

# AN ANALYSIS ON THE NEW REGULATION OF QFII IN CHINA

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## INTRODUCTION

On November. 5, 2002, the *Provisional Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors* (hereinafter the 2002 Provisional Measures) was promulgated by China Securities Regulatory Commission (hereinafter CSRC) and People's Bank of China (hereinafter PBOC), which marked the starting point of China's Qualified Foreign Institutional Investors (hereinafter QFII) program. After all the preliminaries, "it was little wonder that it was nearly seven months before the first trade was consummated on June 10, 2003. UBS (United Bank of Switzerland) placed four small but symbolic orders in shares of BaoSteel, ZTE Corp, Shanghai Port Container, and Sinotrans Air Transport to its local broker, Shenyin Wanguo. This was historic news for the domestic market."<sup>1</sup>

Law should be revised to changes of the times.<sup>2</sup> China is prudently doing its introspective economic reform step by step by modifying its statutes or regulations related to economy. The main regulations regarding to QFII has been revised twice: the first amendment was in 2006, which was 4 years after this program initially launched in China; from 2012 to 2013, the second amendment is orderly processing.

The latest modification on the regulation of QFII will be a good law which will

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<sup>1</sup> Carl E Walter; Fraser J T Howie, *Privatizing China : inside China's stock markets* 246,(2006)

<sup>2</sup> See Ji Weidong , *Social Change and the Function of Law*, Open Times, 34, 34-35 (2002)

adapt to the developing of China's economic development compared to the 2006 Measures. However, with more and more laws and regulations released, some issues are becoming more complicated. A timely updated codification on QFII is needed at present based on the new revised regulations.

The topic of QFII is popular not only for Chinese scholars but for foreign investors at present. Helping them know what is happening inside China, especially on the economy or legal aspect is the main purpose of this paper. More specific, this paper will help foreign investors get a comprehensive understanding of the latest new regulations on QFII in today's China.

This paper gives some background about the QFII program and China's stock market at first, then introduces the Qualified Foreign Institutional Investors program in today's China, and gives a comparative thinking on the regulation of China's QFII program between 2006 regulations and the 2012-2013 regulations. Finally, I will make a proposal that China need a timely updated codification on QFII at present.

## **I. THE BACKGROUND OF QFII AND CHINA'S STOCK MARKET**

### **A. Background of QFII**

The QFII program is an open market program under the regulation of a national government. This regime will allow foreign investors remit and exchange to local currency at first, then invest in one country's capital market through a strict regulatory account, and transmit the interest or dividend back to their own country after the approval

of the local government.<sup>3</sup>

As a transition program, QFII is a special approach on attracting foreign funds for those countries whose capital market are not completely opened. Foreign investors need to follow regulation when entering the capital market of this country and get the approval of the national government. The recipient nation will limit the foreign investors on many aspects including: qualification, registration, Investment proportion, quota limitation, investment object, investment frame and regulations on transfer in and out of foreign currency.<sup>4</sup> When a country or district fully prepares to wholly open its capital market, this program could be abolished by the national government.

## **B. QFII in Taiwan**

Taiwan started QFII program in 1991, 11 years before mainland China. Actually, mainland China started its QFII program following the success of Taiwan. This program allowed foreign juridical persons direct investment in Taiwan stock market to internationalize the market,<sup>5</sup> and it also acted as a great role to protect Taiwan from the negative impact during the 1997 East Asian finance crisis, “[t]hat made Taiwan the least affected of the Asian tigers” compared with Hong Kong and Singapore.<sup>6</sup>

“In July, 2003, Taiwan’s leader Chen Shui-bian surprised investors by announcing

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<sup>3</sup> Feng Qian, Meng Yang, *QFII: a transition regime for the globalization of China’s capital market*, Comercial Research, 2003, at 120.

<sup>4</sup> Zhang Su: Legal Analysis of China’s QFII System and Related Legal Environment (April. 20, 2007) (Unpublished L.L.M. thesis, ECUPL ) (On file with the CNKI system)

<sup>5</sup> Tat Pang Lin, Comparing QFII Mechanisms in Mainland China and Taiwan, Chinese (Taiwan) Year Book of International Law and Affairs 87, 99 (2006)

<sup>6</sup> Tat Pang Lin, *supra* note 5, at 103.

the abolition of the QFII system by year-end, a full two year ahead of schedule, signifying a milestone in the development of the island's financial market.”<sup>7</sup> That means foreign investors “are allowed to enter the local stock exchange by registering with the SFC instead of gaining prior approval”<sup>8</sup> after 2003.

At the same time, mainland China just started its QFII program, which required foreign institutional investors gained the approval of the CSRC when entering into China's stock market. In 2002, as a deep considering decision by CSRC, PBOC and SAFE, mainland China finally has its own QFII program.<sup>9</sup>

### **C. China's capital market**

China's security market was influenced by the reform of the main economic policy including the exchange and trade system reform, monetary policy and financial sector reforms, fiscal system reforms, investment system reforms and state enterprise reform. All those reforms were reflected in the legislation and amendment of China's corporate law, security law and other administrative regulations.<sup>10</sup>

In today's stock market of China, A shares and B shares refer to those shares issued by companies established in mainland China. Those companies obey China's law and regulations, and use the accountant method under China's law and regulations. However, B shares could only be purchased and sold by using foreign currency, specifically, in

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<sup>7</sup> Tat Pang Lin, *supra* note 5, at 102.

<sup>8</sup> Tat Pang Lin, *supra* note 7.

<sup>9</sup> Tat Pang Lin, *supra* note 5, at 88.

<sup>10</sup> See Wanda Tseng, Hoe Ee Khor, Kalpana Kochhar, Dubravko Mihaljek, and David Burton, *Economic Reform in China----A New Phase* 12-40 (1994)

Shanghai Stock Exchange (herein after SSE), by US dollars, while in Shenzhen Stock Exchange (herein after SZSE), by Hong Kong dollars.<sup>11</sup> Before QFII program launched in China in 2002, using B shares was the only way for foreign investors to enter into China's capital market.

In addition, H shares and “red chips” are also a good choice for foreign investment. H shares refer to those shares issued by companies established in mainland China but listed in Hong Kong.<sup>12</sup> “Red Chips” refer to those shares issued by companies established outside mainland China but their general affairs are in mainland and listed in Hong Kong, US, etc., especially for those offshore companies established in Cayman Islands and British Virgin Islands for tax and accounting benefit.<sup>13</sup> H shares and “red chips” are trading outside China. In this way, foreign investors could directly play in Hong Kong Securities Exchange (herein after HKSE) or other foreign stock market when they want to get involved with the above mentioned companies.

#### **D. The reason why China needs QFII**

If B shares, H shares and “red chips” work well, the reason why China need the QFII program is interesting. In other words, if foreign investors want to get benefit from the development of China's economy, they can simply buy B shares in China's stock market, or buy H shares or red chips on HKSE or other countries' stock market. In fact,

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<sup>11</sup> *The Distinguish Between A Shares and B Shares*, Xiamen Security. (Dec. 26, 2007) <http://www.xmzq.cn/service/ShowArticle.asp?ArticleID=293277>

<sup>12</sup> Oversea Listed Company, MBAlib. <http://wiki.mbalib.com/wiki/%E5%A2%83%E5%A4%96%E4%B8%8A%E5%B8%82>

<sup>13</sup> Offshore Company, Baidu Baike. <http://baike.baidu.com.cn/view/229409.htm>

it's better to say that China needs the QFII program rather than saying foreign investors need it.

#### 1. The commitment to the WTO

One of the reasons that China need to open its stock market is to fulfill its commitment to the World Trade Organization (herein after WTO) regarding securities sectors.<sup>14</sup> This is the external factor that pushes China open its newborn and fragile stock market to the whole world.

