

U.S. RQFII Application Guide

This Guide is intended to help investors understand the application process and requirements for accessing the U.S. RQFII quota. To be eligible, investors must:

- Be registered and have their principal place of business in the U.S.;
- Have an asset management license issued by the U.S. Securities and Exchange Commission (SEC); and
- Have already conducted asset management business.

This Guide is current as of June 20, 2017. It is subject to change and you should check with your local custodian, financial advisor, or other professional for current processes and requirements. The estimated timeline may vary based on the quality/completeness of the information submitted and other factors influencing local regulatory reviews.

Step 1:

Select local custodian in China

The investor shall select a local custodian bank in China to act as its onshore agent. The local custodian can be selected directly by the investor or via its global custodian bank.

Estimated Timeline: The time required varies per institution and is based on the due diligence that each investor and global custodian performs on the local custodians.

Step 2:

Prepare RQFII license application documents for the CSRC with the assistance of the local custodian

The local custodian assists the investor in preparing the necessary documents for the RQFII license application with the CSRC. The global custodian often facilitates the communication channel and the practice varies among different market players.

See Appendix 1 for a list of required documents for U.S. RQFII applicants. Several required documents should already exist (e.g., certificate of incorporation, articles of incorporation, and financial statements), while others may require time to prepare (e.g., investment plan). The local custodian may have

templates for several of the standard documents (e.g., letter of authorization and power of attorney) that can help reduce the investor's preparation time.

Estimated Timeline: Ranges from 3-4 weeks to several months.

Step 3:

Submit RQFII license application to the CSRC

Once the RQFII license application documents are complete (e.g., signed, translated, and notarized), the local custodian will arrange submission of the document set to the CSRC. The CSRC will review the documents and provide feedback or request additional information (if any) before approving and granting the RQFII license.

Estimated Timeline: 4 months.

Step 4:

Prepare and submit RQFII quota application to SAFE

The RQFII license holder shall prepare an RQFII quota application package. See Appendix 2 for the list of required documents, some of which will include documents included in the RQFII license application package. The completed quota application package

RQFII Application and Account Opening Process Acronyms

RQFII	RMB Qualified Foreign Institutional Investor	SSE	Shanghai Stock Exchange / Shenzhen Stock Exchange
CSRC	China Securities Regulatory Commission	CCDC	China Central Depository and Clearing
SAFE	State Administration of Foreign Exchange	SCH	Shanghai Clearing House
CIBM	China Interbank Bond Market	CFETS	China Foreign Exchange Trading System
PBOC SHH	People's Bank of China Shanghai Branch	BSAA	Bond Settlement Agency Agreement
CSDC	China Securities Depository and Clearing Corporation		

shall be submitted to SAFE. While the RQFII quota application documents can be prepared in advance of receiving the RQFII license, the quota application should only be submitted after the CSRC approves the RQFII license application.

Estimated Timeline: 1-2 months.

Step 5:

Appoint local equity broker(s)

The RQFII license holder shall appoint an equity broker(s) in China and execute a brokerage agreement(s) before applying for an Investor ID (Step 7). The equity broker will trade in the exchange market on behalf of the investor.

Estimated Timeline: Subject to the negotiation between the investor and broker.

Step 6:

Open RMB accounts in China

The RQFII license/quota holder shall open RMB accounts with the PBOC as well as the local custodian bank. The account opening process requires the RQFII license holder to sign a custodian agreement in English and account opening forms in Chinese. The local custodian with language expertise can assist in preparing the required documents in Chinese and provide an account opening checklist.

Estimated Timeline: 2 weeks

Step 7:

Apply for Investor ID with the CSDC

The RQFII license holder shall apply for Investor IDs with the CSDC offices in both Shanghai and Shenzhen. The local custodian will obtain documents from the appointed local equity broker(s) and submit Investor ID applications on behalf of the investor. The Investor IDs enable the investor to trade on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

Estimated Timeline: 2 weeks (can be processed in parallel with Step 6)

Step 8:

File account information with the Stock Exchanges

After all the accounts and Investor IDs are opened, the local custodian assists the RQFII license holder to file all the account details from Steps 6 and 7 with the stock exchanges.

Estimated Timeline: 2-4 working days

Start trading China A-shares on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

Step 9:

Decide whether the RQFII license/quota will be used to access CIBM

The CIBM Program offers qualified investors access to a wide range of fixed income instruments in the world's third-largest bond market (e.g., government bonds, commercial paper, and mid-term notes). Investment in the CIBM via the RQFII Program, however, applies to the RQFII quota.

If the RQFII license holder desires access to the CIBM using their RQFII quota, please see Steps 10 and 11, which can be run in parallel with Steps 6, 7 and 8. If not, then the investor may start trading in China A-shares as indicated above.

Step 10:

Register with the PBOC

To access the CIBM via the RQFII Program, investors must register with the PBOC. The registration requires investors to complete a registration form and sign a Bond Settlement Agency Agreement (BSAA) with the local agent/custodian.

Estimated Timeline: 20 working days

Note: The registration itself takes up to 20 working days upon submission of the document; however, negotiation of the BSAA may extend the timeline.

Step 11:

Open accounts with the PBOC, CDCC, SCH and CFETS

Account opening is required with the entities mentioned above before trading can begin in the CIBM. Check with the local custodian/agent for specific account opening processes and requirements.

