6% and 40.2% from the close of 2020 [22].

23 Source: Speech by Fang Xinghai, Vice Chairman of CSRC, at the 2022 China Wealth Forum
24 Source: Monthly Report on Registration of Private Fund Managers and Filing of Private Fund Products (Issue 12, 2021)
25 Source: Securities Times

Chapter 3 Why Shanghai

1.Shanghai Overview[26]

At the end of 2021, Shanghai had 16 districts with a total land area of 6,340.5 square kilometers and a permanent population of 24.8943 million at an average life expectancy of 84.11 years. Shanghai's GDP in 2021 totaled RMB 4.32 trillion, equaling a per capita GDP of RMB 173,600, continuing to lead other provinces, municipalities, and autonomous regions.

Located in eastern China where the Yangtze River meets the Pacific Ocean, Shanghai, together with the neighboring provinces of Zhejiang, Jiangsu, and Anhui, forms the Yangtze River Delta Region. This is one of the most developed, open, and innovative regions in China. The quickening integration of the region offers vast potential for Shanghai's asset management sector. In 2021, Shanghai, Zhejiang, Jiangsu, and Anhui achieved a total GDP of RMB 27.61 trillion, or 24.13% of the national total. Of the top 10 cities by fiscal revenue, five (Shanghai, Suzhou, Hangzhou, Nanjing, and Ningbo) were from the region. This region also leads in terms of the population's wealth, accounting for 6 of the country's top 10 cities by per-capita disposable income in 2021. The introduction of the Yangtze River Delta integration strategy has made it even easier for financial institutions to develop and expand their wealth management business from Shanghai to the whole region. According to the ***Implementing Plan for the 14th Five-Year Plan for the Integrated Development of the Yangtze River Delta Region***, by 2025, the region will achieve substantial integration, such that 70% of the permanent population will live in urban areas; research and development investment will make up 3% or more of the GDP; and the public spending will reach RMB 21,000 per capita.

2. Complete Financial Market Framework

Shanghai has one of the most complete financial market systems among Chinese cities . It operates stock, bond, currency, foreign exchange, gold, futures, insurance, commercial papers, and trust markets and offers a robust platform for the efficient allocation of financial assets, especially RMB-denominated assets.

In 2021, Shanghai's financial market posted an aggregate turnover of RMB 2,511.07 trillion and supplied more than RMB 18.3 trillion in direct financing. As of the end of 2021, there were 2,037 SSE-listed companies, up 13.17% from the end of 2020. Total market cap hit RMB 51.97 trillion, an increase of 14.14% year-on-year and ranking third worldwide. In 2021, SSE itself ranked third in the world by issuance size and fourth by trading turnover. In addition, the Shanghai Futures Exchange is the largest market for a number of futures products[27] and was among the global top three by volume in spot gold and in crude oil futures. In 2021, the Global Financial Centres Index (GFCI) placed Shanghai fourth in its ranking[28].

3. An Open Shanghai

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

26 Official Website of the Shanghai Municipal People's Government
27 Source: Wenhui Daily
28 Source: The Global Financial Centres Index 31 (GFCI 31) Report

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 times, a large number of populations, industries, capital, 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. Excellent Business Environment

Shanghai is one of the best places in China for financial development and has all the necessary infrastructures for the efficient allocation of global resources. It is the first city in China to establish a financial court, a court for financial arbitration, a financial consumer protection bureau, and a financial dispute resolution center and the first to release a white paper titled ***"Building a Rule-of-Law Environment for the Shanghai International Financial Center"***. It is home to the PBOC's Credit Reference Center which has created a national basic database for business and individual credit information. The city boasts nearly 500,000 financial professionals and a wide range of specialized service providers such as accounting firms, law firms, and rating agencies. Shanghai has also been adopting an ever-tougher stance against illegal financial activities. In 2020, Shanghai unveiled the 3.0 version of its business environment improvement plan to fully promote its one-stop government service portal and build a more internationally competitive business environment. At an executive meeting in September 2021, the State Council approved the ***Opinions on Launching Pilot Programs on Innovation in Business Environment***, naming Shanghai among the first wave of cities to pilot policy innovations in relation to the business environment. In December 2021, the Shanghai Municipal Government issued the ***Implementation Plan of Shanghai Municipality for Launching Pilot Programs on Innovation in Business Environment***, introducing 172 reform measures covering market ecosystem, government affairs , investment, foreign business related , innovation, and regulatory environment , enterprise full cycle services, innovation engine, regional cooperation, and legal environment[29].

In addition, in the ***Doing Business 2020*** report released by World Bank in July 2021, China climbed from the 36th place to the 28th in the ranking for protection of minority investors. As a demonstration city of China, Shanghai has in place sophisticated frameworks for protecting minority investors. Under the supervision of CSRC Shanghai Office, the Shanghai Joint People's Mediation Committee for Securities, Fund, and Futures Disputes provides professional mediation services. The China Securities Investor Services Center, also established in Shanghai, offers yet another safeguard for minority investors. Furthermore, in October 2020 the Shanghai Investor Protection Union was founded in Shanghai at the sponsorship of 30 organizations including the CSRC Shanghai Office, Shanghai Municipal Financial Regulatory Bureau, and the Shanghai Financial Court.

5. Full Range of Financial Institutions

Shanghai is one of the Chinese cities boasting the most complete range of financial institutions. They produce strong synergies and provide a solid foundation for the global expansion of Shanghai-

29 Source: Official WeChat Account of the Shanghai Municipal People's Government

based asset management institutions. The number of licensed financial institutions operating in Shanghai has risen from 1,515 in 2016 to 1,707 at the end of 2021, around 30% of which are foreign-funded[30]. At the end of 2021, 17 of the world's top 20 international asset managers have established their business entities in Shanghai[31]; more than 80 prominent international asset managers have enrolled in Shanghai's Qualified Foreign Limited Partners (QFLP) pilot scheme and more than 50 domestic asset managers in its Qualified Domestic Limited Partners (QDLP) pilot scheme. As of the fourth quarter of 2021, 29 of the 33 WFOE PFMs registered with AMAC were based in Shanghai[32]. Shanghai has become the first choice for China-based subsidiaries of foreign-funded financial institutions. In addition, 2,234 equity investment managers are registered in Shanghai; Shanghai-based insurance asset management companies and public funds account for more than 30% of the total AUM of such firms nationwide.

6. Innovations in Financial Reform

Chinese financial authorities have released numerous policies to support financial reform and innovation in Shanghai. In August 2013, the State Council approved the creation of the China (Shanghai) Pilot Free Trade Zone ("Shanghai FTZ"), which was inaugurated in September 29 to explore financial innovation. This was followed up by the creation of the Lin-gang Special Area with the August 2019 release of the ***General Plan for the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone*** by the State Council. February 2020 saw the issuance of the ***Opinions on Further Expediting the Building of Shanghai into an International Financial Center and Orienting the Financial Sector to Support the Integrated Development of the Yangtze River Delta***, which contains detailed measures for encouraging pioneering financial reforms in the Lin-gang Special Area. At present, the financial asset investment companies of the Big Five banks of China (ICBC, Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of Communications) have been approved to engage in equity investment other than for debt-for-equity swap in Shanghai; banks' wealth management subsidiaries to set up Shanghai-based subsidiaries specializing in equity investment and direct investment; overseas financial institutions to establish and invest in pension management companies in Shanghai; and insurance asset management companies to establish specialized asset management subsidiaries in Shanghai.

In July 2021, the CPC Central Committee and the State Council jointly issued the ***Guidelines on Supporting the High-Level Reform and Opening-Up of the Pudong New Area and Building It into a Pioneer Area for Socialist Modernization***. The Guidelines calls for strengthening the market, product offerings, institutions, and infrastructures of the financial sector; supporting the Pudong New Area to develop the offshore RMB market and offer cross-border trade settlement and overseas financing services; building a trading platform for international financial assets; and enhancing China's influence in the pricing of key commodities.

In addition, on August 12, 2021, the ***14th Five-Year Plan for the Development of the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone*** was released. According to the Plan, the Lin-gang Special Area will focus on building the digital economy and shaping itself into an international data hub during the 14th Five-Year Plan period. The Plan has for the first time proposed security evaluation and a public service platform for cross-border data flows to ensure they are secure and controllable, and permits the testing of non-local storage of data of specified domains if those data do not involve state secrets or personal privacy.

7. Cutting-Edge Fintech

Fintech has revolutionized how we work and live. Global networks and cutting-edge technologies such as AI provide the technical foundations for the smarter and more efficient global investment activities of the asset management industry. Shanghai is one of the most important hubs in China for fintech enterprises. It was where China's first fintech firm, CCB Fintech,

30 Source: Wenhui Daily
31 Source: Yicai
32 Source: Wenhui Daily

was established, in 2018. National commercial banks followed CCB's footsteps with the creation of fintech subsidiaries such as BOC Fintech, BOCOM Fintech, and CIB Fintech. In 2020, HSBC Fintech Services (Shanghai), the first foreign-funded fintech company, was established in the Lin-gang Special Area. Also in that year, the Shanghai Insurance Exchange launched the Insurance Exchange Chain system which applies blockchain technology to insurance transactions[33].

In August 2021, the ***14th Five-Year Plan for the Building of Shanghai International Financial Center*** was unveiled, making it clear that Shanghai would build itself into "two centers", i.e. a global asset management center and a fintech center.

At the 3rd Shanghai Fintech International Forum & 1st Yangtze River Delta Fintech Conference held on December 4, 2021, a number of key initiatives were launched to shape Shanghai into an international financial center, including CSRC's announcement to pilot fintech innovation in Shanghai's capital market; PBOC's publication of a group standard entitled ***Specification for Credit Integration Service of Yangtze River Delta Credit Chain***; inauguration of the "Finance · Technology" industrial zone centered on the Longyang Road; establishment of the Data Industrialization Special Committee of Shanghai Fintech Industry Alliance; publication of the ***Blue Book on Financial Application of Privacy-Preserving Computation*** spearheaded by the Bank of Communications; and signing of agreement for Shanghai Financial Technology Equity Investment Fund (Limited Partnership).

8. A Deep Talent Pool

Shanghai has a wealth of higher education resources. In 2021, Shanghai boasted 64 colleges and universities with an enrollment of 548,700 students and 135,700 students graduated.

At present, there are close to 500,000 financial professionals working in Shanghai[34]. In addition to its impressive roster of top universities, Shanghai is also reforming its talent program by introducing a broad range of support services to attract financial institutions and professionals alike.

33 Source: ThePaper.cn

34 Speech by Wu Qing, Member of the Standing Committee of the CPC Shanghai Municipal Committee and Vice Mayor of Shanghai, at the 2021 Shanghai International Financial Center Development Forum on December 25, 2021

Chapter 4 Overview of the Fund Management Industry in Shanghai

1. Public Fund Management Industry

As of the end of June 2022,67 of the 153 public fund management firms in China was based in Shanghai[35], among which are 24 wholly foreign-owned and joint venture fund companies. Over 50% of all joint venture and solely-owned fund companies in China had office locations in Shanghai.

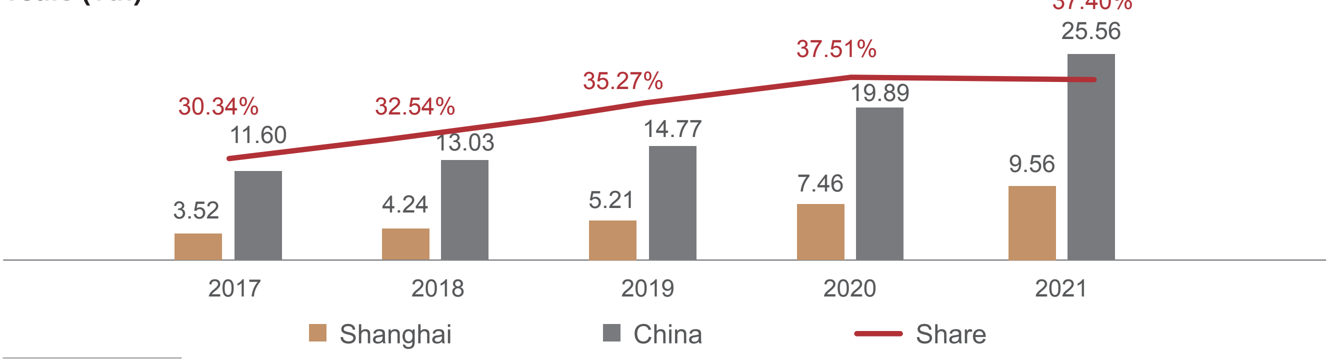
As of the end of June 2022, Shanghai-based public fund managers managed 3,793 public fund products with a total AUM of RMB 9.83 trillion. Non-money market funds contributed RMB 6.45 trillion or 65.6% of this total, higher than the industry average of 60.4%[36].

Over the past five years, the AUM of the funds managed by Shanghai-based public fund managers has seen steady growth particularly in their active management capability. As of the end of 2021, the AUM of the public funds,funds excluding money market fund(MMF), and equity funds managed by Shanghai based companies accounted for 37%, 40%, and 43%, respectively, of the national total[36] .

