

TABLE 1

The following table summarises the key features of the two schemes based on the current regulatory framework as at April 2014:

	QFII				RQFII						
1. Relevant Laws/Regulations	<ul style="list-style-type: none"> Administrative Measures on Domestic Securities Investments by Qualified Foreign Institutional Investors 合格境外机构投资者境内证券投资管理办法 Provisions on Issues in relation to the Implementation of the “Administrative Measures for Domestic Securities Investment by Qualified Foreign Institutional Investors” 关于实施《合格境外机构投资者境内证券投资管理办法》有关问题的规定 Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors 合格境外机构投资者境内证券投资外汇管理规定 				<ul style="list-style-type: none"> Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors 《人民币合格境外机构投资者境内证券投资试点办法》 Provisions on the Implementation of the Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors 关于实施《人民币合格境外机构投资者境内证券投资试点办法》的规定 Notice on Relevant Issues on the Pilot Domestic Securities Investments by RMB Qualified Foreign Institutional Investors 关于人民币合格境外机构投资者境内证券投资试点有关问题通知 Notice on Relevant Matters on Implementing the Pilot Domestic Securities Investments by RMB Qualified Foreign Institutional Investors 关于实施《人民币合格境外机构投资者境内证券投资试点办法》有关事项的通知 						
2. Regulators	CSRC		SAFE		CSRC	SAFE	PBOC	Regulators in Relevant Jurisdiction			
	<ul style="list-style-type: none"> approves QFII status regulates onshore securities investments by QFIIs 		<ul style="list-style-type: none"> approves and allocates QFII investment quota regulates QFIIs’ onshore accounts monitors and regulates repatriation/remittance of funds 		<ul style="list-style-type: none"> approves RQFII status regulates onshore securities investments by RQFIIs 	<ul style="list-style-type: none"> monitors and regulates repatriation/remittance of RMB funds approves and allocates RQFII quota 	<ul style="list-style-type: none"> regulates onshore RMB accounts regulates investment by RQFIIs 	Hong Kong	London	Singapore	
3. Eligible applicants	Eligible applicants in the jurisdictions which have signed an MOU with the CSRC. There are currently 58 regulators in 54 countries and cities which have signed an MOU with the CSRC.				Eligible applicants in Hong Kong, London & Singapore (the “ Relevant Jurisdictions ”) ¹						
	Applicant	Operating History	Asset Held or Managed (during the preceding account year)	Others	<ul style="list-style-type: none"> Subsidiaries in Relevant Jurisdictions of <ul style="list-style-type: none"> PRC fund management companies PRC securities companies PRC commercial banks PRC insurance companies 						
	Asset management institution	≥2 years	≥US\$500m	N/A							
	Insurance company	≥2 years	≥US\$500m	N/A							
	Securities company	≥5 years	≥US\$5b	≥US\$500m net assets							

¹ Currently, only Hong Kong, London and Singapore have been announced as recipients of, and have officially implemented the RQFII program locally - although Taiwan and Paris have also been announced as recipients, they have yet to approve the program locally

	Commercial bank	≥10 years	≥US\$500m	≥US\$300m tier one capital	<ul style="list-style-type: none"> Financial institutions with a principal place of business in that Relevant Jurisdiction that have: <ul style="list-style-type: none"> - obtained an asset management licence issued by a regulator in the Relevant Jurisdiction²; and - already conducted relevant asset management business³.
	Other institutional investors (e.g. pension funds, charitable foundations, donation funds, trust companies, government investment management companies, etc.)	≥2 years	≥US\$500m	N/A	
4. Application process	<ul style="list-style-type: none"> CSRC will make decision within 20 working days of receiving all required documents SAFE will approve investment quota within 20 working days of receiving all required documents 			<ul style="list-style-type: none"> CSRC will make decision within 60 working days of receiving all required documents⁴ SAFE will approve investment quota within 60 working days of receiving all required documents 	
5. Permitted investments	<p>To invest in the following RMB-denominated financial instruments within the approved investment quota :</p> <ul style="list-style-type: none"> stocks, bonds and warrants traded or transferred on stock exchanges; fixed income products traded on the interbank bond market;⁵ securities investment funds; stock-index futures; and other financial instruments allowed by the CSRC. <p>(including the subscription of additional share issues, rights issues, IPO of shares; and IPO of convertible bonds)</p>				
6. Shareholding restrictions	<ul style="list-style-type: none"> A single foreign investor shall not hold through a QFII/ RQFII more than 10% of the total shares of an individual listed company. The total A-shares of an individual listed company held by all foreign investors shall not exceed 30% of its total shares. 				
7. Investment quota restrictions	USD 1 billion per applicant (except for QFIIs which are sovereign wealth funds, central banks and monetary authorities)			N/A	
8. Deadline for investment proceeds to be remitted	<ul style="list-style-type: none"> 6 months after the investment quota is approved 			<ul style="list-style-type: none"> Open-ended funds⁶ : not specified 6 months after the investment quota is approved (other than open-ended funds) 	

