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Introduction

To make the finance and asset management industry keep abreast of the latest industry developments, Haiwen prepares the "Haiwen Finance and Asset Management Monthly". This monthly reading aims to introduce and provide brief comments on regulatory development and industry news.

In November of 2023, **for new rules and regulations**, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) solicited public opinions on the *Provisions on the Administration of Domestic Securities and Futures Investment Funds of Foreign Institutional Investors (Draft for Comment)*; China Securities Regulatory Commission (CSRC) solicited public opinions on the *Administrative Measures for Supervision of Derivative Trading (Second Draft for Comment)*; the National Administration of Financial Regulation (NAFR) released the *Administrative Measures for the Capital of Commercial Banks*; the NAFR released the *Interim Measures for the Regulatory Rating and Regulation Covering Different Levels and Categories of Trust Companies*; the NAFR revised and issued the *Measures for Country Risk Management of Banking Financial Institutions*; the Asset Management Association of China (AMAC) released the revised *Fund Practitioner Management Rules* and supporting rules; the State Council approved the *Work Plan to Accelerate the Development of Beijing's National Comprehensive Demonstration Zone for Expanding Opening-Up in the Services Sector*.

For industry news, the PBOC, NAFR, and CSRC jointly held a symposium for financial institutions; the General Office of the Ministry of Commerce issued the *Circular Regarding the Special Cleanup on Unreasonable Different Treatment of Domestic and Foreign Capital*; the CSRC vice chairman Li Chao delivered a speech on technology regulation; the PBOC, Hong Kong Monetary Authority, and Monetary Authority of Macao signed the *Memorandum of Understanding on Deepening FinTech Regulatory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area*; Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) responded to journalist inquiries on optimizing re-financing regulatory arrangements; Central Financial Commission approved the division of responsibilities for key tasks related to promoting high-quality development in the financial sector; eight departments jointly issued the *Notice on Strengthening Financial Support Measures to Boost the Development and Growth of the Private Economy*.



I Latest Rules and Regulations

1. The PBOC and SAFE solicited public opinions on the *Provisions on the Administration of Domestic Securities and Futures Investment Funds of Foreign Institutional Investors (Draft for Comment)*

On November 10, 2023, the PBOC and SAFE issued the *Provisions on the Administration of Domestic Securities and Futures Investment Funds of Foreign Institutional Investors (Draft for Comment)* (the "Draft"). The Draft revises and refines the current provisions on the administration of domestic securities and futures investment funds of foreign institutional investors (QFII/RQFII) and the key changes include (but are not limited to): (1) registration procedures: the Draft eliminates the requirement for the QFII/RQFII to apply for business registration with the SAFE. Instead, the principal reporter of the QFII/RQFII will handle it through the digital platform (bank version) of the SAFE. The Draft also relaxes the time limits for the QFII/RQFII to process change registration and de-registration; (2) account management: the Draft no longer requires separate special RMB deposit accounts for securities trading and for derivatives trading; (3) foreign exchange management: it is explicitly stated that investments made by foreign currency receipts can be repatriated in RMB. Moreover, the QFII/RQFII may use the commitment letter regarding compliance with tax laws and

regulations, submitted at the time of initial registration, in place of a tax payment commitment letter for each instance of repatriation of profits; (4) foreign exchange risk management: besides custodian banks, the QFII/RQFII may also conduct spot foreign exchange settlement and sale and foreign exchange derivative transactions through other domestic financial institutions or by entering the interbank foreign exchange market.

Haiwen Comments

The revisions in the Draft reflect the regulator's attention to and understanding of the need for facilitation in practical work, aim to further enhance the efficiency of funds management for the QFII/RQFII, facilitate foreign investors' access to China's capital market, attract more foreign investment into the domestic securities and futures markets, and thus advance the further opening-up of the financial market.