Table 3: Public Fund AUM by City (by regulatory jurisdiction , as of June 30, 2022)[37]

City	AUM(¥tn)	Public Fund Products
Shanghai	9.83	3,793
Shenzhen	6.66	2,581
Beijing	5.53	2,269
Guangdong	2.93	674

Figure 3: AUM of Public Funds Managed by Fund Companies in Shanghai and China over the Past Five Years (¥tn)



35 Source: List of Public Fund Management Companies(June 2022),CSRC
36 Source: SAMA
37 Source: Data from Wind, prepared by Shanghai Asset Management Association

Figure 4: AUM of Funds Excluding MMF Managed by Fund Companies in Shanghai and China over the Past Five Years (¥tn)

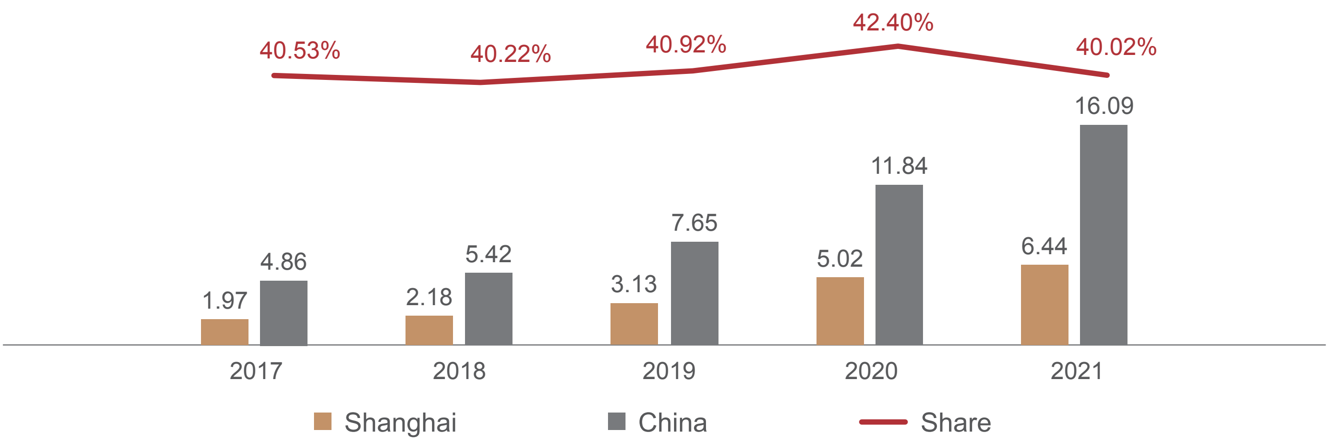
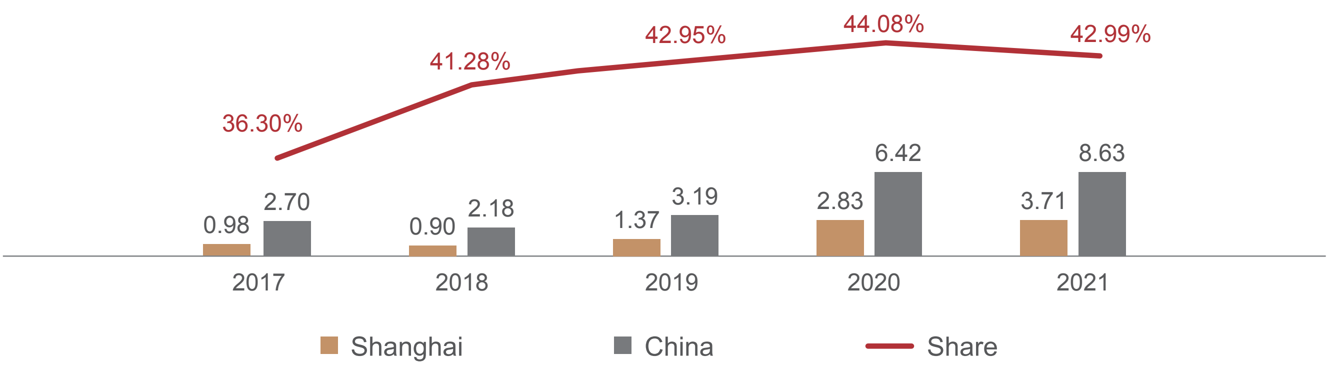


Figure 5: AUM of Equity Funds Managed by Fund Companies in Shanghai and China over the Past Five Years (¥tn)



2. Private Fund Management Industry

As of the end of June 2022, there were 4,462 PFMs registered in Shanghai. Together they manage 37,812 funds with a total AUM of RMB 5.07 trillion. These figures made Shanghai first in China[38].

over the past five years, the number and AUM of the funds managed by Shanghai-based PFMs have maintained growth along with the steady increase in the AUM of private funds nationwide, with each representing a considerable share of the national total.

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

Table 4: AUM of Private Funds by City (by registration, as of June 30, 2022)

City	Managers	Funds	AUM (¥tn)
Shanghai	4,462	37,812	5.07
Beijing	4,179	21,170	4.36
Shenzhen	4,139	20,847	2.29

Figure 6: Number of Private Funds Managed by Fund Companies in Shanghai and China over the Past Five Years

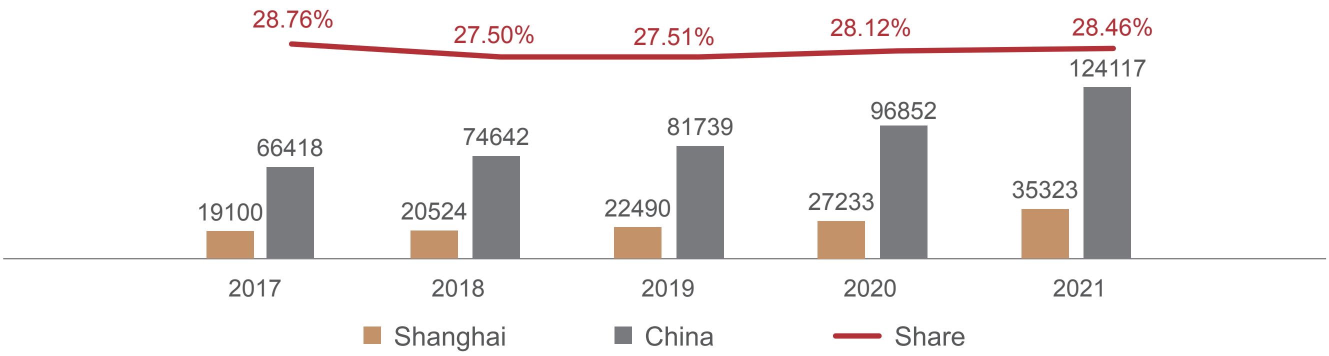
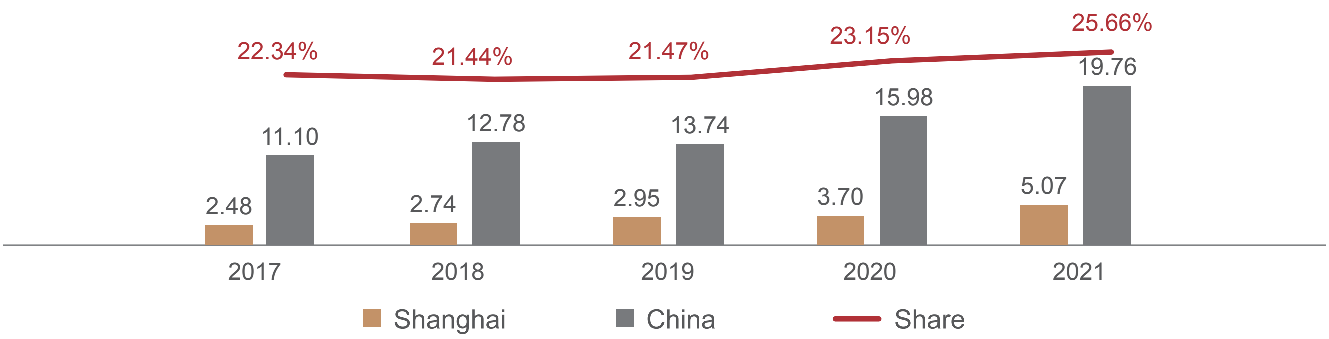


Figure 7: AUM of Private Funds Managed by Fund Companies in Shanghai and China over the Past Five Years (¥tn)



Shanghai provides a financial environment conducive to the development of private funds. In 2019, around a quarter of large PFMs with an AUM of more than RMB 10 billion were registered in Shanghai. As of the end of May 2022, of the 110 PFMs with such AUM, 45 or 41% were registered in Shanghai, ranking Shanghai first in China[39].

3. International Asset Management Firms

Since the first intruction of QFLP pilot scheme in 2011, the Shanghai Municipal Financial Regulatory Bureau, Shanghai Municipal Commission of Commerce, Shanghai Municipal Administration for Market Regulation, and SAFE Shanghai Branch have established a working mechanism for the scheme. As of August 2021, the 79 participants of the QFLP pilot scheme had made an actual investment of RMB 42.3 billion in various projects, including 229 equity investment projects. These QFLP scheme participants focused investment on strategic emerging fields and made nearly 60% of their investments in biopharmaceutical, infrastructure and environmental

39 Source: Wind, prepared by SAMA

protection, Internet and information technology, and high-end manufacturing sectors, playing a positive role in the development of innovative high-tech enterprises and the creation of a virtuous circle and interaction among the financial sector, the sci-tech sector and industries. In the past two years, as funds participating in the scheme entered the exit period, a stream of them had made a successful exit through diverse methods, including but not limited to listing, equity transfer, repurchase, transfer by agreement, and M&A[40].

The QDLP pilot scheme was first introduced in Shanghai in 2013. As of the end of 2021, more than 50 globally renowned asset management firms—among them BlackRock, Azimut, Baillie Gifford, Oaktree Capital, Barings, PIMCO, Credit Suisse—had established their presence in Shanghai and are qualified for the pilot scheme.

The QDLP pilot scheme enables overseas asset management firms to glean insight into the Mainland China market, test their business models, and understand Mainland investors before expanding their business in China.

As overseas asset management firms gain more business development experience in the Mainland, it has become an obvious trend for many overseas asset management firms that have set up an enterprise for participating in the QDLP pilot scheme to engage more deeply in the Mainland market by including but not limited to establishing PFMs, preparing to set up public fund management companies, or funding wealth management subsidiaries of Sino-foreign joint venture banks.

In 2016, overseas financial institutions were allowed to set up private securities funds through WFOEs. Wholly foreign-owned private fund managers or WFOE PFMs are entities established in China by overseas asset management firms to provide private securities investment services. As of the end of 2021, 29 of the 33 WFOE PFMs operating in China were based in Shanghai.

4. Shanghai Asset Management Association (SAMA)

Shanghai Asset Management Association ("SAMA") was established on November 18, 2010. Being rated as a 5A social organization, 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 complies with national laws, regulations and policies, protects the legitimate rights and interests of its members, and acts as a bridge between the Shanghai fund industry and the government. It also organizes a wide range of specialized trainings and workshops and provides a platform for exchange and communication to promote the high-quality development of the fund industry in Shanghai.

As of the end of June 2022, SAMA had 285 members, including 67 public fund companies, 127 PFMs (including 23 WFOE PFMs), 37 client-specific asset managers, 22 Shanghai branches of non-Shanghai-based fund companies, and 32 independent fund distribution institutions. The AUM of the public fund management company members totaled RMB 12.22 trillion, accounting for nearly 40% of the national total, while that of the PFM members amounted to around RMB 1.79 trillion, accounting for 35% of the total AUM of PFMs in Shanghai.

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

40 Source: Yicai

Chapter 5 Laws, Regulations, and Regulatory Policies

1. Public Funds

The legal cornerstone of China's public fund industry is the ***Securities Investment Fund Law of the People's Republic of China*** ("Fund Law"), which was promulgated in 2004 and revised twice in 2012 and 2015. 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.

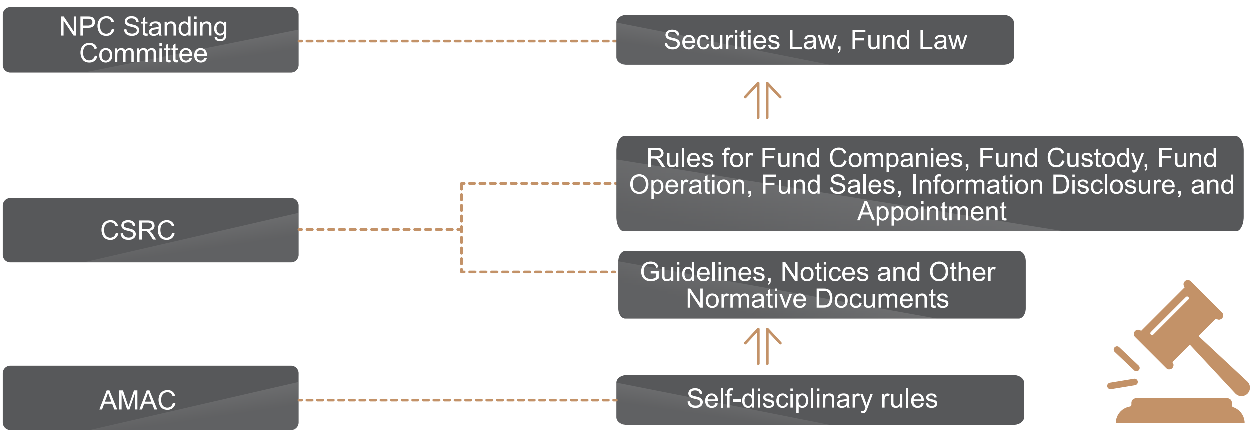
According to the provisions of the Fund Law, CSRC will supervise and manage the activities of securities funds in accordance with the law, and its local branches will perform their duties in accordance with authorization; AMAC is a self-regulatory organization of the securities fund industry, which is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

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

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

As a self-regulatory organization, AMAC formulates self-regulatory rules according to the authorization of law and the instruction of CSRC. The self-regulatory rules provide important guidance on the operation and practice of the fund industry, covering company regulation, practitioner management, fund custody, fund distribution, fund investment, trading, fund information disclosure, fund accounting, taxation and dividends, and information technology. Fund managers are required by law to join AMAC as AMAC members and be bound by its articles of association .

Figure 8: Legislative Framework for Public Funds



2. Private Asset Management Business of Securities and Futures Institutions

Both the ***Administrative Measures on Private Asset Management 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 regulatory documents issued by the CSRC regarding private asset management products, refer to the Fund Law as their superior law. Therefore, the Fund Law is also the fundamental law for private asset management products.

