

Beijing Guidebook for Overseas Asset Management Institutions



Supervised and Supported by:

Beijing Municipal Bureau of Financial Work (Beijing Local Financial Supervision and Administration)
Operations Office (Beijing), The People's Bank of China
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Asset Management Association of China
Beijing Asset Management Association
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Foreword



Asset management is one of the fastest developing sectors within the global financial industry, accounting for approximately 25% of the total global financial assets. In 2019, the total size of global asset management reached a record high, doubling that of a decade ago. Today, asset management is an important engine of capital markets development.

Asset management is also an important field in China's financial opening-up. Since President Xi Jinping's announcement to significantly expand the market access at the 2018 Boao Forum for Asia, China's financial opening-up has accelerated at a rapid pace. In the past two years, asset management fields such as bank wealth management, insurance asset management, funds management and trusts have fully opened up. Over half of the eleven opening-up measures announced in 2019 by the Financial Stability and Development Committee of the State Council were directly related to the opening-up of the asset management sector. In the same year, China set out new asset management regulations to subject the whole sector to uniform regulation, starting of the era of "big asset management". At the same time, the sound development of China's economy and rapid accumulation of family wealth in recent years have driven up the market demand for asset management. A more open market environment and massive potential of market demand have attracted the attention of global asset management institutions. More and more asset management institutions are moving to allocate assets and establish their presence in China. Overseas asset management powerhouses are accelerating their entry into China, while the local asset management sector is speeding up its development into a mature international model.

Beijing is one of the most developed asset management markets in China and is notable for its high concentration of asset management institutions. By the end of 2018, the total asset under management (AUM) of Beijing-based financial institutions reached to RMB 148 trillion, capturing 50% of the total AUM in China. The total AUM of banks, insurance companies, securities firms, fund management companies, private fund managers, and trusts is around RMB 33 trillion, ranking the highest in China. The wealth management subsidiaries of 4 out of 6 biggest banks (Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and Postal Saving Bank of China) are all headquartered in Beijing. Minsheng Bank's wealth management subsidiary will also be headquartered in Beijing. Half of the top ten institutions in private banking, securities companies, funds, trusts, and insurance companies are headquartered in Beijing. Beijing's asset management market also enjoys access to favorable resources. Major contributors in the domestic asset management sector are concentrated in Beijing. They include not only commercial banks, social security funds, insurance funds, listed companies, and high net worth individuals and sovereign funds. The growth of asset management in Beijing enables entities to conveniently allocate assets outside China. Beijing is China's only city that implements a comprehensive pilot program which allows it to try and test a wide range of innovative policies in opening-up of the service sector. Since the approval of the Daxing Airport Free Trade Zone last year, Beijing's opening-up policies have been further upgraded to the next level. These

advantages make Beijing the top destination for foreign asset management institutions seeking to develop in China.

In order to assist foreign financial institutions in get familiar with Beijing's financial market environment, the Asset Management Association of China, Beijing Asset Management Association, Beijing Private Equity Association and CFA Institute have jointly compiled the Beijing Guidebook for Overseas Asset Management Institutions, hoping to help more overseas asset management institutions to establish business ties with partners in Beijing and provide overseas investors with insights and pathways into the financial market in Beijing as a whole.

As the supervisory department for local financial regulation, the Beijing Local Financial Supervision and Administration is dedicated to creating a sound development environment, coordinating local resources for overseas asset management institutions who establish their business presence in Beijing, providing them with comprehensive service support. We sincerely welcome more investors to develop their business in Beijing and wish them the greatest success in their endeavors.



Huo, Xuewen

Director General

Beijing Municipal Bureau of Financial Work
(Beijing Local Financial Supervision and Administration)

June, 2020

Foreword



In recent years, China's asset management industry has pursued high-quality growth in line with the general guidelines laid down by President Xi Jinping at 19th CPC National Congress regarding the "deepening of institutional reform in the financial sector to make it better serve the real economy and to forestall systemic financial risks". The industry has sought an active return to the fundamentals of asset management, stuck closely to the general direction of the country's economic and social development and reform, contributed to the increase of quality and efficiency in the real economy, shifted into the fast track of regulated growth, and become a financial field marked by dynamic opening-up and innovation. Over half of the eleven measures for further opening up the financial industry issued in 2019 by the Office of the Financial Stability and Development Committee under the State Council are directly related to the asset management industry. It is explicitly specified that foreign asset management institutions can participate in operations of China's financial asset management companies, wealth management companies, pension management, insurance asset management, public offering of funds and PE funds through share purchase or holding the controlling share.