2. The CSRC solicited public opinions on the *Administrative Measures for Supervision of Derivative Trading (Second Draft for Comment)*

On November 17, 2023, the CSRC released the second draft of the Administrative Measures for Supervision of Derivative Trading ("Second Draft"). Compared to the first draft issued in March this year ("First Draft"), the main adjustments in the Second Draft include, but are not limited to: (1) emphasizing the function of derivatives transactions in serving the real economy, providing new provisions to restrict excessive speculative activities; (2) further clarifying requirements for reporting on new derivative contract varieties, for instance, when a derivatives trading venue adjusts contract structures or a derivatives trading institution issues new structured derivative contracts, they must respectively report to the CSRC and the relevant industry associations; (3) requiring derivative trading institutions to comply with the rules for performance guarantee formulated by industry associations; (4) eliminating the CSRC's pre-approval process for foreign derivatives trading institutions engaging in domestic derivative transactions, simplifying requirements for hedging transactions by foreign institutions; (5) further clarifying the definition of derivative trading institutions.

Haiwen Comments

Derivative transactions are generally considered complex in structure, lacking in transparency, and challenging to regulate. The CSRC has adopted a rigorous and prudent approach in formulating the Administrative Measures for Supervision of Derivative Trading, publicly soliciting opinions on the drafts twice within a year, a practice not commonly seen in legislative activities. Compared to the First Draft, the Second Draft is slightly more stringent, reflecting the complexity of practical situations, supporting reasonable trading demands, and addressing some market concerns. Once officially issued, it will address the deficiency of unified regulatory rules in the current derivatives market, form a more comprehensive and clear regulatory system for derivatives, improve measures to combat the use of derivatives as a "channel" to evade market regulation, further support the real economy, and mitigate financial risks.

3. The NAFR released the Administrative Measures for the Capital of Commercial Banks

On November 1, 2023, the NAFR released the Administrative Measures for the Capital of Commercial Banks (the "[Bank Measures](#)") . The Bank Measures will come into effect on January 1, 2024.

The Bank Measures consist of the main body and 25 annexes, and the key contents include: (1) establishing a differentiated capital regulation system; (2) revising the rules for measuring risk-weighted assets initially established by the former China Banking Regulatory Commission in the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation); (3) requiring banks to formulate effective policies, processes, systems, and measures in accordance with these measures; (4) strengthening supervision and inspection, emphasizing and optimizing stress testing as part of enhanced oversight; (5) elevating standards for information disclosure.

Haiwen Comments

The Bank Measures are based on the practices of China's banking industry and the latest achievements in international regulatory

reform. The Bank Measures are expected to establish a differentiated capital regulation system, which will enhance the efficiency of regulatory work and stimulate the vitality of the financial sector.

4. The NAFR released the *Interim Measures for the Regulatory Rating and Regulation Covering Different Levels and Categories of Trust Companies*

On November 16, 2023, the NAFR released the *Interim Measures for the Regulatory Rating and Regulation Covering Different Levels and Categories of Trust Companies* (the “Measures”), comprising general provisions, regulatory rating elements and rating methods, implementation of rating, systemic impact assessment, regulation covering different categories, and supplemental provisions. The Measures standardize the regulation covering different levels and categories of trust companies (hereinafter referred to as the “Tiered and Categorized Regulation”).

The basis for the Tiered and Categorized Regulation is the regulatory rating and systemic impact assessment. The regulatory rating encompasses five key modules: corporate governance, capital requirements, risk management, conduct management, and business transformation, with respective weightings of 20%, 20%, 20%, 30%, and 10%. Each module contains various rating elements, composed of qualitative elements and quantitative indicators, with the total score (sum of the weighted scores of each module) being 100. The systemic impact assessment is conducted by the NAFR, using information obtained from routine regulation to assess the impact of each trust company’s operational status on the overall robustness of the financial system and its capacity to serve the real economy.

Haiwen Comments

The Measures provide a crucial basis and standard for implementing differentiated regulatory measures, which are conducive to the development of regulatory work, helpful in enhancing the efficiency of regulatory work, and preventing financial risks.

5. The NAFR revised and issued the *Measures for Country Risk Management of Banking Financial Institutions*

On November 24, 2023, the NAFR issued the Measures for Country Risk Management of Banking Financial Institutions (the “Risk Management Measures”), revised the Guidelines for Country Risk Management of Banking Financial Institutions. The Risk Management Measures mainly: (1) clarify standards for the measurement of country risk exposure by specifying the scope of all on-balance-sheet and off-balance-sheet risk exposures formed due to overseas operations of banking financial institutions; (2) introduce provisions related to country risks transfer; (3) refine the provisions in relation to the accrual of country risk reserve, by adjusting the methods, expanding the scope, lowering the ratios, and requiring banking financial institutions to establish formal internal country risk rating systems and conduct country risk assessments; (4) refine the provisions related to country risk management responsibilities.