Estimated Timeline: 2-3 weeks.

Start trading fixed income instruments in the CIBM.

Step 12:

Start capital injection process and commence investment in the Chinese securities market

Note: Engage global and local custodians to discuss the operational flow at the beginning of the application process (can be done in parallel).

For further information, please contact the U.S. RMB Working Group.

Appendix 1: U.S. RQFII License Application Documents

	Document Type	# and Type of Documents Required	Chinese Translation (Yes/No)	Notarization (Yes/No)
1	Application report	1 Original	Yes	No
2	Registration Certificate (e.g., Articles of Incorporation)	1 Copy	Yes	Yes
3	RQFII applicant's financial business permit issued by the regulatory authority of its domiciled region (e.g., SEC – Investment Adviser Registration and FINRA – Form ADV)	1 Copy	Yes	Yes
4	Certificate(s) evidencing that all key personnel of the applicant satisfy the relevant qualification requirements in the U.S. (e.g., FINRA – BrokerCheck Report, CPA certificate, CFA certificate, graduation certificate, or other qualification certificate)	1 Original	Yes	Yes
5	Registration form of RQFII relevant personnel (e.g., Head of General Management, Head of Compliance, and RQFII contact person)	1 Original	Yes	No
6	Statement on whether there have been any disciplinary actions taken against the RQFII applicant by regulatory authorities in the most recent three years or since established Note: 1. This document must be issued by the applicant's domiciled regulatory body or external law firm. If the document is issued by an external law firm, the document must be signed by a specified lawyer and chopped with a company stamp of the law firm (if available). 2. If the letter is issued by an external law firm/lawyer, a notarized copy of the qualification of the law firm/lawyer should be provided as well. 3. If the lawyer examined a particular public record when issuing the letter, a copy of the public record needs to be enclosed as a supporting document.	1 Original	Yes	No
7	An explanation of the source of funds and an investment plan for its investment in domestic securities, including information on the following aspects: source of the funds, proposed investment quota, information of the funds or products to be issued, allocation of assets, investment and research team, compliance monitoring and other back office operation arrangements, foreign and domestic custodians, and securities companies as the brokers for the sales/purchase of securities.	1 Original	Yes	No
8	Audited financial statements for the most recent financial year, including Chinese translations of the auditor's opinion and principal statements	1 Original	Yes	No
9	Letter of Authorization to the domestic custodian	3 Originals	Yes	Yes
10	Power of Attorney to the person who is authorized to sign documents on behalf of the RQFII applicant	1 Original	Yes	Yes
11	Monitoring of Aggregated Shareholding for RQFIIs within the same group and Letter of Undertaking This may be submitted separately or included in the relevant section of the Investment Plan.	1 Original	Yes	No
12	Other documents as required by the CSRC	TBD	Yes	No
Remark: Effective 26 August 2013, the local custodian should submit one set of copies of the quota application documents with cover letter to the CSRC on behalf of the RQFII investor.				

Appendix 2: U.S. RQFII SAFE Quota Application Documents

Required Documents for Applications Within the Basic Quota¹

	Document Type	# and Type of Documents Required	Chinese Translation (Yes/No)	Notarization (Yes/No)
1	Application Letter	1 Original	Yes	No
2	Registration Form for RMB Qualified Foreign Institutional Investors	1 Original	Yes	No
3	RQFII Investment Quota Registration Form	1 Original	Yes	No
4	Audited Balance sheet for the recent three financial years/previous financial year (or the audit report about the size of securities assets under management) ¹	1 Original	Yes	No
5	Power of Attorney (POA) to the person who signs the documents (should be same signer as CSRC submission) <i>Note: Only required if the previously submitted POA is no longer valid</i>	1 Original	Yes	Yes
6	RQFII custodian bank information filing form	1 Original	Yes	No
7	Securities investment business license issued by CSRC	1 Copy	No	No

¹ The Basic Quota is currently calculated as follows:

- For RQFII or its group company's assets (or assets under management) being mostly outside of mainland China: Basic Quota = USD100 million + 0.2% * average asset size or securities assets under management in the past three years - approved QFII Quota (RMB equivalent);
- For RQFII or its group company's assets (or assets under management) being mostly within mainland China: Basic Quota = RMB 5 billion + 80% * asset size or securities assets under management in the past one year - approved QFII quota (RMB equivalent);
- Sovereign funds, central banks, and monetary authorities may obtain corresponding investment quota based on the investment needs in domestic capital market, and not be restricted by a certain percentage of their asset size

The scope of a "company's assets or assets under management" includes the following:

- Only securities assets or securities assets under management can be used for calculation of basic quota.
- If the audited financial report does not list the applicant's securities assets or securities assets under management, the applicant shall provide another supporting document(s) to evidence the figure. Supporting document(s) can be a public 3rd party database (e.g. ranking of fund management company in terms of securities assets under management), or any official document/report made/filed to the applicant's domiciled regulatory body.
- For assets not managed by the applicant (only an advisory role taken by the applicant), such assets shall be excluded from the calculation.
- At the initial stage, SAFE may look at the supporting documents and provide guidance.

Requests for increases to the approved Basic Quota should be discussed with the local custodian.