

China Securities Regulatory Commission, Order No. 9

The Regulations on the Establishment of Fund Management Companies with Foreign Equity Participation are hereby promulgated, and shall be effective from July 1, 2002

Zhou Xiaochuan, Chairman

June 1, 2002

Regulations on the Establishment of Fund Management Companies with Foreign Equity Participation

- Article 1 These Regulations are promulgated in accordance with the relevant provisions of the Company Law and the Provisional Administrative Measures on Securities Investment Funds (the "Provisional Measures") to meet the requirements of opening the securities market internationally and strengthening the supervision and management of fund management companies with foreign equity participation, and to clarify the conditions and procedures for the establishment of fund management companies with foreign equity participation.
- Article 2 In these Regulations fund management companies with foreign equity participation include fund management companies converted from domestic fund management companies in which foreign investors have obtained equity interests by transfer or subscription, and fund management companies established through joint contributions by foreign shareholders and domestic shareholders.
- Article 3 The China Securities Regulatory Commission (the "CSRC") is responsible for the examination and approval and supervision of fund management companies with foreign equity participation.
- Article 4 The organizational form of a fund management company with foreign equity participation shall be a limited liability company.
- The name, registered capital, and organizational structure on establishment and functions of fund management companies with foreign equity participation shall comply with the Company Law, the Provisional Measures and relevant CSRC regulations.
- Article 5 Fund management companies with foreign equity participation shall comply with the conditions under the Provisional Measures and relevant CSRC regulations.

- Article 6 Foreign shareholders of fund management companies with foreign equity participation shall possess the following qualifications:
- (1) financial institution established and legally existing in accordance with the laws of the country of its domicile, without major sanctions by the securities regulatory authority or judicial organs during the three most recent years;
 - (2) domiciled in a country with comprehensive securities laws and supervisory system whose securities regulatory authority has signed a memorandum of understanding on cooperation in securities regulation and maintains an effective cooperative relationship with respect to supervision with the CSRC;
 - (3) paid-in capital of not less than the equivalent of Renminbi 300 million yuan in freely convertible currency;
 - (4) other prudential qualifications under CSRC regulations.

Article 7 Domestic shareholders of fund management companies with foreign equity participation must possess the qualifications the CSRC requires of shareholders in fund management companies.

Article 8 The total (including directly and indirectly held) percentage of foreign-held shares or foreign equity interest in a fund management company may not exceed 33%. Three years after China's WTO accession, the percentage may not exceed 49%.

Foreign shareholders shall contribute in freely convertible currency.

Article 9 The chairman of the board of directors, general manager and deputy general manager(s) of a fund management company with foreign equity participation shall possess the qualifications required by the CSRC for senior managers of fund management companies.

Article 10 Domestic and foreign applicants investing in fund management companies shall submit application materials to the CSRC with the contents and in the format required by the CSRC.

The application materials submitted by domestic and foreign applicants must be in Chinese. Documents and materials prepared in a foreign language by foreign shareholders and the securities regulatory institution of their country of domicile shall have attached a Chinese-language translation consistent with the contents of the original text.

Article 11 The establishment of a fund management company with foreign equity participation with joint contributions by foreign and domestic shareholders shall undergo two stages: preparation and commencement of business.

Article 12 The CSRC shall make a decision to approve or not approve an application for preparation from foreign and domestic applicants within 60 working days after formal receipt of an application for preparation. If preparation is approved, an approval document shall be issued. If not approved, the applicants shall be notified in writing explaining the reasons therefor.

Article 13 If the basic situation of a foreign investor in a fund management company which has obtained CSRC approval for preparation but has not yet commenced business materially changes or is sanctioned or subjected to material supervisory control by the supervisory institution in the relevant country or area, such foreign investor shall promptly request that a meeting of the promoters of the fund management company be convened and explain the relevant circumstances. If the foreign investor no longer meets the qualifications required by these Regulations, the promoters meeting shall propose a remedy and the preparatory organization of the company shall immediately report to the CSRC and handle relevant matters.

Article 14 After completion of the preparation phase of the fund management company, the domestic and foreign applicants shall submit application materials for the commencement of business to the CSRC.

The CSRC shall make a decision to approve, delay approval or not approve an application to commence business within 30 working days of receipt. If approved, an approval document shall be issued. If approval to commence business is delayed or denied, the applicants shall be notified in writing explaining the reasons therefor.

Article 15 With respect to foreign investors who obtain an equity interest in a domestic fund management company by transfer or subscription, the fund management company shall submit application materials to the CSRC.

The CSRC shall make a decision to approve or not approve the application within 60 working days after formal receipt of an application. If approved, an approval document shall be issued. If not approved, the applicant shall be notified in writing explaining the reasons therefor.

When examining applications for additional shareholders and changes to the shareholder(s) with the highest percentage contributions and who nominate the greatest number of directors, the CSRC shall conduct its examination with reference to the procedures for examination of fund management company preparation.

Article 16 If the regulatory authority in the registered domicile or principal place of business of a foreign shareholder in a fund management company with foreign equity participation requires a filing for the record with respect to foreign investments, such foreign investor shall, after

obtaining an approval document from the CSRC in compliance with law, simultaneously copy the CSRC on any filings submitted for the relevant record to the regulatory authority in the foreign shareholder's registered domicile or principal place of business.

Article 17 Within 30 working days after obtaining the approval document from the CSRC, shareholders in a fund management company with foreign equity participation shall amend or effect its registration with the Administration of Industry and Commerce.

Article 18 These Regulations shall be applied by reference to equity participation in fund management companies by investors from the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan region.

Article 19 If these Regulations do not address matters concerning the establishment, modification, termination, business activities and supervision of fund management companies with foreign equity participation, other relevant regulations of the CSRC shall be applied.

Article 20 These Regulations shall be effective from July 1, 2002.