² Type 9 in Hong Kong, Singapore-incorporated financial institutions which are approved by the Monetary Authority of Singapore to conduct fund management activities, i.e. registered and licensed fund management companies and banks and insurance companies exempted from the requirement to hold a Capital Markets Services Licence in Singapore and firms authorised by the UK Financial Conduct Authority who have a licence to carry on discretionary management, to manage an alternative investment fund and/or to manage a UCITS in London

³ There is no strict definition of the track record required to classify as having already conducted relevant asset management business so long as it is justifiable although a reasonable period would be expected

⁴ In practice, however, the CSRC takes 3-4 months to review and approve RQFII licence.

⁵ Prior approval and a separate quota are required from the PBOC for QFII investments in fixed income products traded on the interbank bond market, whereas in the case of RQFIIs, only the prior approval of the PBOC is required.

⁶ There is no specific definition in RQFII rules for open-ended fund which should, in any event, be distinguished from the definition of “open-ended China fund” in QFII rules as “China” is specifically excluded from all references to this type of fund. In practice, so long as the fund is publicly-offered and listed on a reasonable (no definition for this but generally accepted to be major, well-known stock exchanges including HKEX, the Irish Stock Exchange and NYSE) stock exchange, it will be accepted as an open-ended China fund

9. Minimum investment requirement	<ul style="list-style-type: none"> The minimum investment capital amount is USD20 million 	N/A
10. Lock-up period	<ul style="list-style-type: none"> Pension funds, insurance funds, mutual funds, charity funds, endowment funds, government investors, monetary authorities and open-ended China funds⁸: 3 months Other QFII: 1 year 	<ul style="list-style-type: none"> Open-ended funds: no lock-up period Other RQFII: 1 year
11. Recycling of investment quotas	<ul style="list-style-type: none"> Not specifically permitted (open-ended China funds may be permitted to do so) 	<ul style="list-style-type: none"> Open-ended funds: Yes, as long as the net amount of investment capital remitted into China is within the investment quota Other RQFII: No
12. Further quotas	<ul style="list-style-type: none"> Not permitted until the expiry of 1 year from the grant of the previous quota 	<ul style="list-style-type: none"> Permitted to apply for further quota once 80% of the current quota has been utilised
13. Repatriation	<ul style="list-style-type: none"> Repatriation can only be made after the expiry of the lock-up period Open-ended China funds: <ul style="list-style-type: none"> may repatriate or remit in the net amount of its subscription or redemption proceeds on a weekly basis SAFE pre-approval is not required the monthly accumulative net outward remittance cannot exceed 20% of the total domestic assets of the open-ended China fund other QFII: <ul style="list-style-type: none"> repatriation of profit: no SAFE approval required provided that the total monthly repatriation (including capital and profit) does not exceed 20% of its total investment at the end of the preceding year repatriation of capital: SAFE approval is required investment quota will be reduced accordingly 	<ul style="list-style-type: none"> Open-ended funds: <ul style="list-style-type: none"> may repatriate or remit foreign exchange on a daily basis may reinvest within investment quota permitted Other RQFII: <ul style="list-style-type: none"> may repatriate or remit on a monthly basis after the expiry of the lock-up period SAFE pre-approval is not required may not re-invest or recycle the remitted capital and the investment quota will be reduced accordingly
14. Monthly repatriation restrictions	<ul style="list-style-type: none"> The monthly accumulative net repatriation (principal and profits) cannot exceed 20% of the total domestic assets of its total investment at the end of the preceding year 	N/A
15. Capital gains tax	<ul style="list-style-type: none"> Not clarified 	<ul style="list-style-type: none"> RQFII in Hong Kong are treated as exempt from a 10% withholding tax on unrealised and realised capital gains derived from all its disposals of China A-shares other than those A-Shares in “land-rich companies” in China⁹

⁷ For both QFII and RQFII, the lock-up period is deemed to commence from the earlier of the date (i) when the investment capital is fully remitted into the onshore designated account and (ii) the end of six months after the investment quota is approved if the investment capital has not been fully remitted within the prescribed deadline.

⁸ “Open-ended China fund” is defined in the QFII rules as an open-ended securities investment fund set up by public offering outside China, where at least 70% of the fund assets are invested in China.

⁹ Under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on

Income”, capital gains generated by a Hong Kong tax resident from the transfer of shares in a PRC company will only be subject to tax if the relevant PRC company is a land-rich company or if the Hong Kong tax resident holds at least 25% of shares in the PRC in the 12 months before the alienation.[Both London and Singapore have a similar treaty with the PRC.]