Haiwen Comments

The Risk Management Measures, based on practical needs and industry feedback, set clear requirements for financial institutions in accrual of country risk reserve, provide effective measures to avoid repeated accrual, and are expected to provide support for financial institutions to conduct overseas operations.

6. The AMAC released the revised *Fund Practitioner Management Rules and Supporting Rules*

On November 24, 2023, the AMAC announced the release of the revised Fund Practitioner Management Rules and supporting rules (the “New Rules”).

The New Rules further revise and refine the version published by the AMAC on May 10, 2022. Revisions include, but are not limited

to: (1) clarifying that professional personnel engaged in fundraising activities for private equity (including venture capital) funds must have fund practitioner qualifications; (2) specifying two exemptions from fund practitioner qualification exams: one is for individuals who have obtained a full-time bachelor's degree or higher recognized by the national education authorities and have passed a specialized assessment by the employer or a qualified institution, and the other is for senior management of private equity (venture capital) fund managers who have over 10 years of work experience in securities, funds, finance, law, accounting, or related fields; (3) in accordance with the Self-discipline Convention for the Public Fund Industry Culture Construction, specifying six types of prohibited behaviors for practitioners, notably, behaviors that deviate from the socialist core values, damage social ethos, violate public order and good customs, and involve extravagant displays of wealth, money worship, hedonism, and egocentricity; (4) enhancing the self-disciplinary mechanism and updating self-disciplinary measures.

Haiwen Comments

The New Rules strengthen and solidify the responsibilities and rights of relevant parties in the industry, focusing on the qualifications of practitioners, norms of professional conduct, management responsibilities of industry institutions, and self-disciplinary measures by the AMAC. This is to better address the challenges posed by the increasing number of fund industry institutions, the growing diversity of talent backgrounds, and the continuously rising level of industry openness.

7. The State Council Approved the *Work Plan to Accelerate the Development of Beijing's National Comprehensive Demonstration Zone for Expanding Opening-Up in the Services Sector*

On November 23, 2023, the State Council approved the Work Plan to Accelerate the Development of Beijing's National Comprehensive Demonstration Zone for Expanding Opening-Up in the Services Sector (the "Work Plan") from the People's Government of Beijing Municipality and the Ministry of Commerce. The Work Plan, addressing the development needs of industries like telecommunications, healthcare, finance, culture and education, and professional services, outlines over 170 pilot tasks in six areas. Key contents related to financial services and expanding the opening-up to foreign capital include:

- a) Removing foreign ownership restrictions on value-added telecommunications services such as information services (limited to app stores, excluding online publishing services) and internet access services (limited to providing internet access to users);
- b) Supporting international cooperation in stem cell and gene research and development and providing equity incentives for overseas practitioners;
- c) Encouraging venture capital and equity investment institutions to cooperate with various financial institutions, providing financing services to invested enterprises in compliance with laws and regulations; exploring the establishment of a registration mechanism for trust properties such as real estate and equity;
- d) Allowing qualified overseas individuals to engage in securities investment consulting and futures trading consulting services;
- e) Allowing overseas insurance companies to directly establish insurance asset management companies in Beijing;
- f) Exploring optimization of quota management for Qualified Domestic Limited Partnership (QDLP) and Qualified Foreign Limited Partnership (QFLP) pilot enterprises, simplifying foreign exchange registration procedures; exploring the mechanism for banks to handle foreign debt registration for non-financial enterprises; permitting banks to extend trade financing loans to offshore institutions, which can be received through their onshore foreign exchange accounts (foreign exchange NRA accounts), offshore accounts (OSA accounts), and other such means; exploring exemption from foreign exchange registration for reinvestment by foreign-invested enterprises.