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

3. Private 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 funds ("private 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*** and ***Certain Provisions on Strengthening the Regulation of Privately Offered 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 investment funds.

According to the provisions of the Fund Law, AMAC is the self-regulatory organization of the fund industry and is subject to the instruction and supervision of CSRC. According to the Fund Law, fund managers and fund custodians are required to join AMAC and fund service providers are allowed to join AMAC. Similar to the practice in the public fund sector, AMAC, as a self-regulatory organization, formulates, updates, and implements self-regulatory rules on private investment funds in accordance with the authorization of law and CSRC and in light of market conditions. However, different from the practice in the public fund sector, according to the Fund Law, AMAC is also responsible for the registration of private investment fund managers and filing of private investment funds according to the law. In other words, AMAC's self-regulatory management of private funds is more comprehensive. In this regard, AMAC has formulated and issued many self-regulatory rules on fundraising, fund service and information disclosure, etc., of private investment funds, 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 Offering of Private Investment Funds***, the ***Administrative Measures on the Activities of Information Disclosure of Private Investment Funds***, the ***Implementing Guidelines on the Investor Suitability Management of Fundraising Institutions (For Trial Implementation)***, and the ***Measures for the Administration of Business of Private Investment Fund Services (For Trial Implementation).***

Chapter 6
Fund Types and Legal Framework

1. Public Funds

At present, all public funds in China are contractual (i.e., unit trust) funds based on the legal relationship of trust, under which the fund manager and the fund custodian jointly act as the trustee, and the fund unitholder is both the principal and the beneficiary. The dual-trustee legal structure consisting of the fund manager and the fund custodian is unique to Chinese funds and rarely seen in most of other countries and regions. Under this structure:

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

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

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

- A 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 assets
- D maintaining records, books, statements, and other relevant materials of fund custody activities
- E handling settlement and clearing matters timely in accordance with the fund contracts and the investment instructions of the fund manager
- F handling information disclosure matters relating to fund custody activities

- G issuing opinions on the fund's financial and accounting reports, interim and annual fund reports
- H reviewing and examining the net asset value of the fund assets and the subscription and redemption prices of fund units calculated by the fund manager
- I convening the fund unitholders' meeting in accordance with relevant provisions
- J supervising the investment operation of the fund managers according to relevant provisions; and
- K other duties prescribed by the securities regulatory authority under the State Council

3) 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, to decide on the termination and liquidation of the fund, etc.

Public funds must be issued and managed by public fund managers and be under the custody of fund custodians. According to the data released by CSRC, as of the end of June 2022, there were 58 fund custodians in total in China[41], among them are 27 securities companies, China Securities Depository and Clearing Corporation Limited (CSDC), China Securities Finance Corporation Limited, and 29 commercial banks.

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

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

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

41 Appendix 4 List of Securities Investment Fund Custodians

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

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

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

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

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

3. Private Funds

3.1 Types of Funds

In the Mainland China market, private funds can be classified by different sets of criteria. A common classification is by the type of target investment and market, by which private funds are divided into private securities funds and private equity funds. A third type is private asset allocation funds, which permit investment across different asset classes. However, this third type is rare and the requirements are also higher for both the registration of the managers and the filing of the products. For instance, the initial assets raised by a private asset allocation fund should not be less than RMB 50 million.

By the form of organization, private funds can be divided into contractual private funds, corporate private funds, and partnership private funds. By investment approach, private funds can be categorized into direct investment funds, which invest directly in the target companies, and indirect investment funds (or FOFs), which invest in other private funds.

3.2 Legal Structure

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

(1) Contractual funds

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

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

1) The core functions and powers of the fund manager upon entrustment are: undertaking investment management, conducting valuation and accounting as the party responsible for accounting matters, handling unit registration, exercising shareholder's rights on behalf of the fund, and supervising the fund custodian.

2) The core functions and powers of the fund custodian upon entrustment are: preserving the fund assets, carrying out the manager's investment

instructions, conducting compliance review of the investment instructions, handling funds transfers, reviewing valuation and information disclosure, and supervising the fund manager.

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

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

(2) Partnership funds

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

A partnership fund may be managed by its general partner or a manager hired by the general partner. For this latter option, the manager needs to be a related party of the general partner. The responsibilities of the manager include looking for potential investees, conducting due diligence investigations, developing investment strategies, making investment decisions, and performing post-investment management. In addition to investment-related responsibilities, the manager performs other responsibilities, including but not limited to raising funds and submitting quarterly, annual and major event reports to AMAC.

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

(3) Corporate funds

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

A corporate fund may be managed by itself or by any other private fund manager engaged by it.

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

Chapter 7 Application and Approval of Products and Institutions

1. Public Funds

1.1 Establishment of Public Fund Management Companies

Public fund management companies that are established upon approval by CSRC may raise funds and manage public funds. 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 fund management companies may conduct. The following conditions shall be met to establish a public fund management company:

1) Shareholders. The Fund Law and CSRC impose relatively complicated requirements on the qualifications of each type of shareholder of public fund management companies. In short, shareholders of public fund management companies can be divided into three types: major shareholder(s) (i.e., shareholders holding 25% or more of equity, or the largest shareholder holding 5% or more of equity if there are no shareholders holding 25% or more of equity), non-major shareholder(s) holding 5% or more of equity, and non-major shareholder(s) holding less than 5% of equity. Furthermore, after a public fund management company is established, in case of any change in shareholders representing 5% or more of equity, including the appearance of shareholders holding 5% or more of equity 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 fund management company ("WFOE FMC"), which basically combine the requirements on major shareholders, overseas shareholders and actual controllers as prescribed in the ***Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds***, are as follows:

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

(i) It and its controlled entities have good credit and compliance records, good asset quality and financial position, sound corporate governance, well-established internal control system, effective risk control, and the ability to support the WFOE FMC in improving the latter's comprehensive competitive edge;

(ii) It is an institution that engages in the financial business or manages financial institutions according to law; it has good management performance, social reputation, and net assets of not less than RMB 200 million or its equivalent in a freely convertible currency in the last year; it has been continuously profitable during the last three years; its participation in the WFOE FMC is in line with its long-term strategy and in the interest of its main business (if it is an institution that manages financial institutions, at least one of the financial institutions under its management shall satisfy the requirements of this (ii) and relevant requirements of CSRC);

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

(iv) It has a clear self-restraint mechanism to maintain the independent operation and management of the WFOE FMC and to prevent transmission of risks and improper benefits;

(v) It has in place a reasonable and effective risk resolution plan to address potential risks that may disrupt the business operation of the WFOE FMC;

(vi) It has no record of material violations of laws and regulations or of material dishonesty in in the last three years; it has not been imposed with criminal penalties for intentional criminal offenses, or if so, it has completed such criminal penalties for no less than 3 years; it is not under investigation or rectification for major violations of laws and regulations;

(vii) It is not involved in any circumstance that prevents it from exercising rights or performing obligations as the shareholder, such as failure to conduct business operation for a long time, suspension of business, bankruptcy and liquidation, defective corporate governance, and dysfunctional internal control; and it is not involved in guarantee, litigation, arbitration or other major events that may adversely affect its sustained operation;

(viii) It has a clear equity structure at each level tracing back to the ultimate beneficial owner; its equity structure does not involve any asset management product unless otherwise approved by CSRC; and

(ix) It has neither been subject to substantial public skepticism for any dishonesty or non-compliance, nor through such dishonesty or non-compliance, caused a serious negative social impact yet to be eliminated; no less than 3 years have passed since it was held principally liable for the operational failure of its investee; and it has not committed any act that damages the interests of clients, such as misappropriation of clients' assets.

b) The overseas shareholder of the WFOE FMC shall meet the following requirements in addition to those set out in a):

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

(ii) Its domicile country or region has well-established securities laws and regulatory system, whose securities regulatory authority 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;

(iii) It has good international reputation and operating performance; it has been internationally leading in terms of financial assets under management, revenue, profit, and market share during the last three years; it has maintained a high credit standing for a long time during the last three years;

(iv) Its cumulative shareholdings or proportion of equity holdings (including direct or indirect equity holdings) comply with China's policy on the opening-up of the securities industry; and

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

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

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

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

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

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

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

3) Personnel. Public fund management companies are required to have the general manager, chief compliance officer, deputy general managers as necessary, and other senior management personnel. The number of such senior management personnel, together with the personnel engaging in research, investment, operation, sales, compliance, and other businesses,shall be not less than 30, and all of them must have obtained the fund practitioner qualification.

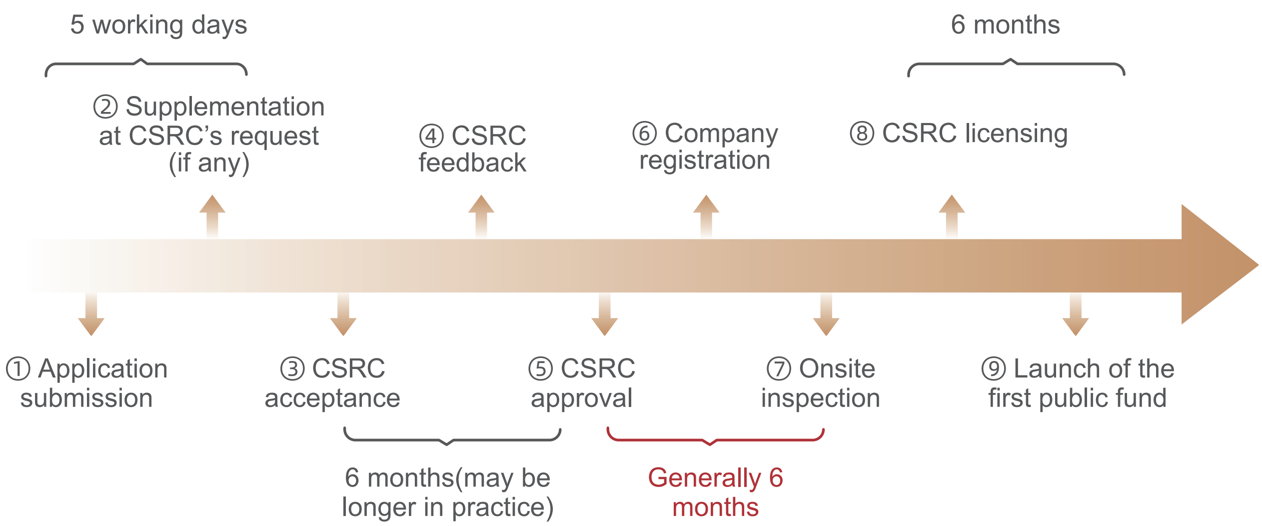
4) Software and hardware facilities. Public fund management companies must have premises and IT systems that are sufficient to support their operation, which generally cover the aspects of investment management, registration, accounting, etc.

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

Currently, a public fund management company is established under the "approval first, preparation later" mode. Under this mode, relevant parties shall first apply to CSRC for establishing the public fund management company, during which period they will go through the steps of acceptance of application, review of shareholders' qualifications and feedback of CSRC. During the preparation phase, which commences upon CSRC's approval of the establishment of the public fund management company, the applicant shall complete the work required for carrying out public 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 fund management company, after which the company may carry out relevant businesses.

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

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



1.2 Registration of Funds

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

The fund registration documents include:

1) The fund contract, which is a fundamental legal document entered into by the manager, the custodian, and the fund unitholder. It is a trust contract setting out the rights and obligations of the fund manager, the custodian, and the fund unitholders. The fund contract generally includes the basic information of the fund, the filing of the fund contract, the effectiveness of the fund contract, the investment, subscription, redemption, and valuation of the fund, the distribution of income of the fund, modification/termination of the fund contract, liquidation of assets of the fund, rules of procedure of the unitholders' meeting, and other aspects.

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

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

According to 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 funds to which streamlined procedures may apply, generally within twenty working days after accepting the application. The fund manager shall make an offering within six months after receiving the document on registration approval.

1.3 Licenses for Public Fund Management Companiest

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

1) License for the Private Asset Management Business

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

2) License for QDII

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

3) License for Enterprise Annuity Investment Managers

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

4) License for Social Security Fund Investment Managers

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

5) License for Basic Pension Investment Managers

Basic pension, including the pension for enterprise employees, staff of government departments and civic institutions, and urban and rural residents, is the most important part of China's pension security. In accordance with the ***Announcement on Assessment of Securities Investment Management Institutions for Basic Pension Insurance Funds*** issued by the Social Security Fund Council on October 26, 2016, the basic pension investment manager 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 SSFC, this license is granted by the SSFC.

6) Issuance of Single Asset Management Schemes for Insurance Funds

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

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

The subsidiaries of public fund management companies may engage in businesses related to asset management, including: private equity fund management, investment advisory, financial services for pension funds, distribution of financial products, unit registration, valuation and accounting, and other businesses recognized by CSRC. The public funds managed by them include index funds, FOFs, pension investment products, and REITs, among others. In principle, such subsidiary shall be wholly owned by a public fund management company and be strictly and effectively segregated from the parent company in the line of business.

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

8) License for the Fund Investment Adviser Business

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

2. Private Asset Management Products of Securities and Futures Institutions

2.1 Application for the License for Private Asset Management Business

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

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

2) having a well-established corporate governance structure and sound internal control, compliance management and risk management policies;

3) having qualified senior officers and three or more investment managers;

4) having an investment research department with at least three full-time employees engaging in investment research;

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

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

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

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

In particular, a public fund management company or futures company that intends to engage in the private asset management business by itself, or a securities company, public fund management company or futures company that intends to establish a subsidiary to do so submit an application to CSRC for approval, while a securities company that intends to change its scope business (by adding the private asset management business) shall submit an application to the CSRC regional office at the place where the securities company is domiciled for approval.

2.2 Business Forms and Investment Operations of Private Asset Management Products

Private asset management products can be privately offered only to qualified investors. Securities and futures institutions may either establish a single asset management scheme for a single investor or a collective asset management scheme for multiple investors. A collective asset management scheme shall have at least two investors and at most two hundred investors. By the type of assets invested, collective asset management schemes can be divided into fixed income schemes, equity schemes, commodity and financial derivative schemes, and hybrid asset management schemes.