China's capital market is a juvenile when it initially joined WTO. How could China freely open its capital market and accept the impact of the globalization just 9 years after the capital market was newly born?

By adopting QFII program, China could open its stock market on a limited basis to the qualified foreign investors through an approval process as well as maintain the state control and fulfill the commitment to the WTO.

#### 2. The economy weakness

A very simple way to measure the development of China's security market at the beginning of 21<sup>st</sup> century is to look at court decisions on stock cases. Based on an announcement from the Supreme Court to the district court in 2001, the Supreme Court indicated that the court still needed more learning on securities civil liability cases involving manipulating markets, insider trading, and misstatement. They decided that the

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<sup>14</sup> Tat Pang Lin, *supra* note 5, at 88.

court would temporarily not accept those cases.<sup>15</sup>

Thus, another reason may relate to the emergence of QFII is that “QFII investment activity is an object of great curiosity, speculation, and emulation for China’s fund managers...Foreign investors have a broad global experience and infinite more flexibility in how they formulate their investment strategies since each of them straddles the overseas and domestic securities markets.”<sup>16</sup> This opinion implies that China’s government may regard QFII as a beneficial factor to promote China’s capital market.

### 3. Foreign exchange control

Foreign exchange control may block foreign investors from freely operating in China’s stock market, for the reason that A shares could only be transacted with RMB. Under the foreign exchange control, every institutional investor will get a quota when they are approved by CSRC. Thus, the free circulation of RMB is a significant factor regarding the opening of China’s capital market.

In a word, QFII program is helping foreign investors open a small door on the huge exchange control wall and let them get a chance to gain the RMB quota. However, China is still concerned about that those smart and experienced foreign experts will use the RMB quota doing exchange speculation, so SAFE also participated in the legislation on QFII.

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<sup>15</sup> See *Quan Guo Fa Yuan Shen Li Jin Rong Fan Zui An Jian Gong Zuo Zuo Tan Hui Ji Yao* (全国人民法院审理金融犯罪案件工作座谈会纪要) [Symposium Summary on the National People’s Court Hearing Financial Crime Cases] (Promulgated by Sup. People’s CT., Jan. 21, 2001), Tat Pang Lin, *supra* note 5, at 106.

<sup>16</sup> Carl E. Walter ET AL., *supra* note 1, at 75.

## **II. THE OPERATION OF QFII AND THE CURRENT SITUATION IN CHINA**

### **A. The operation of QFII**

The operation of QFII is a complicated process: at first, qualified foreign institutional investors will notify their securities transactions instruction to their brokers, and then the broker will pass those instructions to the securities companies. In this process, the security companies will check the account of the investors and they will pass the instruction to the securities exchange. After the stocks exchange, transaction returns will pass to brokers and custodian banks through security companies and security exchange, then the clearing process will start.

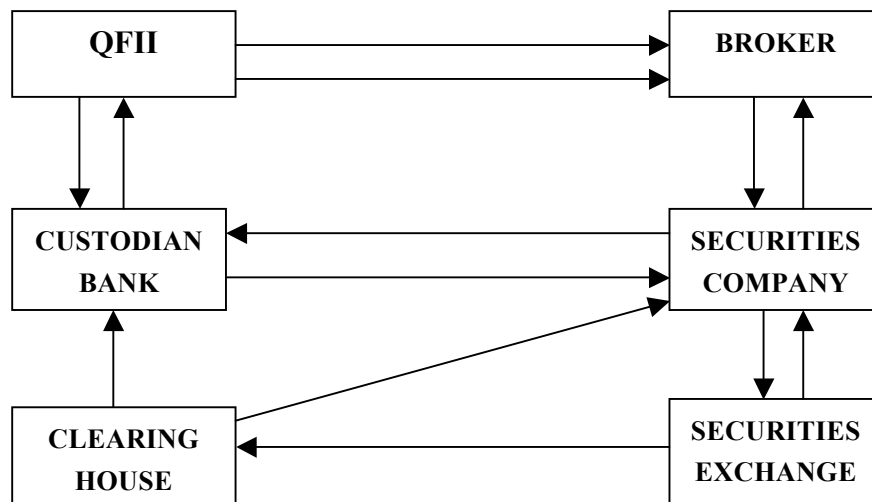
At the beginning of the clearing, the clearing instruction will reach the China Securities Depository and Clearing Company Limited (herein after CSDCC) through security exchange. Then the CSDCC will settle directly with the custodian banks and deliver the securities to the security company. The custodian bank will verify the account of the security company based on the transaction returns and clearing results.<sup>17</sup>

The below table is the relationship among different characters in the operation of QFII.

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<sup>17</sup> Zhang Su: Legal Analysis of China's QFII System and Related Legal Environment (April. 20, 2007) (Unpublished L.L.M. thesis, ECUPL ) (On file with the CNKI system)





#### **B. The current situation of mainland's QFII program**

As of April 12, 2013, the number of foreign investors approved by CSRC has achieved 217. This number will increase follow the latest amended regulation on QFII. China's QFII list not only includes investment banks like Goldman, Sachs & Co., JPMorgan Chase Bank, National Association, Merrill Lynch International, etc. but also has education institution like Yale University, Stanford University, The Trustees of Columbia University in the City of New York, etc.<sup>18</sup> Besides, the QFII held stocks outperformed the Shanghai composite index at the end of 2012.<sup>19</sup>

Indeed, QFII played an important role in promoting the stability of China's stock market, but the overall size (217) at present of all the approved foreign investors is too

<sup>18</sup> QFII Lists, CSRC.(March. 12, 2013),

[http://www.csrc.gov.cn/pub/zjhpublic/G00306208/201303/t20130312\\_222113.htm](http://www.csrc.gov.cn/pub/zjhpublic/G00306208/201303/t20130312_222113.htm)

<sup>19</sup> Liu Zenglu, *QFII Accelerated Entry Market Raising 14 Stocks Outperform the Market*, security market journal (Mar. 17, 2013) <http://stock.hexun.com/2013-03-17/152161971.html>

small compare to Taiwan (596) in 2001.<sup>20</sup> The public float capitalization of QFII only accounts for 1.09%<sup>21</sup> of all the A Shares currency value by the end of March, 2012, and CSRC hope this number could go up to 16%.<sup>22</sup> Modifying the relevant regulations and attract more foreign investors seemed to be an extremely urgent affair.

### **C. Legal document regarding QFII**

The current effective broad regulation regarding to QFII is the 2006 Measures promulgated by CSRC, PBOC and SAFE on Aug. 24, 2006 and became effectively on Sep. 1, 2006. It has 7 chapters, which gives the general provision of the operation of QFII including qualification criteria and approval procedure;<sup>23</sup> custody, registration and clearing;<sup>24</sup> investment operation;<sup>25</sup> funds management;<sup>26</sup> and supervision.<sup>27</sup>

At the same time when the 2006 Measures were released, CSRC also released *Notice on Implement the Measures on Administration of Domestic Securities Investment of Qualified Foreign Institutional Investors* (hereinafter the 2006 Notice) regarding the implement of the 2006 Measure, which manifested the specific standard assets that an applicant need to meet. But this notice was replaced by a new notice released in July,

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<sup>20</sup> *Taiwan QFII Experience And Enlightenment To Mainland*, Shanghai Securities Newspaper (May, 25, 2003) available at [http://www.fsi.com.cn/forum400/latest401/401\\_0305/401\\_03052601.htm](http://www.fsi.com.cn/forum400/latest401/401_0305/401_03052601.htm)

<sup>21</sup> Shentu Qinnan, *QFII's Share Holding Account For More Than 1% Of A-Share Market*, China Securities Newspaper, April, 5, 2012, available at <http://finance.sina.com.cn/stock/t/20120405/004811746562.shtml>

<sup>22</sup> Guo Shuqing, *Improve the QFII Expansion Accounting For 16% of A- Shares*, First Financial Daily( Jan, 15, 2013) available at <http://finance.sina.com.cn/stock/y/20130115/044214284531.shtml>

<sup>23</sup> See Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Guanli Banfa (合格境外机构投资者境内证券投资管理办法) [Administration of Domestic Securities Investment of Qualified Foreign Institutional Investors] (promulgated by CSRC, PBOC and SAFE, Aug, 24, 2006, effective Sep, 1, 2006) Chapter 2

<sup>24</sup> See *id.* Chapter 3.