Haiwen Comments

In May 2015, the State Council approved the launch of a comprehensive pilot program for expanding opening-up in the service industry in Beijing. In 2017, 2019, and 2020, the State Council deepened the pilot program and elevated it from a "pilot" to a

"demonstration zone". The Work Plan introduces deeper reforms towards opening-up and aligns with international economic and trade rules. This will further widen access for foreign investments, streamline processes for foreign investors, expand financing channels for enterprises, and enhance the development level of the service industry.



II Industry News

1. The PBOC, NAFR, and CSRC Jointly Held a Symposium for Financial Institutions

On November 17, the PBOC, NAFR, and CSRC jointly held a symposium for financial institutions, emphasizing the need to accelerate reforms in real estate finance and provide financial support for the resolution of local government debt risks.

In terms of real estate finance, the meeting underscored the importance of treating real estate enterprises of different ownerships equally in terms of reasonable financing needs, supporting private real estate enterprises in bond financing and encouraging real estate enterprises to raise equity financing reasonably through the capital market, enhancing financial support.

Regarding the resolution of local government debt risks, the meeting required financial departments to earnestly implement the central government's directives on preventing and resolving local government debt risks, and cooperate with local governments to prudently resolve existing debts and strictly control new debts on the basis of market principles and the rule of law.

2. The General Office of the Ministry of Commerce Issued the *Circular Regarding the Special Cleanup on Unreasonable Different Treatment of Domestic and Foreign Capital*

On November 8, 2023, the General Office of the Ministry of Commerce released the Circular Regarding the Special Cleanup on Unreasonable Different Treatment of Domestic and Foreign Capital, aimed at further eliminating potential discriminatory regulations, documents, and policy measures against foreign-invested enterprises and creating a fairer market competition environment for foreign-invested enterprises. The cleanup tasks include:

- a) eliminating restrictive measures against foreign capital specifically in sectors where domestic and foreign capital are supposed to have equal access;
- b) eliminating measures that exclude or discriminate against foreign-invested enterprises and their products or services under the pretext of "brand" or "foreign brand," as well as measures that impose additional conditions for foreign-invested enterprises to enjoy policies;
- c) eliminating measures that exclude or restrict foreign-invested enterprises from participating in local bidding and government procurement activities by restricting the forms of ownership of the participants;
- d) Eliminating measures that result in disguised discrimination against foreign-invested enterprises in policy enforcement;
- e) Eliminating exclusion or discrimination against foreign-invested enterprises and their products or services by public institutions and social organizations in their business-related activities.

The circular provides examples for each category of cleanup tasks.

3. CSRC Vice Chairman Li Chao Deliverd a Speech on Technology Regulation

On November 9, 2023, Li Chao, Vice Chairman of the CSRC, spoke at the 2023 Financial Street Forum. He emphasized that the CSRC places high importance on digital transformation, aims to use digitalization to promote high-quality development in the capital market, enhance the digitalization level of financial institutions, improve digital regulatory capabilities, leverage standards for guidance and normalization, strengthen technology for regulation purpose, and establish intelligent platforms for the regulation of the capital market, and provide robust support for the fulfillment of its regulatory responsibilities.

4. The PBOC, Hong Kong Monetary Authority, and Monetary Authority of Macao signed the *Memorandum of Understanding on Deepening FinTech Regulatory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area*

According to the announcement released by the PBOC on November 9, 2023, the PBOC, Hong Kong Monetary Authority, and Monetary Authority of Macao recently signed the Memorandum of Understanding on Deepening FinTech Regulatory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area (“MOU”), agreed to interconnect the regulatory requirements of the PBOC’s FinTech regulatory tools, the Hong Kong Monetary Authority’s Fintech Supervisory Sandbox, and the Monetary Authority of Macao’s innovative FinTech pilot projects. This collaboration aims to deepen FinTech innovation exchange and cooperation in compliance with laws and regulations, promoting digital finance development in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). It seeks to enhance the quality and efficiency of financial services in the GBA, strengthen financial support for the development of the GBA, and under the framework of the MOU, adhere to the principles of mutual trust and respect, to deepen collaborative FinTech innovation regulation, supporting the high-quality financial development of the GBA.