A private asset management scheme may invest in:

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

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

3) futures, options contracts, and other standardized commodity and financial derivative assets that are traded and cleared in a centralized manner on a

Type of Institution	Investable Asset Class	Description
Securities companies and their subsidiaries engaging in the private asset management business	Those referred to in Paragraph 1) to Paragraph 6)	Being allowed to invest in standardized assets and non-standardized assets
Public fund management companies	Those referred to in Paragraph 1) to Paragraph 4), and Paragraph 6)	Being allowed to invest in standardized assets only. When they invest in the products set out in Paragraph 6) (asset management products issued by other financial institutions), the underlying assets of such products shall also be standardized ones.
Subsidiaries of public fund management companies engaging in the private asset management business	Those referred to in Paragraph 1) to Paragraph 6)	Being allowed to invest in standardized assets and non-standardized assets, but avoiding horizontal competition with the parent companies (public fund management companies).
Futures companies and their subsidiaries	Those referred to in Paragraph 1) to Paragraph 4), and Paragraph 6)	Being only allowed to invest in standardized assets. When they invest in the products set out in Paragraph 6) (asset management products issued by other financial institutions), the underlying assets of such products shall also be standardized ones.

securities and futures exchange or any other trading venue established upon approval by the State Council;

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

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

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

7) other assets recognized by CSRC.

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

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

2.3 Filing of Private Asset Management Products

Securities and futures institutions 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 dispatched offices of CSRC.

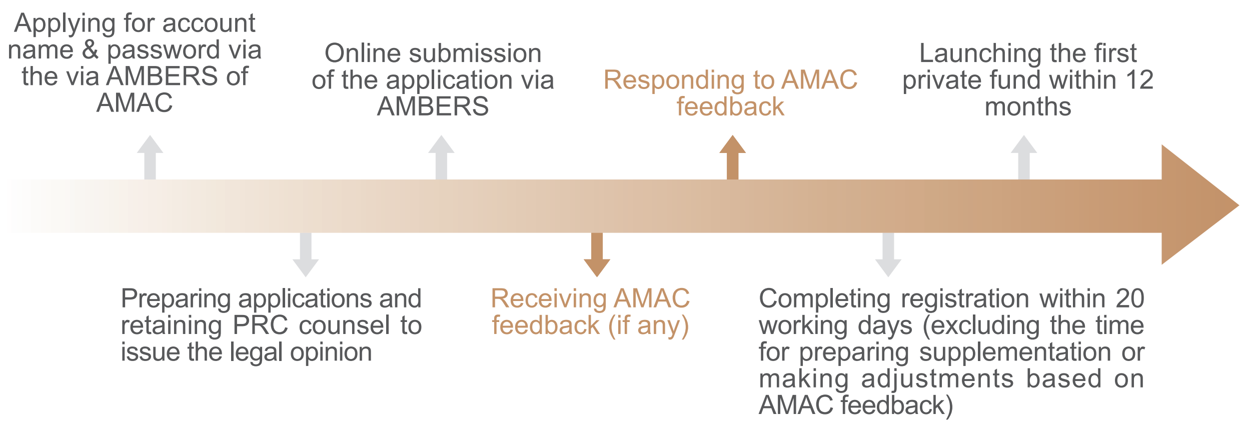
3. Private Funds

Private investment fund managers may offer and manage private investment funds. According to the Fund Law, private securities funds may trade a company limited by shares' public stocks, bonds, and fund units, as well as other securities and derivatives thereof prescribed by the CSRC. Private equity funds may invest in the equity of unlisted enterprises, the non-publicly offered or traded shares (including shares from private placement, block trade, or transfer by agreement) and convertible bonds of listed companies, market-based and legalized debt-to-equity swaps, units of equity funds, and other assets approved by CSRC. In addition, qualified PFMs may provide investment advisory services for asset management products as a third party, see section 4.

3.1 Registration as PFMst

A duly incorporated company may issue private investment funds only after being registered as a

Figure 10: Application Procedures for Registration of PFMs



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.

3.1.1 General Conditions for Fund Manager Registration

In accordance with the Fund Law, the ***Interim Measures on the Regulation of Private Investment 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 PFM registration and sets out various requirements for private securities fund manager registration through relevant self-regulatory rules and operational guidelines, which mainly include:

1) Specialization

PFMs shall observe the principles of specialization by establishing clear primary businesses and not concurrently engage in any business (e.g., private lending, guarantee, factoring, pawning, finance lease, online lending information intermediary, crowdfunding, shadow margin financing, private financing, micro wealth management, microloan, P2P/P2B, real estate development, and trading platform) that may conflict with the businesses of the private funds they manage, any business that conflicts with the buy-side businesses of their investment management activities, nor any other non-financial businesses.

Another example of the principles of specialization is that when applying for registration, a PFM shall choose only one registration category such as “private securities fund manager” or “private equity or venture capital fund managers” and only one of the business types associated with such registration category. A PFM may complete filing only for private funds that are consistent with its registered business type and shall not manage private funds that are not consistent with its registered business type. A PFM may not concurrently manage multiple types of private funds. Application requirements also differ for different registration categories.

To enforce the specialization requirements, PFMs must include the words “private fund”, “private fund management”, or “venture capital” in their name and the words which reflect the features of the private funds they manage, such as “private investment funds management”, “private securities funds management”, “private equity fund management”, or “venture capital fund management” in their business scope.

2) Internal Control

The institution planning to apply for PFM registration shall establish a 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.

3) Capital

An applicant 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 applicant shall be sufficient to cover its daily operational expenses, including reasonable employee remuneration and rent, to ensure its normal operations for a reasonable period after registration approval.

4) Personnel

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

An applicant shall not have less than five employees in total.

Relevant staff of the applicant who engage in private fund management business shall have professional ethics and competence suitable to the requirements of their positions. Depending on the type of the PFM in question, the requirements on staff's professional competence and experience also differ. Practitioners shall observe the 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.

Senior management personnel of a PFM shall have more than three years of work experience in securities, fund, futures, finance, law, and accounting, and other areas related to their positions, and management experience and operation management capability suitable to the requirements of their positions; senior management personnel in charge of investment shall have more than three years of work experience in securities, fund, futures investment management, and other areas, and provide evidence, which is traceable for more than two years, for his/her investment performance in securities and futures products as a portfolio fund manager or investment decision-maker, with the net AUM of a single product in principle not being less than RMB 10 million (based on the average AUM of products if jointly managed by multiple portfolio managers).

Senior management personnel of a private equity fund manager or a venture capital fund manager shall have more than three years of work experience in equity investment, venture capital investment, investment banking, asset management, accounting, law, and economic and financial management, industry research on potential investment fields related to their positions, and management experience and management capability suitable to the requirements of their positions; senior management personnel in charge of investment shall have more than three years of work experience in equity investment, venture capital investments, and other areas, and provide evidence for at least two investments, led by him/her at his/her former employers, in the equity of unlisted companies, with the combined initial amount of these investments in principle not being less than RMB 10 million.

5) Premises

An applicant shall have independent premises necessary to carry out the private fund management business.

3.1.2 Foreign-Invested PFMs

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

In addition, the foreign shareholder(s) and actual controller of foreign-invested 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. Furthermore, 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. When trading securities, futures, or equities in China, foreign-invested PFMs shall make independent investment decisions and shall not issue trading instructions through overseas institutions or overseas systems.

3.2 Filing of Private Funds

In accordance with the Fund Law, the ***Interim Measures on the Regulation of Private Investment Funds, Certain Provisions on Strengthening the Regulation of Privately Offered Investment Funds*** and other laws and regulations, AMAC is in charge of the filing of private funds and sets out various requirements for the filing of private funds through relevant self-regulatory rules and operational guidelines, such as the ***Instructions for the Filing of Private Investment Funds, FAQs for Registration and Filing of Private Funds,*** and ***Guidelines for the Naming of Private Investment Funds***. In addition, AMAC issued the ***Key Considerations for the Filing of Private Investment Funds*** in June 2022, which covers private securities funds, private equity funds, or venture capital funds to improve the efficiency and transparency of fund filing.

Similar to the registration of PFMs, the filing of private investment funds is also subject to some requirements, which mainly include those on the following:

1) Naming

All private funds, whether established in the form of contractual, partnership or corporate structure, shall comply with the requirements of the ***Guidelines for the Naming of Private Investment Funds***. For example, the name of a private fund shall not explicitly or implicitly indicate no loss or a minimum return for any investment in such fund, nor contain “asset management scheme”, “trust plan”, “segregated account” and “wealth management product”, and any other words which are confusingly identical or similar to the asset management products issued by financial institutions, and shall reflect the business type of such private fund.

2) Term

Each private fund shall have a specific term. Specifically, private equity funds and private asset allocation funds shall have a term of no less than five years, and managers are encouraged to establish private equity funds with a term of seven years or longer.

3) Investment scope

A fund manager shall expressly state the investment scope of its private fund in the fund contract. Private investment funds shall not directly or indirectly engage in non-private fund investment activities, such as providing borrowings or guarantees (other than those with a term of less than one year to investees according to the relevant contract and for the purpose of equity investment) and making debt investment in the name of equity investment, or invest in factored assets, finance lease assets, pawned assets and other credit assets, equity or rights to income from equity, or make any other investment without limitation of liability, in violation of applicable regulations.

4) Custody

It is particularly stressed in the ***Instructions for the Filing of Private Investment Funds*** that private funds shall be put under certain scenarios where their complicated transaction structure is likely to create financial disputes. An example of such scenarios is the indirect investment of a contractual private fund, private asset allocations fund or private fund in underlying assets through a company or partnership or any other special-purpose vehicle.

5) Investors

A private fund shall raise funds from qualified investors. A qualified investor must have the ability to identify and bear risks, invest no less than RMB 1 million in the private fund, and possess a certain level of assets.

6) Filing timeline

PFMs shall apply to AMAC for filing of a private fund within 20 working days after completion of the fundraising of the private fund. PFMs 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 PFMs shall file their first private fund product within 6 months from the completion of the registration procedures. This time limit has been extended to 12 months under the time limit extension policy of AMAC, which has been implemented since February 1, 2020 to adapt to the fundraising situation in the private fund industry during the prevention and control of the pandemic.

3.3 Provision of Investment Advice by PFMs

Securities investment PFMs that meet all of the following conditions may provide investment advisory services for the wealth management products issued by wealth management subsidiaries of banks or by Sino-foreign joint venture wealth management companies, the private asset management products of securities and futures institutions (including securities companies, public fund management companies, futures companies, and their respective subsidiaries) and the private securities funds of other securities investment PFMs:

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

2) having not less than 3 investment management personnel, each of that should have more than 3 years' continuous and traceable performance record in securities and futures investment management and without negative practice record.

4. Cross-Border Investment Pilot Schemes

4.1 QFLP Pilot Scheme

The pilot scheme of Qualified Foreign Limited Partners ("QFLP Pilot Scheme") allows qualified foreign investors to participate in the establishment of domestic equity investment enterprises within the regions implementing the QFLP Pilot Scheme. The QFLP Pilot Scheme was first launched in Shanghai in 2011, providing foreign investors with an opportunity to co-fund private equity investment funds in Shanghai. Since then, many other regions in China have introduced their own frameworks for the QFLP Pilot Schemes. The Shanghai Municipal People's Government has set up a joint conference for the scheme ("Joint Conference"), led by the Shanghai Municipal Finance Bureaus established at the municipal level, to review and approve applications for participating in the QFLP Pilot Scheme.

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

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

1) The name of the management enterprise shall meet the requirements of the competent national authorities;

2) The management enterprise shall have at least one investor, and the business scope of the investor or its affiliates shall be related to equity investment or equity investment management business;

3) When applying for establishment as a management enterprise, there shall be at least two senior management personnel who meet all of the following requirements:

i) having at least five years of experience in equity investment or equity investment management business;

ii) having served as a senior management personnel for at least two years;

iii) having the experience of engaging in equity investment in the Chinese market or working experience in a financial institution in China; and

iv) having not been involved in any violations or pending lawsuits regarding economic disputes during the last five years and having a good integrity record.

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

4) The management enterprise shall have a registered capital (or subscribed capital) of not less than USD 2 million and contribution must be in cash. Contribution of the registered capital (or subscribed capital) shall be at 20% at a minimum within three months from the date of issuance of the business license and be fully completed within two years.

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

1) The name of the QFLP fund shall meet the requirements of the competent national authorities;

2) The QFLP fund shall have a subscribed capital of not be less than USD 15 million and contribution must be in cash. Each partner shall make a capital contribution in its own name, and each limited partner shall make a capital contribution of not less than USD 1 million.