<sup>25</sup> See *id.* Chapter 4.

<sup>26</sup> See *id.* Chapter 5.

<sup>27</sup> See *id.* Chapter 6.

2012. In July, 2012, *Regulations on Measures for the Administration of Securities Investment within the Territory of China by Qualified Foreign Institutional Investors* (hereinafter the 2012 New Regulations) was promulgated by CSRC.

After that, in the same year in December, SAFE released the *Foreign Exchange Regulation on Domestic Securities Investment of Qualified Foreign Institutional Investors* (hereinafter the 2012 SAFE Regulation) which is the replacement of the 2009 version, and on March 21, 2013, SAFE published the *Notice On Domestic Securities Investment of Qualified Foreign Institutional Investors* (hereinafter 2013 SAFE Notice) which is the replacement of the notice that SAFE issued in 2011.<sup>28</sup> Besides, another official document called *Relevant Technical Questions Solutions on Notice on Domestic Securities Investment of Qualified Foreign Institutional Investors* (herein after 2011 Technical Question Solutions) was promulgated by SAFE, Aug, 26, 2011. The effectiveness of this document will be discussed in this paper.

In addition, more than ten regulations in China are in this area, including regulations for funds management companies, security companies, foreign exchange control, taxation, QFIIs involved in transaction of stock index futures, business banks applying for the securities investment trust business and detailed rules and regulations in different stock markets.

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<sup>28</sup>Guo Jia Wai Hui Guan Li Ju Guan Yu Ren Ming Bi He Ge Jing Wai Ji Gou Tou Zi Zhe Jing Nei Zheng Quan Tou Zi Shi Dian You Guan Wen Ti De Tong Zhi (国家外汇管理局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的通知) [*Notice On Domestic Securities Investment of Qualified Foreign Institutional Investors*] (promulgated by SAFE, Mar.11, 2013, effective Mar. 11, 2013) available at [http://www.safe.gov.cn/resources/wcmpages//wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/zbxmwhgl/jwrzyyjjgl/node\\_zcfg\\_zbxm\\_kjzwtz\\_store/7731a4804ef7bb5cbf8fff3cbb523e5c/](http://www.safe.gov.cn/resources/wcmpages//wps/wcm/connect/safe_web_store/safe_web/zcfg/zbxmwhgl/jwrzyyjjgl/node_zcfg_zbxm_kjzwtz_store/7731a4804ef7bb5cbf8fff3cbb523e5c/)

Those complicated regulations will aggravate the confusing situation for the complicated Chinese stock market. The good news is it may offer hundreds and thousands position for Chinese lawyers, but it may also scare some potential foreign investors.

### **III. ANALYSIS OF THE NEW REGULATION**

#### **A. The problems before revision**

The 2006 Notice has problems in 3 aspects. Firstly, there exist unnecessary stringency on the original regulation regarding the minimum amount of the applicants assets and investment quota restrictions, the high criteria will resist the potential applicants. Secondly, the operation process of QFII is not convenient for foreign investors and the management account is not flexible enough. Finally, the existing regulations are too complicated and confusing.

#### **1. The original regulation is unnecessarily stringent**

A problem that public concerned is the original investment restrictions were unnecessarily stringent, which will block some potential investors.<sup>29</sup> The 2006 Measures has a high bar for the applicants. For example, Fund management institutions, insurance companies and other institutions like pension service or charity funds service need have 5 years or more experience, security companies need 30 years experience, and commercial banks need a top 100 world rank.

Those standards would block some potential investors from China's capital market,

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<sup>29</sup>Tat Pang Lin, *supra* note 5, at 104.

some new but rich institutional investors will be out of China's capital market due to they could not satisfy the experience limitation.

## 2. The operation of QFII is not that convenient

The 2006 Notice have already allow QFII choose 3 different brokers from Shanghai Stock Exchange or Shenzhen Stock Exchange respectively, but it also said that the broker's QFII account should be one-to-one correspondence with the RMB special account that approved by SAFE. The problem is that SAFE has made an order that every QFII could only have one RMB special account,<sup>30</sup> if there is a one-to-one correspondence principal, how could QFII open 3 different broker accounts?

Another confusing issue is the ownership issue between QFII and its customer. In the CSDCC computer bookkeeping system, the custodian bank's account holder name is QFII, not QFII's customers.<sup>31</sup> However, under the civil law system's real right public principle,<sup>32</sup> the ownership of the right under the account belongs to the holder whose name is published by the CSDCC computer bookkeeping system, which is the QFII rather than the customers. Thus, the operation issue is if QFII was liquidated, or if there

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<sup>30</sup> Guo Jia Wai Hui Guan Li Ju Zong He Si Guan Yu QFII Wai Hui Guan Li Cao Zuo Wen Ti De Tong Zhi (国家外汇管理局综合司关于 QFII 外汇管理操作问题的通知) [Notice on QFII Foreign Exchange Management Operations] (promulgated by the SAFE, Sep, 12, 2003) available at [http://www.safe.gov.cn/wps/portal/!ut/p/c4/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI\\_2CbEdFAKLWUno!/WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/zbxmwhgl/jwrzyyjjzjgl/node\\_zcfg\\_zbxm\\_kjzwtz\\_store/48b93f80481c5fc48af8da84909d05cd](http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI_2CbEdFAKLWUno!/WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/zcfg/zbxmwhgl/jwrzyyjjzjgl/node_zcfg_zbxm_kjzwtz_store/48b93f80481c5fc48af8da84909d05cd)

<sup>31</sup> Zhang Xiaoling Zhang, Yang Yueping, *A Research on Cross-Board Indirect Ownership Under QFII*, International Economy Research, 68-74 (2004)

<sup>32</sup> Zhonghua Renmin Gongheguo Wuquan Fa (中华人民共和国物权法) [The Property Law of People's Republic of China] (promulgated by Standing Community of National People's Congress, Mar, 16, 2007, effective Oct, 1, 2007) Article 6.

was a regulatory breach and the assets were frozen,<sup>33</sup> how to protect the customer's right in China ?

### 3. The operation of QFII is not flexible enough

The applicant can not apply through internet, and have to submit an original copy and photocopy of the documents to CSRC.<sup>34</sup> This will bring inconvenience to the applicants in such an information technology era.

In addition, regulation interpretation is another complicated procedure. For example, the calculation of the lockup period, which is so important for foreign investors since it may related to the foreign exchange list price on a specific day is a complex processing.

### 4. The existing regulations are too complicated and confusing

As mentioned before, currently, more than 10 regulations are related to the QFII, they are coming from CRSC, SAFE, PBOC or other administrative institution. How to apply those rules and regulations? Are they still effective or not? Does China need a systematic legislation at present? Those questions will be discussed below.

## **B. New regulations dealing with those problems**

From July, 2012 to March, 2013, China has made a series of new regulations and implemental provisions on QFII to follow the present achievement of this program. Most

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<sup>33</sup> Tat Pang Lin, *supra* note 5, at 104.