Before the signing of the MOU, the PBOC and the Hong Kong Monetary Authority have already launched a cross-border FinTech one-stop testing platform, with financial institutions and technology companies participating in tests of cross-border FinTech projects. Following the signing of the MOU, the PBOC, in collaboration with the Hong Kong Monetary Authority and the Monetary Authority of Macao, will further establish a one-stop platform across the GBA, which is expected to further deepen financial technology innovation exchange and cooperation in the GBA and strengthen collaborative regulation of FinTech.

5. SSE and SZSE Responded to Journalist Inquiries on Optimizing Re-financing Regulatory Arrangements

On August 27, 2023, the CSRC published the CSRC Regulatory Arrangements for Coordinating Primary and Secondary Markets, Optimizing IPO and Re-financing (the “Regulatory Arrangements”), clarifying the overall requirements for current re-financing regulation. In November 2023, officials from the SSE and the SZSE responded to journalists’ inquiries about the implementation of the Regulatory Arrangements.

According to the officials of the SSE and SZSE, the main approach to implement the Regulatory Arrangements include strict review of the purposes of financing, strict control over financing scale, and establishing a pre-communication mechanism for large-scale re-financing.

Specific measures include:

- a) strictly limiting re-financing of listed companies in cases of share price falls below the issue price or net asset value;
- b) strictly controlling the financing interval period for continuously loss-making companies;
- c) requiring listed companies with high proportions of financial investments to correspondingly reduce the re-financing amount;
- d) strictly reviewing the use of previously raised funds; and
- e) strictly enforcing the requirement that the funds raised by listed companies through refinancing should be invested in their principal business.

To balance the reasonable financing needs of listed companies and support the development of the real economy, the officials also clarified several exceptions to the arrangements, and made clear that these arrangements only apply to projects accepted after implementation.

6. Central Financial Commission Approved the Division of Responsibilities for Key Tasks related to Promoting High-quality Development in the Financial Sector

On November 20, 2023, to implement the spirit of the Central Financial Work Conference, the Central Financial Commission meeting approved the division of responsibilities for key tasks related to promoting high-quality development in the financial sector. The meeting emphasized the need to enhance the quality of financial services in economic and social development. It called for increased support for major strategies, key areas, and weak links on the foundation of maintaining a stable monetary policy. The meeting also highlighted the importance of developing technology finance, green finance, inclusive finance, pension finance, and digital finance. The meeting emphasized the need to significantly strengthen financial regulation, firmly enforce the responsibility for financial risk resolution, enhance inter-departmental collaboration and coordination at all levels, and while continuing to intensify the mitigation of existing risks, also strengthen risk management at the source. It called for deepening reforms in relevant areas, improving mechanisms for risk prevention, early warning, and resolution, and collectively ensuring the tasks of risk prevention and mitigation are effectively executed.

7. Eight Departments Jointly Issued the *Notice on Strengthening Financial Support Measures to Boost the Development and Growth of the Private Economy*

On November 27, 2023, the PBOC, NFRA, CSRC, SAFE, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, and the All-China Federation of Industry and Commerce jointly issued the Notice on Strengthening Financial Support Measures to Boost the Development and Growth of the Private Economy (the "Notice"). The Notice specifies continued strengthening of financial services for private enterprises, aiming to align the support provided by the financial sector with the contribution of the private economy to economic and social development. The key points include: continuously increasing credit resource to support the development of the private economy; deepening the construction of the bond market and smoothing the channels for private enterprise bond financing; better utilizing the capital market to expand equity financing for high-quality private enterprises; increasing foreign exchange facilitation policies and services to support private enterprises in "going global" and "bringing in"; reinforcing positive incentives to enhance the enthusiasm of financial institutions in serving the private economy; optimizing financing support policies to enhance the financial capacity of the private economy; and strengthening the organization and implementation of related work. The Notice also details twenty-five specific measures.

Source of Information:

- <http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1136897&itemId=915&generalType=0>
- <http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202311/20231103452139.shtml>
- <http://www.stcn.com/article/detail/1030810.html>
- <http://finance.people.com.cn/n1/2023/1110/c1004-40115356.html>
- https://www.gov.cn/goweb/lianbo/bumen/202311/content_6914586.htm
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- https://www.gov.cn/yaowen/liebiao/202311/content_6916211.htm

- <http://www.pbc.gov.cn/zhengwugongkai/4081330/4406346/4693549/5148499/index.html>

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