3) The qualified foreign investors of the QFLP fund shall mainly include foreign sovereign funds, pension funds, endowment funds, charitable funds, funds of funds (FOFs), insurance companies, banks, securities companies, and other foreign institutional investors recognized by the Joint Conference, and meet all of the following conditions:

i) having its own assets or AUM meet certain thresholds during the financial year preceding the applicant’s application;

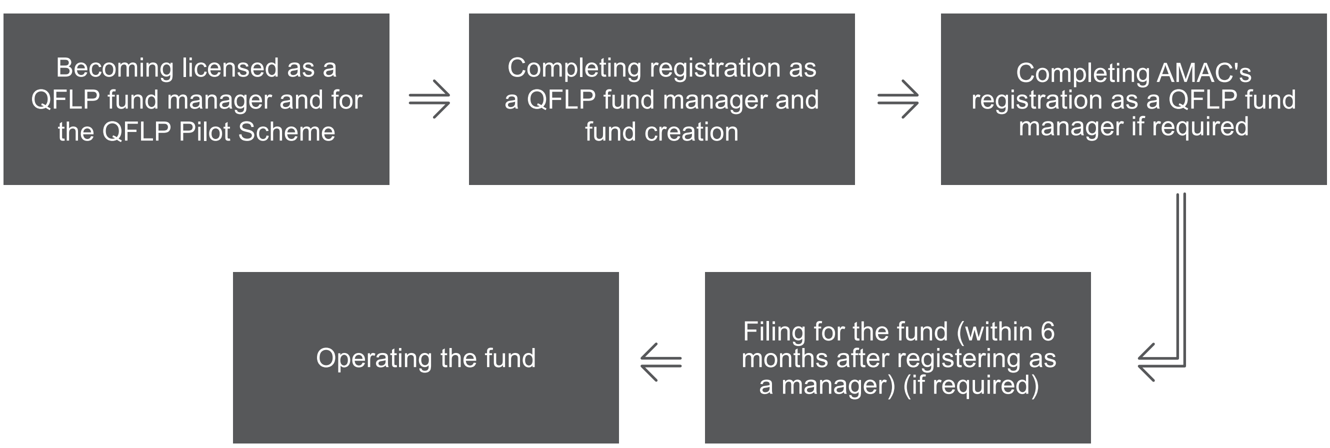
ii) possessing a sound governance structure and internal control system and having not been sanctioned by judiciary authorities or relevant regulators during the last two years;

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

iv) meeting other conditions required by the Joint Conference.

4) The QFLP fund shall appoint a qualified bank in China as its custodian; the custodian of the QFLP fund shall submit its relevant custody policies to the relevant authorities for filing.

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



4.2 QDLP Pilot Scheme

The QDLP pilot scheme policy, introduced in Shanghai in 2012, allows qualified overseas asset management firms to apply to the relevant authority of Shanghai (i.e., Shanghai Municipal Financial Regulatory Bureau) for recognition as a QDLP pilot scheme participant. A management enterprise under the QDLP Pilot Scheme (i.e., QDLP manager) that operates in the form of private fund in accordance with rules for private funds is required to register with AMAC as a PFM, and an enterprise under the QDLP Pilot Scheme (i.e., QDLP fund) that does so is required to file with AMAC and comply with regulatory requirements on private funds.

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

It should be noted that the Shanghai Municipal Financial Regulatory Bureau and other relevant departments jointly reviewed and approved online several asset management institutions as participants of the QDLP pilot scheme in May 2022. Of them, Azimut Investment was the first WFOE PFM allowed to participate in the QDLP pilot scheme, and BlackRock Asset Management Co., Ltd. the first WFOE FMC to participate in such scheme.

4.3 Quota Management Pilot Scheme for the Lin-gang Special Area

On July 21, 2021, the People's Government of Pudong New Area issued the ***14th Five-Year Plan for the Development of the Lujiazui Area of China (Shanghai) Pilot Free Trade Zone*** (Pufu [2021] No. 89). The plan vows to improve the financial market, financial product, financial institution, and infrastructure systems, enhance Lujiazui's capability in global resource allocation, build up its new strength in international cooperation and competition, continue to promote innovations in systems and mechanisms for the Lujiazui Financial City, with an aim to developing Lujiazui into a global center for allocation of RMB financial assets during the 14th Five-Year Plan period.

To comply with the requirements of the ***Notice of the State Administration of Foreign Exchange on Implementing the Pilot Scheme of High-level Opening-up for Cross-border Trade and Investment in Lin-gang Special Area and Other Areas of China (Shanghai) Pilot Free Trade Zone*** (Huifa [2021] No.35) and other documents, SAFE Shanghai Branch issued the ***Implementation Rules for the Pilot Scheme of High-level Opening-up and Foreign Exchange Management Reform for Cross-border Trade and Investment in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone*** (Shanghai Huifa [2022] No.4) ("***Implementation Rules***") on January 28, 2022. The annexes of the ***Implementation Rules*** contain foreign exchange management guidelines for the QFLP and QDLP pilot schemes, which specify that both QDLP funds and QFLP funds in the Lin-gang Special Area are subject to quota management.

1) QDLP funds continue to be subject to the existing mechanism.

Specifically, within the foreign exchange quota directly granted to them ("outbound investment quota"), fund managers may initiate one or more QDLP funds and make flexible adjustments to the QDLP quota among these QDLP funds.

2) QFLP funds (investment enterprises under the QFLP Pilot Scheme) are subject to quota balance management for the first time.

Before the issuance of the Implementation Rules, a QFLP fund manager had to apply for overseas fundraising quota separately for each QFLP fund and could not allocate such quota between QFLP funds; in principle, no change in the overseas fundraising quota of a QFLP fund was allowed without the prior approval of the local financial regulatory authority and other related departments of the jointly working.

After the issuance of the Implementation Rules, QFLP managers in the Lin-gang Special Area may set up subsequent funds through simplified procedures. After applying for and obtaining the QFLP fund manager qualification and an overseas fundraising quota (QFLP quota), they may initiate one or more QFLP funds within the QFLP quota. In other words, they may make flexible adjustments to the overseas fundraising quota of a single fund among the QFLP funds; accordingly, after the capital reduction, liquidation and income distribution of a single QFLP fund, there will be an increase in their unused QFLP quota, which can be used for new or existing QFLP funds to ensure the circular use of such quota.

Chapter 8 Fund Service Providers

1. Fund Operation Service Providers

Pursuant to the Fund Law, institutions providing the distribution, distribution-related payment, unit registration, valuation, investment advisory, rating, IT system and other fund services for public funds 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 AMAC and is subject to the self-regulatory rules of AMAC in accordance with the Fund Law and relevant self-regulatory rules of AMAC. As of July 2022, 45 private fund operation service providers[42] had registered with AMAC, including 8 banks, 8 public fund management companies and 22 securities companies.

As of September 2022, 22 institutions were qualified to operate as QFII custodians, all of which are banks[43].

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 business organizations. 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 of CSRC.

As of September 2022, 110 securities companies[44] and 150 futures companies[45] had obtained 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 fund management companies shall select and work with IT service providers within the scope of filing with CSRC. The ***Administrative Provisions on the Filing of Securities Service Provided by Securities Service Providers*** issued by CSRC on July 24, 2020 specifies requirements for filing procedures and materials. The ***Guidelines for Application of Regulatory Rules – Technology Regulation (No. 1)*** released by CSRC in October 2020 sets detailed filing requirements. As of April 2022, 353 institutions had filed with CSRC as information system or technology system service providers.

An IT system service provider which conducts private-fund-related businesses is required to file with AMAC. As of July 2022, four IT system service providers had completed their filing with AMAC[46].

4. Accounting Firms and Law Firms

4.1 Accounting Firms

Pursuant to the updated Securities Law, since March 2020, China has canceled the administrative approval required for accounting firms to provide securities and futures-related services. To provide such services today, an accounting firm is only required to file with Ministry of Finance (MOF) and

42 Appendix 9 Publicized List of Private Fund Service Institutions: Unit Registration Services
43 Source: List of QFII Custodians (June 2022), CSRC
44 Appendix 5 List of Securities Companies
45 Appendix 6 Listed of Futures Companies
46 Appendix 10 Publicized List of Private Fund Service Institutions: IT System Service

CSRC. During business operations, fund managers and the funds under their management are required to engage an accounting firm that has filed with MOF and CSRC to carry out capital verification, audit and other activities. In addition, during the operation of the funds, in case of change of valuation methodology or other circumstances that may have material impact on the net asset value of the fund, the fund managers shall promptly seek the professional opinion from an accounting firm. If a side-pocket mechanism is implemented, the fund managers shall also engage an accounting firm as required by applicable regulations to issue a special audit opinion.

4.2 Law Firms

For a public securities fund to be issued, the legal opinion shall be issued by lawyers or a law firm[47]. For private securities funds, private equity and venture capital funds to go through fund manager registration or product filing with AMAC, the legal opinion issued by lawyers or a law firm is also required. In December 2002, the Ministry of Justice and CSRC canceled the administrative approval required for lawyers and law firms to provide securities legal services[48]. Any lawyer or law firm that complies with relevant provisions of the ***Administrative Measures on the Provision of Securities Legal Services by Law Firms***[49] may provide the service of issuing legal opinions to fund managers.

In 2012, AMAC issued the ***Administrative Measures on AMAC Membership***, the self-regulatory rules of the industry. Article 9 stipulates that associate members include law firms which provide professional legal services for fund business[50].

As of July 2022, a total of 16 law firms served as associate members of AMAC[51].

5. Benchmark Data Providers

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

47 Article 51 of the Fund Law: To register a publicly offered fund, a 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
48 Circular on Canceling the Qualification Approval for the Provision of Securities-Related Legal Services by Lawyers and Law Firms, issued by the Ministry of Justice and CSRC on December 23, 2002
49 Article 8 and Article 9 of the Administrative Measures on the Provision of Securities Legal Services by Law Firms
50 Circular on Canceling the Qualification Approval for the Provision of Securities-Related Legal Services by Lawyers and Law Firms, issued by the Ministry of Justice and CSRC on December 23, 2002
51 Appendix 8 Associate Members of AMAC: Law Firms

Chapter 9 Fund Offering

1. Public Fund Offerings

As of June 2022, there were more than 10,000 public funds in China. The distribution of public funds primarily relies on the direct distribution by public fund management companies and the distribution of commercial banks and securities companies as well as independent fund distributors.

As of June 2022, 413 public fund distributors had been approved by CSRC, including 153 commercial banks (including foreign-owned banks incorporated in China), 97 securities companies, 109 independent fund distributors, and 54 other institutions (including insurance companies, insurance brokers, futures companies, and investment consulting firms.)[52].

In terms of holdings of funds, the proportion of public funds held by institutional investors surged to a peak in 2019 and then fell. Specifically, this proportion rose from 29% at the end of 2012 to 51% at the end of 2019 and dropped down to 46% at the end of 2021.

Figure 12: Share of Fund Subscription Channels, 2010-2021

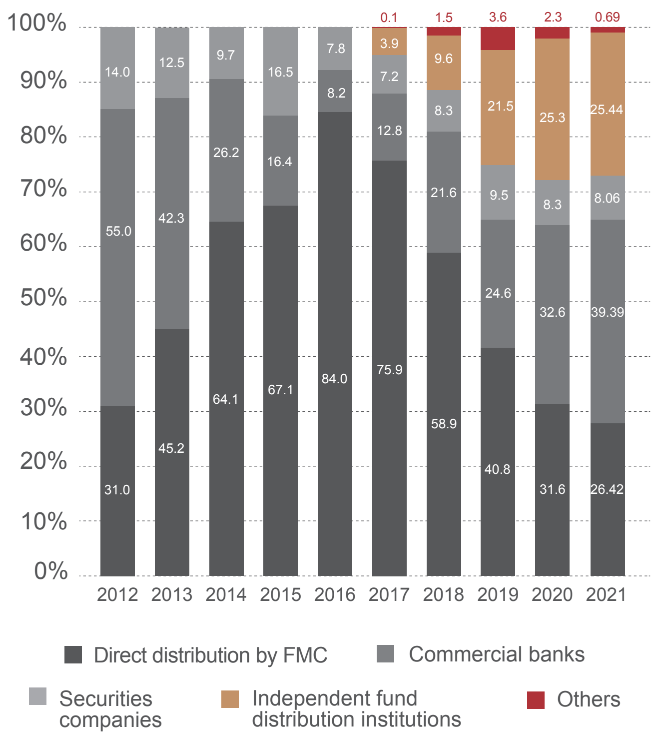
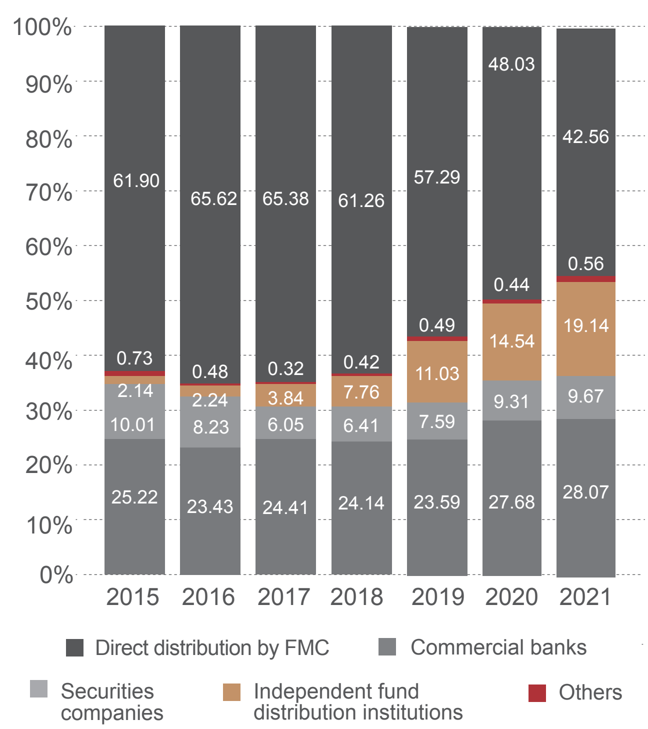


Figure 13: Breakdown of Fund Sales by Distribution Channel, 2015-2021[53]



52 Source: China Securities Regulatory Commission
53 Source: AMAC Annual Report 2021, AMAC

2. Private Funds

In accordance with the ***Administrative Measures on the Offering of Private Investment Funds*** promulgated in April 15, 2016, offering of private funds may be carried out either by the PFM itself or by appointed institutions. According to the foregoing Administrative Measures and the ***Guidelines on the Internal Control of Private Investment Fund Managers***, if private investment funds are to be offered through appointed intermediaries, the intermediaries shall have obtained the fund distribution license from CSRC and become AMAC members.