<sup>34</sup>Guanyu Shishi Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Guanli Banfa Youguan Wenti De Tongzhi(关于实施《合格境外机构投资者境内证券投资管理暂行办法》有关问题的通知)[Notice on Implement the Measures on Administration of Domestic Securities Investment of Qualified Foreign Institutional Investors] (Promulgated by CSRC, Aug, 24, 2006) article 2

of them are dealing with the issues that foreign investors care about most.

1. Relax restrictions on QFII criteria

According to the latest 2012 New Regulations, a QFII applicant shall satisfy the following conditions on assets scale and other factors: (1) Fund management institutions: 2 or more years' experience in assets management business, and the securities assets managed in the latest accounting year shall not be less than USD 5 billion; (2) Insurance companies: 2 or more years shall have lapsed since the establishment, and the securities assets held in the latest accounting year shall not be less than USD 5 billion; (3) Securities companies: 5 or more years' experience in securities business, the paid-in capital shall be no less than USD 500 million, and the securities assets managed in the latest accounting year shall not be less than USD 5 billion; (4) Commercial banks: 10 or more years' experience in banking business, the tier one capital shall be no less than USD 300 million, in the latest accounting year, the securities assets managed shall not be less than USD 5 billion; (5) Other institutional investors (pension funds, charity foundations, endowment funds, trust companies, government investment management companies, etc.): 2 or more years shall have lapsed since the establishment, the securities assets managed or held in the latest accounting year shall not be less than USD 5 billion.<sup>35</sup>

The criteria were reduced compared to the 2006 Notice, not only for the reduced

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<sup>35</sup> Guanyu Shishi Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Guanli Banfa De Youguan Wenti De Guiding (关于实施《合格境外机构投资者境内证券投资管理暂行办法》有关问题的规定) [Regulations on Measures for the Administration of Securities Investment within the Territory of China by Qualified Foreign Institutional Investors] (Promulgated by CSRC, July, 27, 2012) article 1

time on establishment years, but for the security assets scale. Almost every standard for the QFII applicant was reduced.

In the 2006 Notice, the funds management company need 5 or more years experience in assets management business and the insurance company need at least 5 years experience since established, while in the new version, this number has been reduced to 2. Both these two kinds of applicants' capital was reduced from 5 billion to 500 million dollars.<sup>36</sup>

For security companies, the minimum operation experience time was reduced from 30 years to 5 years, the least limited on paid-up capital was reduced from 1 billion to 5 million dollars, and the total assets size was reduced from 10 billion to 5 billion dollars.<sup>37</sup>

For commercial banks, the 2006 notice require commercial bank applicant rank top 100 worldwide, new regulation need the commercial bank applicant has at least 10 years experience and the tier one capital no less than 300 million, and the total assets size reduced from 10 billion to 5 billion dollars.<sup>38</sup> This is a manifested sign that China is encouraging foreign investors entering into its capital market.

## 2. Simplify the QFII application process

The 2006 Notice requires a QFII applicant file the following application documents to CSRC with one original copy and one photo copy: (1)The application form; (2)The form of basic information of major persons-in-charge; (3)Investment plan; (4)An

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<sup>36</sup> See *supra* note 34, article 1; *supra* note 35, article 1.

<sup>37</sup> See *supra* note 35, article 1.

<sup>38</sup> *Id.*



explanation about the fund sources; (5)An explanation about whether the applicant has ever been punished severely by supervisory organs within the recent 3 years; (6)The applicant's business license (photocopy) issued by the country or region where it is located; (7)The applicant's financial operation license (photocopy) issued by the supervisory organ of the country or region where it is located; (8)Corporate Bylaws (photocopy); (9)Draft custody agreement established with its potential trustee; (10)Audited statements of finance for the recent 1 years; and (11)Other documents as required by the CSRC.<sup>39</sup>

The new regulation made a progress in the application process, a QFII applicant shall file the application documents to the CSRC website and submit a photocopy to the CSRC. This modification will speed up the applicant process.

### 3. Expanding the investment scope

The new regulation made a specific scope on the financial instrument that foreign investors could use including: (1) shares, bonds and warrants that trading or transferring in the stock market; (2) fixed income product that trading in the inter-bank bond market; (3) securities investment funds; (4) stock index futures; (5) other financial instrument that permitted by CSRC. The CSRC also permitted that QFII can participate in the IPO (Initial Public Offerings), convertible bond issuance, stock issuance and the subscription of the rights issue.<sup>40</sup>

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<sup>39</sup> See *supra* note 34.

<sup>40</sup> See *supra* note 35, article 8.

Compared to the 2006 Notice, the new regulation is not only adding stock index futures on this list, but also allowing QFII enter into the inter-bank bond market. This expanding will benefit the stock index futures market and inter-bank bond market and give investors another two financial instruments.

The issue here is whether China's Sovereign Wealth Fund (herein after SWF) could be a financial instrument like this? SWF is a state-owned investment fund composed of financial assets such as stocks, bonds, property, precious metals, or other financial instruments.<sup>41</sup> It is a special fund which is not included in the listed financial instruments of QFII. This issue is tricky here for the reason that China's governors need the experience of the world's greatest investors to help them build an efficient and stable stock market. But on the other hand, those investors also want to use the smart brain of China's best financial managers to help them get money.

In order to figure out this issue, firstly, we need to address on what does "financial instrument that permitted by CSRC" mean? In fact, "Other financial instruments that permitted by CSRC" is a general provision which was broadly used in China's legislation. The purpose of this general provision is to open a door for the possible issue in the future, so legislators do not have to amend the current law. This general provision indicates the immaturity of China's legislative technique, which lead to a limitation and ambiguous of the current law. At present we know that the legislators neither forbid QFIIs investment on China's SWF, nor recognize they can do that.

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<sup>41</sup> Sovereign wealth fund, wikipedia [http://en.wikipedia.org/wiki/Sovereign\\_wealth\\_fund](http://en.wikipedia.org/wiki/Sovereign_wealth_fund)

China has 5 SWFs including: SAFE investment company, China investment corporation, National Social Security Fund, China-Africa Development Fund and Hong Kong Monetary Authority Investment Portfolio. Set aside the Hong Kong Monetary Authority Investment Portfolio, China's mainland has 4 SWFs. Can QFIIs invest on the four SWFs? The analysis will address on the capital source of these four funds.

The capital resource of SWFs includes foreign exchange reserves surplus, export foreign exchange surpluses of natural resources, international aid funds and issuing special national bonds.<sup>42</sup> Issuing special national bonds is the main source of China investment corporation, which has a registered capital of 200 billion US dollars and is one of the biggest SWFs in the world. In 2007, the tenth National People's Congress has its 28<sup>th</sup> meeting, and decided to issue 1.55 trillion RMB special bonds on buying 200 billion US dollars as the registered capital of the new established China investment corporation.

So far, there is no evidence indicates that any individuals or institutions could directly buy SWFs, since SWFs are special funds which are more likely to be a state owned property. But QFIIs could buy special national bonds and indirectly get the profit.

#### 4. Ease restrictions on stock holding proportion and increase the investment ceiling

The new regulation also made some changes on the limitation of holding proportion. The new regulation raised the whole foreign investors holding proportion from 20% to 30%, that means all the QFIIs could invest on one A share listed company,

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<sup>42</sup> Sovereign wealth fund , BaiduBaik <http://baike.baidu.com/view/1174598.htm>

but the stocks that owned by QFII could not exceed 30% of this company's all stock at present. At the same time, a single investor's holding proportion retains 10%.<sup>43</sup>

This new regulation will encourage QFII pay attention to the long term investment other than doing short term speculation. Since after the release, QFII could look for a potential listed company without caring more about the holding proportion limitation. If this new regulation goes well, it will help to fulfill the government's goal on encouraging investors doing long term investment and build a well-organized and efficient capital market.

In addition, on the 2012 SAFE regulation, SAFE increased the investment ceiling of SWF, Central Bank and monetary authorities. Therefore, their investment ceiling could exceed 1 billion US dollars or equivalent other currency.<sup>44</sup>

The purpose of this section is to attract long term investors since SWF and other state-oriented investors will pay more attentions on the long term benefit rather than short term speculation. Thus, this new section will help to drive China's stock market to a mature stage, which is the long term goal for the development of China's capital market.

##### 5. Abolish the one-to-one correspondence principal

The 2006 Notice did not forbid investors open different accounts to play portfolio, but in fact, the "one-to-one correspondence principal" makes it impossible to operate. If the broker's QFII account should be one-to-one correspondence with the RMB special

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<sup>43</sup> See *supra* 35, article 9.

<sup>44</sup> Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Waihui Guanli Guiding(合格境外机构投资者境内证券投资外汇管理规定) [Foreign Exchange Regulation on Domestic Securities Investment of Qualified Foreign Institutional Investors] (promulgated by SAFE, Dec. 14, 2012), article 7, section 2

account that approved by SAFE, and SAFE has made an order that every QFII could only have one RMB special account,<sup>45</sup> how could QFII open 3 different broker accounts to play portfolio?

The new regulation abolished this principal, and adopted a “fuzzy correspondence approach” which does not continually demand the perfect identical between the QFII account in CSDCC and SAFE. That means the QFII account that the broker applied at CSDCC shall be correspondence with the QFII RMB special account which approved by SAFE, but this correspondence is a nominally correspondence rather than perfect identical.

Another issue here is whether this revised principle will change the current situation that QFII’s customers’ capital is not fully protected if QFII is bankrupted and will be in a liquidation process. China is a civil law country, the right behind the shares is always being discussed.

Under the 2006 notice, QFII’s customer would be seen as a creditor of QFII not the owner of the stock since its name is not on the CSDCC computer bookkeeping system. After this revising, the 2012 Notice said that the QFII shall open accounts for both the QFII self owned funds and the customer’s funds, and the account name could be set as

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<sup>45</sup> Guojia Waihui Guanliju Zonghesi Guanyu QFII Waihui Guanli Caozuo Wenti De Tongzhi (国家外汇管理局综合司关于 QFII 外汇管理操作问题的通知) [Notice on QFII Foreign Exchange Management Operations] (promulgated by the SAFE, Sep, 12, 2003) *available at* [http://www.safe.gov.cn/wps/portal/!ut/p/c4/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI\\_2CbEdFAKLWUno!/?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/zbxmwhgl/jwrzyyjjzjgl/node\\_zcfg\\_zbxm\\_kjzwtz\\_store/48b93f80481c5fc48af8da84909d05cd](http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI_2CbEdFAKLWUno!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/zcfg/zbxmwhgl/jwrzyyjjzjgl/node_zcfg_zbxm_kjzwtz_store/48b93f80481c5fc48af8da84909d05cd)

the QFII's name plus the customer's name. Thus, the customer of QFII could be protected under the Securities Law.

However, China still has some scholars advocating for using the Trust Law dealing with this situation, which will follow the standard international practice.<sup>46</sup> By using the Trust Law, QFII shall be seen as a trustee while QFII's customer shall be seen as beneficiary, so the customer's capital will separate from QFII's self-operate capital and realize the bankruptcy isolation. But the holders of this opinion have to let the legislators recognize the "equity", which is not belonging to the civil law system. Therefore, whether legislators should adopt the Securities Law or the Trust Law will be a significant problem worth study for Chinese scholars.

### **C. Ambiguity when applying the new regulations**

#### **1. An unscramble of the complicated lockup period**

The SAFE approves all official flows of foreign currency in and out of China according to the economic situation, supply and demand in foreign exchange market and international payment situation.<sup>47</sup> In 2013 SAFE Notice, there is a new regulation on how to calculate the lock-up period.

According to the 2013 SAFE Notice, except the open-ended fund, other product and capital shall be measured by accrual accounting and the accumulative total exchange

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<sup>46</sup> See Zhang Xiaoling, Yang Yueping, *A Research on Cross-Board Indirect Ownership Under QFII*, International Economy Research, 68-74 (2004)

<sup>47</sup> Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Guanli Banfa (合格境外机构投资者境内证券投资管理办法) [Administration of Domestic Securities Investment of Qualified Foreign Institutional Investors] (promulgated by CSRC, PBOC and SAFE, Aug, 24, 2006, effective Sep, 1, 2006) Article 28.

shall not exceed the quota approved by SAFE. QFII shall inward the capital they need within 6 months after their quota have been approved, if exceeding the time limit, QFII should get ratification by SAFE, otherwise, any inward is forbidden. The lockup period shall be at least 1 year, that means there shall be at least one year between the QFII initially inward their capital and remit their investment yield. The lockup period starts counting on the day of inward capital.<sup>48</sup>

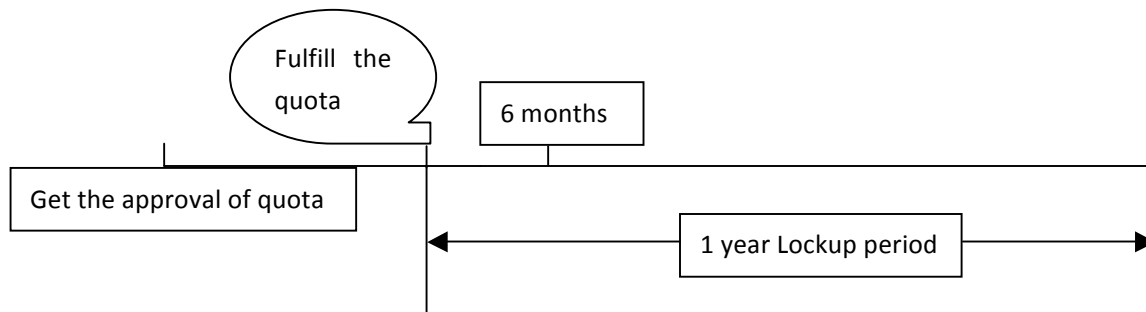
Here is an issue about how to calculate the start point of the lockup period, based on the explanation of SAFE, I will address this issue on three situations:<sup>49</sup>

- a. After the QFII get the quota approval by SAFE, if the QFII fulfill the quota within 6 month, then the lockup period shall start on the fulfill quota day.