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

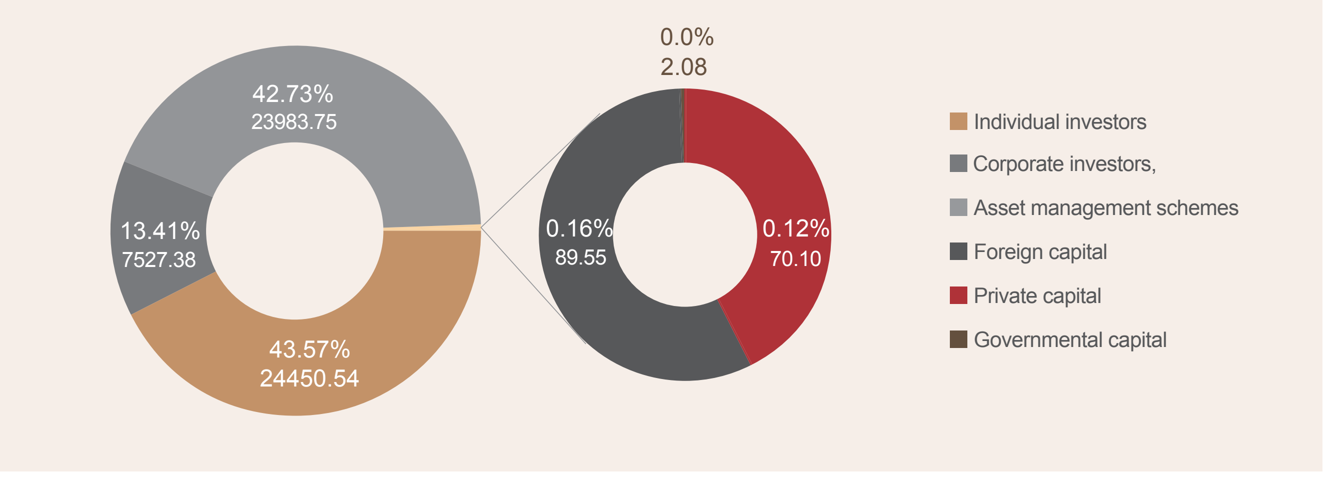
In most cases, private equity funds are directly offered by their managers to qualified investors. During this process, the managers generally directly send offering materials to target investors, directly engage the qualified investors through roadshows and other means to give presentations, and directly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

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

As of the end of 2021, private securities investment funds were mainly invested by individual investors, with a decrease in the share of contribution from individual and corporate investors and an increase in that of contribution from asset management schemes. Individual investors[54] accounted for 43.6% of the total capital contribution to private securities investment funds, down 2.43 percentage points from the end of 2020, and 13.4% of the total net assets of these funds, down 3.0 percentage points from the end of 2020; various asset management schemes[55] 42.7% of the total capital contribution to these funds, up 5.33 percentage points compared with the end of 2020; corporate investors[56]13.4% of the total capital contribution to these funds, down 3 percentage points from the end of 2020[57].

Investors' contributions to private equity funds maintain growth. In 2021, most of the new contributions were from investors of newly registered

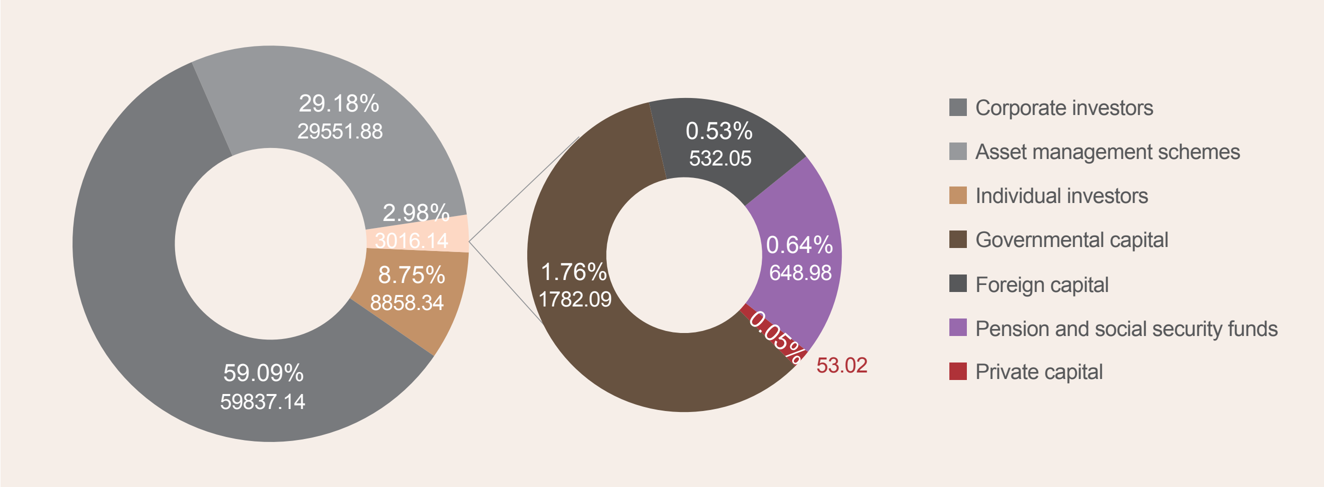
Figure 14: Share of Investment in Private Securities Investment Funds by Investor



54 Individual investors are natural persons as employees and non-employees of PFMs who make co-investment
55 Asset management schemes include private funds, trust plans, asset management schemes of securities companies and their subsidiaries, asset management schemes of fund management companies and their subsidiaries, asset management schemes of futures companies and their subsidiaries, asset management schemes of insurance companies, and wealth management products of commercial banks. 56 Corporate investors include domestically incorporated institutions (such as companies), domestically unincorporated institutions (such as general partnerships), and PFMs that make co-investment 57 Source: Private Fund Statistics Report 2020, AMAC

private funds, and institutional investors were still the largest contributor to private equity investment funds. As of the end of 2021, institutional investors had contributed RMB 8.87 trillion, representing 87.55% of the total. Of the total capital contribution to private equity investment funds, 59.09% was made by corporate investors, 29.18% by asset management products (including FOFs), and 8.75% by individual investors.

Figure 15 : Share of Contribution to Private Equity Investment Funds by Investor



Chapter 10 Tax Policies on Funds

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

1. CIT

1) Scope of Taxation and Tax Rate

Under the CIT legal framework in China, a 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, expenses, tax payments and losses actually incurred by an enterprise. In addition, certain types of revenue will be treated as non-taxable revenue or tax-exempt revenue; for example, government appropriations will be treated as non-taxable revenue and interest revenue from treasury bonds will be treated as tax-exempt revenue.

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

2) Preferential Tax Treatment

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

According to the ***Notice on the Pilot Corporate Income Tax Policy for Corporate Venture Capital Enterprises in Specific Areas of the Shanghai Pudong New Area*** issued in November 2021, corporate venture capital enterprises in specific areas of the Shanghai Pudong New Area may be exempt from half or all of corporate income tax when they meet certain requirements.

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. VAT

Scope of Taxation and Tax Rate

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

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

The amount of VAT payable = sales amount × VAT tax rate − input tax

In the above formula, the VAT tax rate varies based on the type of revenue, and the input tax generally refers to the amount of VAT paid by the taxpayer when purchasing taxable goods, labor and services that are subject to VAT.

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

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

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

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

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

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

For other businesses of asset management product managers, if the manager is a general taxpayer, the output tax 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 shall be calculated separately.

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

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 funds through the purchase and sale of stocks and bonds. The securities funds referred to in this paragraph mainly mean public funds.

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

Reporting Requirements

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

3. Other Taxes

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

According to the ***Stamp Duty Law of the People's Republic of China*** ("Stamp Duty Law") which came into effect on July 1, 2022, stamp duty is a tax category imposed on entities and individuals that issue taxable vouchers and trade securities in China; entities and individuals that that issue taxable vouchers outside China and use them in China shall pay stamp duty in accordance with the law. For asset management industry, the Stamp Duty Law specifies the exclusion of VAT from the tax basis for stamp duty and how to determine stamp duty payment obligations with respect to contracts signed outside China and performed in China.

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

4. Requirements for Compliance with the Common Reporting Standard

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

1) Reporting Entities

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

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

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

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

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

2) Financial Accounts

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

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

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

Other account: an account which is:

(i) any equity or credit interests of an investment institution, including partnership interests in a private investment fund and beneficiary rights of a trust; or

(ii) an insurance or annuity contract with cash value.

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

3) Compliance Obligations

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

(i) Registration: asset management firms shall register on the website of the State Taxation Administration timely.

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

(iii) Information collection and reporting: asset management firms 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, including total proceeds from redemption. Financial institutions shall report the above information as required by May 31 of each year.

(iv) 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.

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

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

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

Chapter 11 Other Helpful Information on Doing Business in China

1. Company Establishment

1.1 Name and Establishment Registration

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

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

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

1.2 Shanghai’s Supporting Measures

In recent years, in order to mitigate risks and combat companies that illegally engage in fundraising, asset management and other activities, local AMRs are generally tightening establishment registration for investment companies (i.e., companies with “investment”, “investment management” or similar expressions in their name or business scope).

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

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

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

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

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

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 any 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 being a professional urgently needed in China;

7) and other conditions prescribed by laws and regulations.

2.2 Foreign Talent Classification

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

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

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

2.4 Work Visa

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

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

1) Conditions for Applying for the Alien Employment Permit

Within 15 days (excluding the days of quarantine required under the COVID-19 control policy) 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 Municipal Science and Technology Commission.

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

2) Employment-Type Residence Permit

Within 30 days after a foreigner enters China with a work visa, he/she 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 permits for Hong Kong SAR, Macau SAR and Taiwan region residents, the Mainland travel permit for Hong Kong SAR and Macau SAR residents, the Mainland travel permit for Taiwan region residents, or other valid identity certificates. They may also use the business license, employment contract (engagement contract), salary payment voucher, social insurance payment record or other materials as proof of their employment in the Chinese Mainland.

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

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

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

2) is a Hong Kong specialist engaging in the fund business in Mainland China and holds a Type 4 (advising on securities) or Type 9 (asset management) license issued by SFC;

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

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

3. Taxes

In accordance with current Chinese 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 additional 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, care of children under the age of 3, and other expenses.

Between January 1, 2019 and December 31, 2023, 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, 2024, foreign individuals will no longer be entitled to tax exemptions on allowances for housing, language training and children's education, and only the special additional 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.

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

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

1.2 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, 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. In addition, 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 of SSRB: http://www.csrc.gov.cn/pub/shanghai/

1.3 Shanghai Municipal Financial Regulatory 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 of Shanghai Municipal Financial Regulatory Bureau: jrj.sh.gov.cn

1.4 Shanghai Pudong New Area Financial Work Bureau

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

After years of development, Pudong New Area has gathered 13 financial markets and infrastructures. It has become one of the places with the most complete financial market and 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 December 2021, Pudong New Area had 1,142 licensed financial institutions in banking, securities, and insurance industries, including 292 banks, 529 securities business organizations and 321 insurers, and 1,688 private equity/venture capital and PFMs that have registered with AMAC. Pudong ranks top in China in the clustering of financial institutions in several segmented sectors, which include 17 foreign banks, 22 foreign insurance companies, 10 shipping insurance operation centers, 92 security company branches, 21 futures companies, and 43 public fund management companies.

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 July 2022, Pudong New Area had a total of 223 listed enterprises (including 150 listed in China and 73 listed overseas), which represented a third of all listed enterprises in Shanghai and reported combined proceeds of RMB 453.2 billion from IPO, nearly half of the total in Shanghai. According to their 2022 annual reports, these listed companies saw a year-on-year growth of 15% in operating revenue and 24% in net profit, accounting for 48% and 55%, respectively, of that of all listed enterprises in Shanghai. Pudong New Area-based listed enterprises outperformed by large margin their peers from other areas of Shanghai in terms of number (38), proceeds from IPO (RMB 124.1 million) and market value (RMB 934.7 million), which account for 58%, 74% and 72%, respectively, of Shanghai's total. These enterprises, highly concentrated in the new-generation information technology, bio-pharmaceutical, high-end equipment and other sectors, have become a key engine for a new level of independent innovation in Pudong New Area. In addition, Pudong New Area has set up a 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. From 2018 to 2021, 6,725 small and micro enterprises in Pudong New Area obtained direct secured loans of RMB 20.907 billion, with an average annual growth of over 90%.

1.5 Shanghai Huangpu District Financial Service Office

Shanghai Huangpu District Financial Service Office ("Huangpu FSO") was set up in 2009 and overseas 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 14 national-level financial markets in Shanghai. The district has a solid foundation of banking, securities, insurance, and other traditional financial institutions, and has evident advantages in private banking, trust, securities asset management, funds and other sub-sectors featuring asset management and wealth management. As high-quality institutions represented by industry finance and sci-tech finance continue to gather in the district, Huangpu now has a multi-type, comprehensive and integrated clustering of financial institutions. In 2021, the added value of the financial industry in Huangpu District reached RMB 123.24 billion, making up 42.5% of GDP of the district; the financial industry contributed a tax revenue of RMB 23.548 billion, making up 31.4% of total tax revenue of the district. The financial service industry, whose scale and proportion match the position and role of the “One Economic Belt”, has become a core sector of the district’s high-end service industry system.

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. Shanghai Hongkou District Financial Service Center, affiliated to Hongkou FWB, is a public institution. Hongkou FWB performs its functions to promote financial industrial clustering, improve the service system for financial institutions and talent, strengthen exchange and cooperation in the financial industry, and consistently enhance the development of Hongkou North Bund as a magnet for wealth management firms and a hub for fintech application.

Financial enterprises in Hongkou District are increasing rapidly. The total number of enterprises has been increasing at an average annual rate of 38% to the current figure of 2,040, with an AUM of RMB 7.7 trillion. Financial enterprises in Hongkou include 17 public fund management companies, making up 1/8 of total number in China; 15 subsidiaries of public fund management companies; almost 150 subsidiaries of securities, futures, trust, and insurance asset management companies; more than 1,600 private funds (including but not limited to angel funds, VC/PE, buyout funds, and hedge funds); nearly 160 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 and promotes the implementation of the FT account expansion policy and the restructuring and public offering (listing) of key enterprises.

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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 the Investment Promotion Division, the Financial Development Division, the Supervision & Administration Division, and the General Office. Jing’an FSO is committed to promoting financial development, maintaining financial stability, and enhancing industry-finance cooperation in the district. As an active contributor to the Shanghai International Financial Center initiative, Jing’an FSO has implemented the “one axis with three belts” program, i.e.,, building a premier financial hub along the West Nanjing Road, a global wealth management center in the Suhe Bay Area, and a demonstration zone for industry-finance cooperation along the Middle Ring Road, in a bid to develop Jing’an District into a magnet for wealth management firms and a pillar for the Shanghai global asset management center.

The financial service sector in Jing’an District—one of its six major sectors—with its complete set of supporting facilities, a large concentration of high-quality institutions, and clear development priorities, plays an important role in regional economic development. In the Jing’an District, securities companies, finance companies and asset management companies are highly concentrated; foreign-invested financial institutions are active market participants; and emerging financial sectors such as digital finance are taking shape, which are characterized by a strong core competence, wide influence, and strong global investment capability.

Jing’an FSO’s will focus more on licensed financial institutions, foreign-invested asset managers, and fintech. It will capture the opportunities brought by the further opening-up of the financial sector; leverage its regional, policy, and service advantages; introduce more talent incentives; and encourage financial institutions to settle locally to jointly open a new chapter for the financial sector in the district.

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1.8 Shanghai Xuhui District Financial Service Office

Shanghai Xuhui District Financial Service Office (“Xuhui FSO”) was founded in December 2021. In view of its mandates, Xuhui FSO has formulated a host of measures to support the financial sector and to align it with the real economy. Xuhui FSO has enhanced its services and management of the local financial sector to create a better financial environment and attract financial institutions. It has also taken actions to prevent and combat illegal financial activities and helped coordinate the prevention and resolution of financial risks.

Xuhui District boasts a large lineup of financial institutions: there are over 800 financial institutions (including their branches) in the district, offering a wide range of services covering banking, securities, insurance, futures, asset management, trust, third-party payment, microloans, financing guarantee, finance lease, and pawn services. During the 14th Five-Year Plan period, Xuhui District will focus on fintech and global asset management to create a modern financial cluster; build up the core functional area of the Binjiang-Xujiahui-Hengfu Golden Triangle mainly through improving industrial structure, distribution and environment; accelerate the development of the financial industry along the West Bund, particularly the development of the West Bund Financial Hub. At the policy level, Xuhui District has issued 15 incentives to provide strong support in the registration of financial institutions and human resources services.

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2. Self-Regulatory 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-regulatory organization of the asset management industry and is subject to the instruction, supervision, and administration of CSRC and the Ministry of Civil Affairs. According to the Fund Law, fund managers and fund custodians are required to join the AMAC and fund service institutions are allowed to join the AMAC.

In order to strengthen the legal system construction of the industry and facilitate access to laws and regulations, AMAC provides fund practitioners and investors with access to the "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 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 of AMAC: 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 Administration Bureau of NGOs, reports to SSRB, and is subject to the supervision, administration, and advice of Shanghai Administration Bureau of NGOs and SSRB.

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

2.3 Lujiazui Financial City Development Bureau

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

Appendix

2. Opinions on Accelerating the Development of Shanghai into a Global Asset Management Center

Notice of the General Office of the Shanghai Municipal People's Government

Concerning Issuance of the Opinions on Accelerating the Development of Shanghai as a Global Asset Management Center

Hu Fu Ban Gui [2021] No. 6

People's Governments of all districts, and all commissions, offices, and bureaus of the Municipal People's Government:

Following the approval by the Municipal People's Government, the Opinions on Accelerating the Development of Shanghai as a Global Asset Management Center are hereby issued. Please implement the Opinions diligently.

General Office of the Shanghai Municipal People's Government
May 14, 2021

Opinions on Accelerating the Development of Shanghai as a Global Asset Management Center

The ***Opinions on Accelerating the Development of Shanghai as a Global Asset Management Center*** (the "***Opinions***") are formulated in accordance with the requirements of the ***Shanghai Municipality's 14th Five-Year Plan for Economic and Social Development and Outline of Long-Term Objectives for 2035*** with a view to accelerating the development of Shanghai as a global asset management center.

I. Guiding Philosophy

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era, and with a view to fully implementing the directives given by General Secretary Xi Jinping in important speeches during his inspection tour of Shanghai and the Celebration of the 30th Anniversary of Pudong's Development and Opening-Up, as well as the requirements of "Three Major Tasks" and "Four Major Functions", we adopt the following guiding philosophy: we will seize the opportunities offered by a changing global economic and financial landscape, focus on core factors, increase the degree of opening up, strengthen technology empowerment, and enhance the provision of supporting services. We will build a sound, innovative, and dynamic asset management ecosystem to promote the transformation of direct investment, enhance capital supply efficiency, and support high-quality economic development, thereby strengthening Shanghai's capabilities in global resource allocation and further elevating Shanghai's standing as a leading, influential international financial center.

II. Basic Principles

(I) Uphold coherent top-down planning while focusing on making key breakthroughs. Systematic planning will guide the holistic development of Shanghai's asset management industry and optimize its composition. Key areas and critical links will be prioritized for pioneering development.

(II) Continue to benchmark Shanghai against international standards while highlighting Shanghai's distinctive features. We will draw upon the invaluable experience of developed asset management centers across the globe and in other regions of China, leverage the strengths of Shanghai's development as an international financial center, and drive development through innovation.

(III) Consolidate the foundation and build Shanghai's brand. We will strengthen efforts to cultivate asset management institutions and develop a healthy industry environment underpinned by sound regulations, self-regulatory initiatives, the rules of law, and trustworthiness information schemes. We will strive to build Shanghai's brand as an asset management center and grow its visibility and international influence.

(IV) Stay true to our commitment to let the market play the leading role, while strengthening the government's provision of services. Give fuller play to the market's decisive role in resource allocation by creating a cluster that brings together all constituent elements of the asset management industry. Foster a first-class climate for development by continuously optimizing government services.

III. Development Goals

We will strive to, by 2025, make Shanghai an integrated, open, international asset management center marked by a high concentration of asset management factors, a high degree of internationalization, and a relatively well-developed ecosystem. Shanghai will thereby have established itself as an important asset management hub in Asia, and be on track to becoming one of the top global asset management centers.

Shanghai will become a focal point for institutions and talents through efforts to attract and cultivate a core constituency of over a dozen industry-leading asset management institutions—both domestic and foreign—and over one hundred influential asset management institutions, with a strong pool of professional, international, and innovative asset management talents. Positive interaction between market players and regulatory authorities and strong integration of fintech into asset management will transform Shanghai into an innovation hub for a full range of professional and well-structured products and services spanning a diverse array of categories. Shanghai will position itself as an 'intersection' between markets and capital, leveraging increased openness in its financial markets and asset management industry, making the city a 'central node' for the allocation of cross-border financial resources. A 'new height' will be scaled in the city's business climate and service provision by promoting synergy among market entities, self-regulatory initiatives, financial regulators, and government services, with mutual efforts to strengthen investor education and protection.

IV. Key Tasks

(I) Enhancing institutional diversity and building a broader and deeper pool of asset management industry players

1. Build up a cluster of, and cultivate the development of, asset management institutions. We will actively attract bank wealth management, insurance asset management, and financial asset investment institutions as well as their subsidiaries; support securities, fund management, trust, and futures institutions and their subsidiaries in setting up in Shanghai; and attract private banking, family trust, and fund sales institutions and other types of asset managers. We will support qualified foreign institutions to take the lead in setting up wholly owned or joint-venture securities, fund management, and pension management institutions; joint-venture wealth management companies; and investment research, sales operations, and compliance and risk control platforms. We will build up a cluster of private securities investment funds and private equity funds (venture capital funds) in all categories. We will pilot seed fund initiatives to support small and medium-sized asset management institutions, and encourage the establishment of equity transfer acceptance funds. We will strengthen efforts to cultivate asset management institutions and support the listing of qualified fund management and other asset management institutions on multi-tiered capital markets in order to fuel the expansion of their onshore and offshore businesses.

2. Enhance the service capabilities of professional institutions. We will prioritize the development of service providers offering fund registration, valuation accounting, fund evaluation, currency brokerage, and

consultancy and information services. We will attract intermediaries such as accounting and auditing firms, legal service providers, credit rating agencies, and asset appraisers. We will study the establishment of professional custodian institutions. We will encourage professional institutions to build stronger professional capabilities, and encourage self-regulatory organizations within the industry to establish service quality evaluation mechanisms.

3. Enhance the compliance of asset management institutions. We will guide asset management institutions to strengthen their investor-centric service philosophy and build more robust internal control and accountability frameworks. We will encourage asset management institutions to accurately assess risk in their asset management products, strengthen investor suitability management, and formulate sound investment strategies and risk management policies in accordance with prudential principles. We will encourage asset managers to strengthen their investor education programs so as to raise investors' financial literacy and risk awareness; and to make more proactive, truthful, accurate, complete and timely information disclosures.

(II) Driving innovation in asset management products and services to meet diverse investor demand

4. Boost innovation in asset management products. We will help make available a broader array of fixed-income products and expand the issuance of equity products. Building on the success of the homegrown CSI Zhangjiang Innovation Index, we will encourage the launch of exchange-traded fund (ETF) products, capitalizing on the synergy that Shanghai boasts as both an international financial center and a technology innovation hub. We will formulate special policies on a pilot program for real estate investment trusts (REITs) in the infrastructure sector, to position Shanghai as the leading jurisdiction in China for the issuance and trading of infrastructure REITs. We will encourage the establishment of a wider array of commodity fund products so as to increase the influence of Shanghai in the pricing of major commodities. We will step up initiatives to support research and development of manager of managers (MOM) and fund of funds (FOF) products. We will refine service standards for family trust products. We will work to broaden the pool of participating institutions and products in the pilot program for personal tax-deferred commercial pension insurance, and work to foster innovation in pension insurance, pension trust, and other pension-related financial products. We will encourage asset management institutions to put themselves forward as candidates for the Shanghai Financial Innovation Award.

5. Empower greater diversity in asset management models and areas. We will encourage banks, fund management companies, securities companies, and other institutions to apply for investment advisor licenses and to establish investment advisory subsidiaries. We will encourage banks and their wealth management subsidiaries as well as insurance companies to partner with Shanghai-based asset management institutions. We will facilitate participation by asset management institutions in the management of basic pension insurance funds, corporate annuities, and occupational annuities. We will encourage asset management institutions to invest more in Shanghai's new infrastructure, new urbanization, and major construction projects. We will support investment by Shanghai-based subsidiaries of bank wealth management subsidiaries and financial asset investment companies in the equity of major construction projects and unlisted companies in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone and the Yangtze River Delta Region. We will streamline requirements for the incorporation and registration of charitable foundations and encourage asset management institutions to provide high-quality services.

6. Stimulate higher levels of green investment. We will promote the expanded issuance of green bonds, the securitization of green credit assets and receivables under energy efficiency and emission reduction programs, and investment by asset management institutions in green assets. We will promote the development of green equity indices and green bond indices as well as related investment products, and encourage the launch of green funds and green trusts. We will encourage asset management institutions to make environmental, social, and governance (ESG) information disclosures and to develop more ESG products. We will foster the development of carbon

asset managers and specialized investors and motivate them to engage actively in carbon trading. We will encourage carbon accounting by asset management institutions and the development of carbon finance products such as carbon funds, carbon trusts, carbon indices, and carbon futures. We will study the creation of climate-related investment and financing products. In these ways, we will build Shanghai into a green finance hub which connects China to the world and supports China's twin objectives of carbon peaking and carbon neutrality.

7. Drive deeper digitalization of the asset management industry. We will promote adoption by asset management institutions of next-generation information and communication technologies (ICT), artificial intelligence (AI), blockchain, industrial Internet, 5G, and other digital technologies. We will encourage large asset management institutions to establish fintech subsidiaries and/or R&D centers in Shanghai. We will facilitate participation by asset management institutions in regulatory pilot programs for innovative financial technology applications. We will encourage fintech companies to provide a wide range of lawful and compliant services to asset managers, spanning sales channel, investment research, trading, advisory, compliance and risk control, accounting and valuation, customer service, and other services. We will encourage the development of general-purpose technology products that support the middle and back-office operations of small and medium-sized asset management institutions.

(III) Giving full play to the fundamental role of financial markets and building stronger capacity for the allocation of global resources

8. Enhance asset allocation and risk management functions. We will strengthen the capability of Shanghai's financial markets to allocate global resources with more diversified transaction services and risk-hedging tools. We will further open up the bond market and seek to increase the types and numbers of participating overseas investors. We will promote the development of RMB interest rate and forex derivative markets and work to make available a broader range of RMB interest rate options and other products. On the securities market, we will aim to introduce a wider array of equity, debt, fund, and other products. In the futures market, we will make efforts to optimize the investor mix and work toward the establishment of an on-exchange national commodities warehouse warrant registration center. We will launch more internationally influential derivative products such as futures and options for major commodities, futures and options for China government bonds, and stock market index futures and options. We will further expand the range of products and services available on the gold market, with a view to enhancing Shanghai's standing in international gold markets. We will create a wider range of standardized products for commercial instruments and optimize the functioning of the supply chain receipts platform. We will improve the registration of trust products and delve into the establishment of a national centralized trading platform for trust product beneficiary interests. We will support the development by regional equity markets of platforms for the transfer of equity investment and venture capital investment interests, so as to offer more exit channels for private equity and venture capital funds.

9. Remove obstacles to asset management investment. We will support cooperation between the inter-bank and exchange-based bond markets. We will encourage banks to participate in exchange-based bond investment and encourage more banks, insurance companies, and fund management institutions to participate in China government bond futures trading. We will study the entry of banks into the commodity futures market and promote investment by insurance funds in commodities such as gold and oil through the relevant Shanghai exchanges. We will support participation by asset management products in private offerings and offline subscriptions. We will encourage multinational companies to establish global or regional treasury centers in Shanghai, which may, upon approval, participate in the inter-bank forex market.