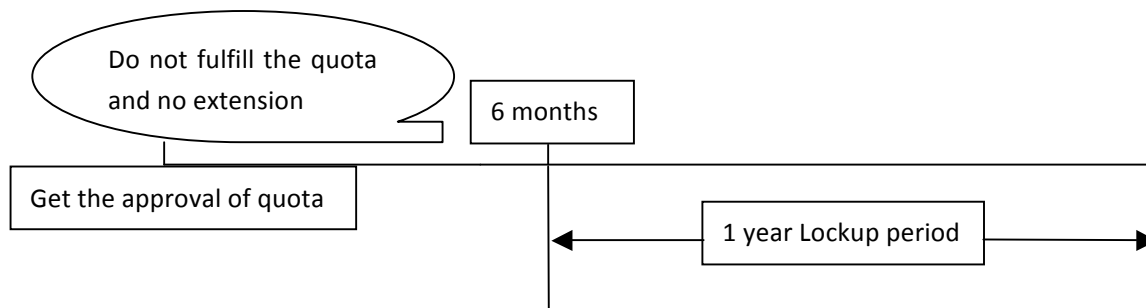
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<sup>48</sup>Guanyu Guojia Waihui Guanliju Guanyu Renminbi Hege Jingwai Jigou Touzizhe Jingnei Zhengquan Touzi Shidian Youguan Wenti De Tongzhi Youguan Jishuxing Wenti De Jieda (关于《国家外汇管理局关于人民币合格境外机构投资者境内证券投资试点有关问题的通知》有关技术性问题的解答) [Relevant Technical Questions Solutions on The SAFE Notice On The Domestic Securities Investment of Qualified Foreign Institutional Investors] (promulgated by SAFE, Aug, 26, 2013 ) available at [http://www.safe.gov.cn/wps/portal!/ut/p/c4/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI\\_2CbEdFAKLWUno!/?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/safe\\_web\\_store/safe\\_web/wsfw/node\\_wsfw\\_zcwd/node\\_wsfw\\_ywzn\\_store/c30db88048184e829864d88](http://www.safe.gov.cn/wps/portal!/ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI_2CbEdFAKLWUno!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/wsfw/node_wsfw_zcwd/node_wsfw_ywzn_store/c30db88048184e829864d88)

<sup>49</sup> Guo Jia Wai Hui Guan Li Ju Guan Yu Ren Ming Bi He Ge Jing Wai Ji Gou Tou Zi Zhe Jing Nei Zheng Quan Tou Zi Shi Dian You Guan Wen Ti De Tong Zhi (国家外汇管理局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的通知) [Notice On Domestic Securities Investment of Qualified Foreign Institutional Investors ] (promulgated by SAFE, Mar.11, 2013, effective Mar. 11, 2013) available at [http://www.safe.gov.cn/resources/wcmpages//wps/wcm/connect/safe\\_web\\_store/safe\\_web/zcfg/zbxmwghgl/jwrzyyjjgl/node\\_zcfg\\_zbxm\\_kjzwtz\\_store/7731a4804ef7bb5cbf8fff3cbb523e5c/](http://www.safe.gov.cn/resources/wcmpages//wps/wcm/connect/safe_web_store/safe_web/zcfg/zbxmwghgl/jwrzyyjjgl/node_zcfg_zbxm_kjzwtz_store/7731a4804ef7bb5cbf8fff3cbb523e5c/)

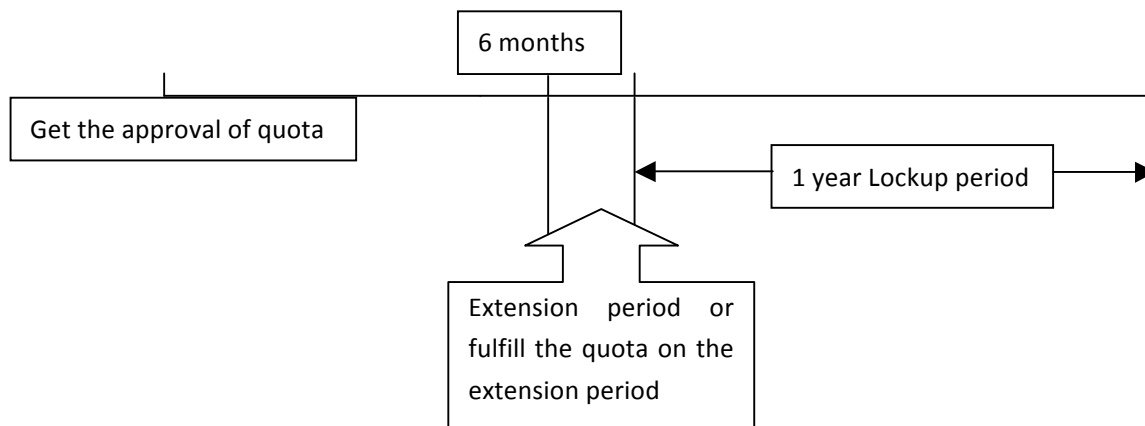


- b. After QFII get the quota approval by SAFE, if QFII do not fulfill the quota within 6 months, and do not apply for extension to the SAFE, the 1 year lockup period will start on the day 6 months after the approval.



- c. After the QFII get the quota approval by SAFE, if the QFII do not fulfill the quota within 6 month, and apply for extension as well as get approval by the SAFE, the lockup period starting point will be measured on the day that QFII fulfill their quota or the extension limitation day.





The purpose of this design is to prevent foreign investors using the approved quota doing foreign exchange speculation, because only using the opportunity to speculate foreign exchange is a faster and easier way to get money than to speculate on capital market. A reasonable investor will directly use the quota investing on RMB if there is no time limit to fulfill the quota or lockup period. In other words, this control is preventing investors using exchange rate differential arbitrage exchange to make a short term speculation.<sup>50</sup>

#### **D. A codification on QFII is needed in the future**

##### **1. The effectiveness of some regulations are confusing**

As mentioned above, except the 2012 SAFE Regulation and 2013 SAFE Notice, another official document is also exist, that is the 2011 Technical Question Solutions. The effectiveness of this document is challenged.

From the name of this official document: *Relevant Technical Question Solutions on*

<sup>50</sup> Currency Arbitrage, Baidubaike, <http://baike.baidu.com/view/64751.htm>

*the 2009 SAFE Regulation and 2011 SAFE Notice*, we could conclude that this document was solving technical questions about the 2009 SAFE Regulation and 2011 SAFE Notice, both of which were replaced by the new regulations. If those old regulations were replaced, the derived document is most likely invalid.

However, on the first part of this document, SAFE gave a clear indication that this document was an organization of a public consultation when SAFE prepared to release the 2009 SAFE Regulation and 2011 SAFE Notice and this document was for the reference of the relevant department. As a specific regulation in order to solve specific operation problems, this document gave some method on, for example, how to calculate the exchange rate between US dollars and other foreign exchanges, and some examples were based on China's Audit Law. In my opinion, this document solves some basic technical questions. It is unnecessary to call this document invalid otherwise a new technical regulation comes out.

## 2. Codification is needed in the future

### *a. The reason why codification is needed*

When I am doing research for this paper, the confusing regulations and implemental provisions make me lost at sea. How many regulations are still valid, which administrative office are in charge of those complex process. Questions like these have occupied my head and made me have to stop and carefully read those regulations. I believe those potential foreign investors or Chinese lawyers may have the same feeling like me.

For example, CSRC, SAFE and PBOC all have regulations or notice on QFII, if the basic regulation changed, before the matched implemental provisions released, does the original implemental provisions apply? More specific, SAFE released the 2012 SAFE regulations in December 2012, before the 2013 SAFE Notice came out, does the 2011 SAFE Notice which is based on the 2009 SAFE Regulation apply? How to deal with the conflict provisions if it applies?

The reason for this situation is China's economy is growing too fast, and almost every week new policy will come out thereby influences the amendment of laws and regulations. For example, the SAFE Regulation has been updated almost every 2 years, and the SAFE Notice will also update accordingly. The bad consequence of this frequent updating is there are too much legal documents, and it is so hard to distinguish which one to follow.

*b. Create a timely updated codification*

There is no official codification about QFII under the current law system, some regulation assembly that could be found online are coming from private institution like law firm. This kind of assembly has no authority and it is hard to tell which regulation or measure is abolished at a specific time.

A timely updated official codification is needed at this moment. This codification shall be compiled by a special QFII legal committee which is composed with experts from CSRC, PBOC, SAFE and SSE or SZSE. This special QFII legal committee should only be responsible for the effectiveness of the existing legal documents.