10. Promote international cooperation across financial markets. We will seek to conclude agreements with more countries and regions for securities trading connectivity and mutual recognition of funds, and will support the development of Chinese depository receipts (CDRs). We will promote the introduction of more energy, chemicals, non-ferrous metals and other commodity futures catering to international investors.

We will study the feasibility of participation by qualified foreign investors in the China government bond futures market. We will phase in a custodian bank system to complement the current domestic settlement agent system, thereby making a more diverse range of services available to overseas investors entering the inter-bank bond market. We will encourage our financial market operators to enter into mutual regulatory recognition schemes and business partnerships with their major overseas counterparts.

(IV) Intensifying the opening-up of the asset management industry and driving higher levels of internationalization

11. Promote innovative pilot programs for further market liberalization. We will support the establishment of international financial asset trading platforms. We will facilitate the entry into Shanghai's markets, in accordance with applicable regulations, of onshore and offshore long-term funds such as social security funds, insurance funds, and qualified sovereign wealth funds and pension funds. We will support applications by foreign banks in Shanghai for securities investment fund custodian licenses and lead underwriter licenses for the inter-bank bond market. We will further develop the Bond Connect, Shanghai-Hong Kong Stock Connect, and Shanghai-London Stock Connect initiatives and explore the feasibility of a cross-border wealth management channel for Chinese residents. We will support applications by qualified asset management institutions for qualified domestic institutional investor (QDII) licenses. We will encourage initiatives by Shanghai-based asset management institutions to establish, acquire, and participate in overseas asset management institutions.

12. Further develop the Qualified Foreign Limited Partner (QFLP) and Qualified Domestic Limited Partner (QDLP) pilot programs. We will encourage foreign institutions participating in the QFLP pilot program to manage onshore funds denominated in RMB; and will encourage qualified domestic institutions to participate in the QFLP program. We will encourage investment by QFLP pilot program participants in the equity of domestic non-listed companies, listed companies' private placements and mezzanine funds, distressed assets, private equity, and venture capital funds. We will support applications by renowned overseas asset management institutions and qualified domestic institutions for inclusion in the QDLP pilot program. We will support investment by QDLP pilot program participants in overseas private equity funds, in the equity and debt of non-listed companies, as well as in securities markets, commodity markets, and financial derivatives. We will study the possibility of allowing foreign asset management institutions to use a single entity to conduct QDLP and WFOE PFM operations. We will encourage QFLP and QDLP pilot program participants to establish global or regional management centers in Shanghai for two-way cross-border investment management. We will encourage banks' wealth management business and insurers' asset management businesses to cooperate with QFLP and QDLP pilot program participants.

13. Promote a higher level of opening-up in key areas. We will support the undertaking of offshore securities investment, offshore fund management, and other innovative operations by asset management institutions. We will study pathways for developing offshore RMB transactions. We will study effective avenues for asset management institutions to engage in cross-border treasury management in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone. We will study possibilities for an offshore finance system commensurate with a higher level of opening-up. We will study the establishment of a safety assessment mechanism and category-based regulatory framework for the cross-border flow of the financial data of asset management institutions. We will support the overseas transmission of relevant data by qualified foreign asset management institutions for the purpose of satisfying group-level management requirements. We will relax restrictions on asset managers' access to overseas financial information and ability to transmit financial information overseas.

(V) Strengthening the introduction and cultivation of high-end talents, and building a deep pool of asset management professionals

14. Make intensive efforts to attract world-class asset management talents. We will actively seek support from the national financial regulators for pilot programs to be launched in Shanghai to facilitate the

recognition of professional credentials and the cross-border performance of duties by international asset management professionals. We will support a filing system whereby the overseas working experience of qualified asset management professionals will be recognized as equivalent to domestic working experience in China. This will facilitate the recruitment of high-level professionals from renowned overseas asset management institutions. In line with relevant national and municipal regulations, we will provide facilitation measures to make it easier for asset management professionals in highly sought-after categories to obtain household registrations (hukou), work permits, permanent residence, and access to subsidized housing for imported talents.

15. Increase efforts to cultivate asset management talents in all categories. Asset management talents will be included within the scope of the Shanghai Golden Overseas Talents, Golden Leading Talents, and Golden Young Talents programs. We will give full play to the role of asset managers and self-regulatory industry organizations in delivering professional qualification training. We will strengthen the cultivation of core asset management talent by leveraging the Shanghai professional practice and training base for financial talents. We will enhance industry-university cooperation, encourage universities to offer relevant courses, and study the potential establishment of undergraduate and postgraduate majors in asset management, in order to better cultivate entry-level talent for the asset management industry. We will establish an asset management industry talent database.

(VI) Providing better comprehensive services, and creating a facilitating environment for the asset management industry's development

16. We will build robust rule-of-law and trustworthiness mechanisms for the asset management industry. We will study how to promote connectivity between domestic and international policies and regimes governing various aspects of asset management practice. Asset management institutions may elect to make the law of a foreign jurisdiction the governing law of the contracts they enter into. We will support research by the Shanghai Financial Court for the formulation of trial guidance for foreign asset management cases, and the publication of judgments on typical cases related to foreign financial disputes. We will strengthen the protection of intellectual property rights in the field of asset management. We will give full play to the role of the China Securities Small and Medium Investor Service Center, the Shanghai Financial Arbitration Court, and the Shanghai International Economic and Trade Arbitration Commission in building a diversified dispute resolution mechanism combining mediation, arbitration, and litigation. We will facilitate access by asset management institutions to the credit information system of the People's Bank of China, the China Securities Regulatory Commission's capital market integrity information database, and the municipal big data center's public data open platform. We will encourage asset management institutions and the municipal big data center to look into two-way data sharing in accordance with regulations. We will strengthen the exchange and sharing of relevant data and information in the field of asset management across the administrative and judicial departments.

17. Give more policy support to the asset management industry. We will make qualified asset management institutions and professional service providers eligible to benefit from relevant municipal and district-level policy support schemes, offering support inter alia in respect of incorporation, introduction of foreign talents, and lease or purchase of office space. Qualified asset management institutions and professional service providers may enjoy tax deductions for R&D expenses and other tax incentives. We will optimize the registration and alteration filing procedures for asset management institutions, and further streamline business start-up and operation requirements.

18. Build spatial clusters for the asset management industry. Asset management institutions will be concentrated in "One City, One Belt, and One Zone": The One City refers to Lujiazui Financial City, which will serve as the core functional zone for Shanghai's international asset management center. The One Belt refers to the Bund-based financial district extending to the north and south, and beyond. The One Zone refers to a cross-border asset management demonstration zone within the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone. We will

encourage relevant districts to develop parks, towns, and other spatial vehicles conducive to the growth and development of asset management institutions. A geospatial landscape for the asset management industry will thus coalesce, with each component part featuring distinct characteristics and the system as a whole benefitting from staggered development.

19. Build a strong brand for the asset management industry. We will support the development of self-regulatory organizations for the industry and the establishment of an expert consultation mechanism for building Shanghai into a global asset management center. We will release regular reports on the development of Shanghai as an asset management center and publish guidance for overseas asset management institutions on investing in Shanghai, in both Chinese and English. We will monitor and analyze data including the number, types, and size of asset management institutions in Shanghai, and seek for the creation of a Shanghai Asset Management Industry Development Index. We will organize international forums on asset management and strengthen communication with domestic and overseas asset management centers. We will support financial markets in setting up roadshow centers for financial product launches. We will encourage universities and think tanks to set up asset management research institutes. These efforts will contribute to an enabling environment for the healthy development of the asset management industry.

(V) Organizational Support

The mandate of existing working mechanisms for the development of Shanghai as an international financial center will be updated to encompass these plans to build a global asset management center in Shanghai, so as to drive multi-party synergy. The local coordination mechanism (for Shanghai) of the office of the Financial Stability and Development Committee of the State Council will be engaged to enhance regulatory information and policy connectivity. Relevant districts may formulate relevant policies in accordance with their specific conditions.

These Opinions will be implemented as of June 1, 2021.

2. Negative List for Foreign Investment Access

http://www.gov.cn/fuwu/zhuanti/wstzfmqd.htm

3. List of Public Fund Management Companies

http://www.csrc.gov.cn/csrc/c101900/c1029657/content.shtml

4. List of Securities Investment Fund Custodians

http://www.csrc.gov.cn/csrc/c101900/c1029660/content.shtml

5. List of Securities Companies

http://www.csrc.gov.cn/csrc/c101900/c1029659/content.shtml

6. List of Futures Companies

http://www.csrc.gov.cn/csrc/c101920/c1039268/content.shtml

7. List of Accounting Firms Engaging Securities Business

http://www.csrc.gov.cn/csrc/c105942/c5814329/content.shtml

8. Associate Members of AMAC: Law Firms

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

9. Publicized List of Private Fund Service Institutions: Unit Registration Services

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

10. Publicized List of Private Fund Service Institutions: IT System Service

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

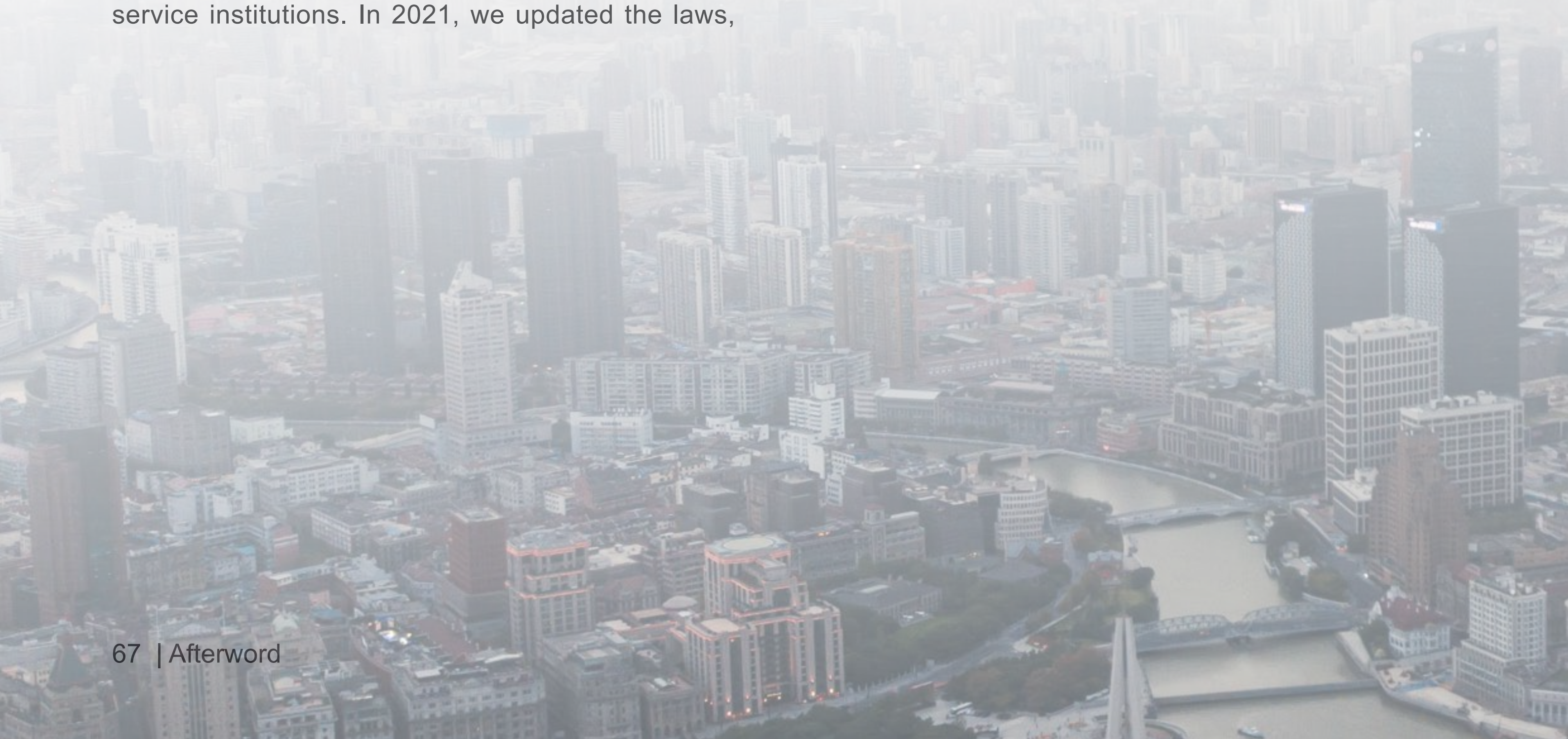
Afterword

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

To help overseas asset management companies plan their business in China and better understand Shanghai and its asset management sector, we prepared and released the ***Shanghai Guidebook for Overseas Asset Management Institutions*** (this "Guidebook") in 2020, which aims at helping overseas asset managers in and outside Shanghai to know about the necessary preparations and application procedures for engaging in asset management services in Shanghai, as well as the city's business policies and relevant professional service institutions. In 2021, we updated the laws, regulations and data contained in this Guidebook to provide a timely and effective guiding reference for overseas asset managers. When doing so, we endeavored to optimize the procedures for overseas asset managers and promote integration of overseas and local asset managers.

The ***2022 Shanghai Guidebook for Overseas Asset Management Institutions*** contains updates and supplements to policies, regulations, industry data and innovative practices in the previous two versions, which are made by considering the current policies and investment situation. Our deep thanks go to Llinks Law Offices, KPMG Advisory (China) Limited, Shanghai Everbright Assets Management Limited, China International Fund Management Co., Ltd., and China Central Depository & Clearing Co., Ltd., and ChinaBond Pricing Center Co., Ltd.. for helping revise this Guidebook.

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



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