A codification is urgently needed at present, but paper work will always behind the time. In my opinion, the best way for letting foreign investors or Chinese lawyers getting aware of the timely updated situation is to build up a codification website and make the latest regulations attached. A special mark on the regulations which has already been invalid is also needed. In addition, an English version of those regulations is also needed since some of the audiences are foreign people.

Official legal service is a weak point in today's China, this reform not only need the government's action, more important, the government should change its attitude from "control" to "service". Whether this suggestion will be adopted by the current government depends on the determination on legal reform by the current government.

#### **IV. CONCLUSION**

The Qualified Foreign Institutional Investors system has developed in China for more than 10 years. From the tough beginning to the current stable situation, revising regulation has played an important role during the ten years. The new regulation is modified to keep pace with the times, but some key problems are still existed.

The biggest problem that we are facing now is the regulations are immethodical. Some scholars advocated that in order to complete QFII regulation, China should make a systematic QFII legislation under the Trust Law.<sup>51</sup> However, the fact is QFII program is a transitional program. Taiwan has abolished this program in 2003. How could mainland

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<sup>51</sup> Zhang Xiaoling, Yang Yueping, *A Research on Cross-Board Indirect Ownership Under QFII*, International Economy Research, 68-74 (2004)

be sure that this program won't be replaced following the reform and developing of the mainland's economy system?

Indeed, China needs a systematic legislation on QFII. Lacking the codification On QFII is so inconvenient for the operation of lawyers and foreign investors. Making new law might be costly to a transitive program, but at least legislators need to release a timely updated codification or create a special subject website on QFII for lawyers and foreign investors.

## ANNEX

### List of QFIIs<sup>52</sup>

(As of February 2013 )

	Name of QFII	Date of Authorization
1	UBS AG	2003-5-23
2	Nomura Securities Co.,Ltd.	2003-5-23
3	Morgan Stanley & Co. International Limited	2003-6-5
4	Citigroup Global Markets Limited	2003-6-5
5	Goldman, Sachs & Co.	2003-7-4

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<sup>52</sup>CSRC, QFII Ming Lu, [List of QFIIs], *available at* [http://www.csrc.gov.cn/pub/zjhpublic/G00306208/201303/t20130312\\_222113.htm](http://www.csrc.gov.cn/pub/zjhpublic/G00306208/201303/t20130312_222113.htm)

6	Deutsche Bank Aktiengesellschaft	2003-7-30
7	The Hongkong and Shanghai Banking Corporation Limited	2003-8-4
8	ING Bank N.V.	2003-9-10
9	JPMorgan Chase Bank, National Association	2003-9-30
10	Credit Suisse (HongKong) Limited	2003-10-24
11	Standard Chartered Bank (HongKong) Limited	2003-12-11
12	Nikko Asset Management Co.,Ltd.	2003-12-11
13	Merrill Lynch International	2004-4-30
14	Hang Seng Bank Limited	2004-5-10
15	Daiwa Securities Capital Markets Co.,Ltd.	2004-5-10
16	Bill & Melinda Gates Foundation	2004-7-19
17	INVESCO Asset Management Limited	2004-8-4
18	The Royal Bank of Scotland N.V.	2004-9-2
19	Société Générale	2004-9-2
20	Barclays Bank PLC	2004-9-15
21	Commerzbank AG	2004-9-27
22	Fortis Bank NV-SA	2004-9-29
23	BNP Paribas	2004-9-29
24	Power Corporation of Canada	2004-10-15
25	Credit Agrigole Corporate and Investment Bank	2004-10-15
26	Goldman Sachs Asset Management International	2005-5-9
27	Martin Currie Investment Management Ltd	2005-10-25
28	Government of Singapore Investment Corporation Pte Ltd	2005-10-25
29	PineBridge Investment LLC	2005-11-14
30	Temasek Fullerton Alpha Investments Pte Ltd	2005-11-15
31	JF Asset Management Limited	2005-12-28
32	The Dai-ichi Life Insurance Company, Limited	2005-12-28
33	DBS Bank Ltd	2006-2-13
34	AMP Capital Investors Limited	2006-4-10
35	The Bank of Nova Scotia	2006-4-10
36	KBC Financial Products UK Limited	2006-4-10
37	La Compagnie Financiere Edmond de Rothschild Banque	2006-4-10
38	Yale University	2006-4-14
39	Morgan Stanley Investment Management Inc.	2006-7-7
40	Prudential Asset Management (Hongkong) Limited	2006-7-7
41	Stanford University	2006-8-5
42	GE Asset Management Incorporated	2006-8-5
43	United Overseas Bank Limited	2006-8-5
44	Schroder Investment Mangement Limited	2006-8-29

45	HSBC Global Asset Management (Hong Kong) Limited	2006-9-5
46	Mizuho Securities Co.,Ltd	2006-9-5
47	UBS Global Asset Management (Singapore) Ltd	2006-9-25
48	Sumitomo Mitsui Asset Management Company, Limited	2006-9-25
49	Norges Bank	2006-10-24
50	Pictet Asset Management Limited	2006-10-25
51	The Trustees of Columbia University in the City of New York	2008-3-12
52	Prudential Asset Management Co.,Ltd.	2008-4-7
53	Robeco Institutional Asset management B.V.	2008-5-5
54	State Street Global Advisors Asia Limited	2008-5-16
55	Platinum Investment Company Limited	2008-6-2
56	KBC Asset Management N.V.	2008-6-2
57	Mirae Asset Global Investments Co., Ltd.	2008-7-25
58	ACE INA International Holdings, Ltd.	2008-8-5
59	Caisse de dép?t et placement du Québec	2008-8-22
60	President and Fellows of Harvard College	2008-8-22
61	Samsung Investment Trust Management Co., Ltd.	2008-8-25
62	AllianceBernstein Limited	2008-8-28
63	Oversea-Chinese Banking Corporation Limited	2008-8-28
64	First State Investment Management (UK) Limited	2008-9-11
65	DAIWA Asset Management Co.	2008-9-11
66	Shell Asset Management Company B.V.	2008-9-12
67	T. Rowe Price International, Inc.	2008-9-12
68	Credit Suisse AG	2008-10-14
69	UOB Asset Management Ltd	2008-11-28
70	ABU Dhabi Investment Authority	2008-12-3
71	Allianz Global Investors Luxembourg S.A.	2008-12-16
72	Capital International, Inc.	2008-12-18
73	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2008-12-29
74	Hanwha Investment Trust Management Co., Ltd.	2009-2-5
75	Ashmore EMM, L.L.C.	2009-2-10
76	DWS Investment S.A.	2009-2-24
77	The Korea Development Bank	2009-4-23
78	Woori Bank Co., Ltd	2009-5-4
79	Bank Negara Malaysia	2009-5-19
80	Lloyd George Management (Hong Kong) Limited	2009-5-27
81	Templeton Investment Counsel, LLC	2009-6-5
82	BEA Union Investment Management Limited	2009-6-18
83	The Sumitomo Trust & Banking Co., Ltd.	2009-6-26

84	Korea Investment Trust Management Co., Ltd	2009-7-21
85	Baring Asset Management Limited	2009-8-6
86	Ashmore Investment Management Limited	2009-9-14
87	BNY Mellon Asset Management International Limited	2009-11-6
88	Manulife Asset Management (Hong Kong) Limited	2009-11-20
89	Nomura Asset Management CO., LTD	2009-11-23
90	Tongyang Asset Management Corp.	2009-12-11
91	Royal Bank of Canada	2009-12-23
92	Aviva Investors Global Services Limited	2009-12-28
93	Ivy Investment Management Company	2010-2-8
94	DIAM Co., Ltd.	2010-4-20
95	OFI Asset Management	2010-5-21
96	Aberdeen Asset Management Asia Limited	2010-7-6
97	KB Asset Management Co., Ltd.	2010-8-9
98	Fidelity Investments Management (Hong Kong) Limited	2010-9-1
99	Legg Mason Investments (Europe) Limited	2010-10-8
100	Hong Kong Monetary Authority	2010-10-27
101	Fubon Securities Investment Trust Co. Ltd.	2010-10-29
102	Capital Securities Investment Trust Corporation	2010-10-29
103	BMO Investments Inc.	2010-12-6
104	Bank Julius Bear & Co.,Ltd	2010-12-14
105	KTB Asset Management Co.,Ltd	2010-12-28
106	Lyxor Asset Management	2011-2-16
107	Yuanta Securities Investment Trust Co.,Ltd.	2011-3-4
108	Assicurazioni Generali S.p.A.	2011-3-18
109	Banco Bilbao Vizcaya Argentaria, S.A.	2011-5-6
110	Cathay Securities Investment Trust Co., Ltd.	2011-6-9
111	Fuh Hwa Securities Investment Trust Co. Ltd.	2011-6-9
112	Comgest S.A.	2011-6-24
113	Amundi Hong Kong Limited	2011-7-14
114	BlackRock Institutional Trust Company, N.A.	2011-7-14
115	Grantham, Mayo, Van Otterloo & Co.LLC	2011-8-9
116	Monetary Authority of Singapore	2011-10-8
117	China Life Insurance Co., Ltd. (Taiwan)	2011-10-26
118	Shin Kong Life Insurance Co., Ltd.	2011-10-26
119	Princeton University	2011-11-25
120	Shinko Asset Management Co., Ltd.	2011-11-25
121	Canada Pension Plan Investment Board	2011-12-9
122	Van Eck Associates Corporation	2011-12-9



123	Hansberger Global Investors, Inc.	2011-12-13
124	EARNEST Partners LLC	2011-12-13
125	Bank of Thailand	2011-12-16
126	Kuwait Investment Authority	2011-12-21
127	Northern Trust Global Investments Limited	2011-12-21
128	Taiwan Life Insurance Co., Ltd.	2011-12-21
129	The Bank of Korea	2011-12-21
130	Ontario Teachers' Pension Plan Board	2011-12-22
131	Korea Investment Corporation	2011-12-28
132	Russell Investments Ireland Limited	2011-12-28
133	Metzler Asset Management GmbH	2011-12-31
134	HI Asset Management Co., Linmited.	2011-12-31
135	Shinhan BNP Paribas Asset Management Co., Ltd.	2012-1-5
136	Stichting Pensioenfonds voor Huisartsen	2012-1-5
137	National Pension Service	2012-1-5
138	Mercuries Life Insurance Co,Ltd	2012-1-30
139	Prudential Financial Securities Investment Trust Enterprise	2012-1-31
140	Principal Global Investors LLC	2012-1-31
141	Hospital Authority Provident Fund Scheme	2012-1-31
142	TransGlobe Life Insurance Inc.	2012-2-3
143	Public Mutual Berhad	2012-2-3
144	Meiji Yasuda Asset Management Company Ltd.	2012-2-27
145	Cathay Life Insurance Co., LTD.	2012-2-28
146	Sumitomo Mitsui Banking Corporation	2012-2-28
147	Fubon Life Insurance Co. Ltd	2012-3-1
148	American International Assurance Company,Limited	2012-3-5
149	Neuberger Berman Europe Limited	2012-3-5
150	KHAZANAH NASIONAL BERHAD	2012-3-7
151	Capital Research and Management Company	2012-3-9
152	Tokio Marine Asset Management Co.,Ltd	2012-3-14
153	Hana Daetoo Securities Co,Ltd	2012-3-29
154	Genesis Asset Managers, LLP	2012-3-30
155	City of London Investment Managementi Company Limited	2012-3-30
156	JPMorgan Asset Management (UK) Limited	2012-3-30
157	Okasan Asset Management Co.,Ltd	2012-3-30
158	Prescient Investment Management PTY LTD	2012-4-18
159	Dongbu Asset Management Co.,Ltd.	2012-4-20
160	Janus Capital Managemente LLC	2012-4-20
161	Mizuho Asset Management Co., Ltd.	2012-4-26

162	Henderson Global Investors Limited	2012-4-28
163	Eurizon Capital S.A.	2012-5-2
164	BOCI-Prudential Asset Management Limited	2012-5-3
165	Fullerton Fund Management Company Ltd	2012-5-4
166	Lion Global Investors Limited	2012-5-7
167	GENERAIL Fund Management S.A.	2012-5-23
168	William Blair & Company,L.L.C.	2012-5-24
169	Investec Asset Management Limited	2012-5-28
170	ING Investment Management Aisa Pacific(Hong Kong) Limited	2012-6-4
171	Mitsubishi UFJ Asset Management Co.,Ltd	2012-6-4
172	BOC Group Life Assurance Company Limited	2012-7-12
173	Hall Capital Partners LLC	2012-8-6
174	Board of Regents of The University of Texas System	2012-8-6
175	Nan Shan Life Insurance Company,Ltd.	2012-8-6
176	Suva	2012-8-13
177	British Columbia Investment Management Corporation	2012-8-17
178	Value Partners Hong Kong Limited	2012-8-21
179	Ontario Pension Board	2012-8-29
180	The Church Pension Fund	2012-8-31
181	Macquarie Bank Limited	2012-9-4
182	Andra AP-fonden	2012-9-20
183	Hai Tong Asset Management (HK) Limited	2012-9-20
184	IDG CAPITAL MANAGEMENT (HK) LIMITED	2012-9-20
185	Duke University	2012-9-24
186	Qatar Holding LLC	2012-9-25
187	EFG Bank AG	2012-9-26
188	Cutwater Investor Services Corporation	2012-10-26
189	OrbiMed Advisors LLC	2012-10-26
190	New Silk Road Investment Pte. Ltd.	2012-10-26
191	BlackRock Asset Management North Asia Limited	2012-10-26
192	JPMorgan Asset Management Taiwan	2012-11-5
193	AEGON USA Investment Management, LLC	2012-11-5
194	CDH Investment Advisory Private Limited	2012-11-7
195	Skandinaviska Enskilda Banken AB(publ)	2012-11-12
196	Harvest Global Investments Limited	2012-11-12
197	Greystone Managed Investments Inc.	2012-11-21
198	Uni-President Assets Management Corporation	2012-11-21
199	Daiwa SB Investments Ltd.	2012-11-19
200	APS Asset Management Pte Ltd	2012-11-27

201	CITIC Securities International Investment Management (HK) Limited	2012-12-11
202	Pacific Alliance Investment Management (HK) Limited	2012-12-11
203	E Fund Management (Hongkong) Co.,Limited	2012-12-11
204	Hillhouse Capital Management Pte. Ltd.	2012-12-11
205	SinoPac Securities Investment Trust Co.,Ltd	2012-12-13
206	China Asset Management (Hong Kong) Limited	2012-12-25
207	East Capital AB	2013-1-7
208	First Securities Investment Trust Co., Ltd.	2013-1-24
209	PIMCO Asia Pte Ltd	2013-1-24
210	UBS Global Asset Management (Hong Kong) Limited	2013-1-24
211	CSOP Asset Management Limited	2013-1-31
212	EJS Investment Management S.A.	2013-1-31
213	Guotai Junan Assets (Asia) Limited	2013-2-21
214	Taikang Asset Management (HK) Company Limited	2013-2-22
215	CMS Asset Management (HK) Co., Limited	2013-2-22
216	Hyundai Securities Co., Ltd	2013-3-22
217	ICBC(Asia) Investment Management Company Limited	2013-3-25