As China's financial management center, Beijing enjoys unique growth advantages. With a high degree of concentration of asset management institutions, it is one of China's most developed regions in terms of asset management. The wealth management subsidiaries of several major banks including the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and Postal Savings Bank of China have established their headquarters in Beijing, a clear sign of the domestic asset management's reform, transition and development. In the latest round of opening-up of the financial sector, many foreign financial institutions seeking to enter China have also expressed their intention to select Beijing as their primary destination and set up asset management and relevant institutions.

As a major milestone in Beijing's financial reform and development, the Beijing Asset Management Association, established on April 18, 2020, aims at strengthening the engagement between various asset management institutions and government departments in Beijing, improving the level of self-discipline, enhancing the mutual exchange, and promoting the healthy development of the asset management industry in Beijing. With sixty founding members encompassing several sectors including banks, wealth management companies, insurance companies, securities firms, asset managers and various other financial institutions, and managing close to 30 trillion RMB of assets, it is China's first self-regulatory organization for "macro asset management" trade with a large scale of managed assets, the most powerful comprehensive strength and the most extensive coverage.

The Association will play a pivotal role in promoting the high-quality development of the capital asset management industry, maintaining the national financial security and stability, promoting the international open and cooperative development of China's financial industry, and forming the new advantages of China's financial development. Meanwhile, by leveraging Beijing's advantages in financial policy environment, business environment, financial institutions, and financial talents, the Association is able to provide a new research and exchange platform as well as communication and coordination mechanisms to facilitate the growth of the asset management industry as well as serve as an exchange platform for international asset management institutions to quickly familiarize themselves with the Chinese market and operate their businesses in China.

As an ancient capital with a thousand years of history, Beijing has witnessed the vicissitudes of history as well as the encounter and convergence between Eastern and Western civilizations. Now Beijing is sending positive signals to the world. On behalf of Beijing-based asset management institutions, I sincerely welcome overseas asset management institutions to develop in Beijing, conduct exchange and cooperation with us, share their global development experience, leverage their complementary advantages, engage in orderly competition and cooperation, and share the achievements of China's economic and financial market development.



Liu, Donghai

President, Beijing Asset Management Association

June, 2020

Foreword

In recent years, China has accelerated the opening-up of China's financial service sector, releasing a series of new policies and guidelines to provide foreign financial institutions easier access to China market. In April 2018, President Xi Jinping announced at the Boao Forum that China would further open up its financial services sector. Later in 2018, China published policies that grant oversea financial institutions easier and wider access to China market, and remove the foreign equity limit on the securities companies and fund management companies, and set the implementation deadline of this policy. In 2019, China moved the implementation deadline to an earlier date; on April 1st of 2020, China officially removed the foreign equity limits on securities companies.

Benefiting from those policies, Goldman Sachs Group became the majority and controlling shareholder of the joint-venture Goldman Sachs Gao Hua Securities Co., Ltd, after increased its ownership percentage from 33% to 51% on March 23rd, 2020. This event reminds me a story of 16 years ago. In 2004, Goldman Sachs and Gao Hua Securities established a joint venture in Beijing. At that time, I was a part of the decision making process on the Beijing side, thinking about whether to set up a wholly domestic private securities company, or a joint venture with a foreign firm. Eventually I decided to go the latter option for two reasons: to invite a top-tier international investment bank into China so that we can learn the best practices from her, and to introduce competition into China's capital market. The same logic applies today: the more oversea asset managers enter into China, the faster China asset management industry will develop, and the more healthier the securities market will be.

Beijing, as the capital of China, is not only the political center but also a national financial regulatory center. It is the home of many large size Chinese financial institutions, crucial financial infrastructures, and well-known international financial organizations. With decades of continuous development, Beijing has formed competitive advantages on talent pool, FinTech innovation, financial infrastructure, policy innovation and market platform, laying a solid foundation for the further opening up the financial services sector. Beijing is well prepared for the next wave of opening-up. The top-tier supporting system and favorable business environment offer tremendous opportunities for oversea asset management firms to start and grow their businesses in Beijing.

As a practitioner who has collaborated with foreign financial institutions for decades, I welcome overseas assets managers to come to Beijing. In Beijing's journey to become an impactful international financial center for asset managers, you will be part of this adventure, experience the excitement, witness the miracle, contribute to its progress, and benefit from its success.



Fang, Fenglei

Chairman, Beijing Private Equity Association
June, 2020

Foreword

I'm very pleased to be able to author this forward to the Beijing Guidebook for Overseas Asset Management Institutions.

We at CFA Institute have been honoured to participate in the development of the Guidebook, and we are excited for the contribution it will make to the growth of the investment management industry in China.

At CFA Institute, our aim is to be the voice of the investment management industry globally. Our mission is simple and clear – to promote the highest standards of professionalism and ethics within our industry, for the ultimate benefit of society. Through our mission, we aim to contribute to stronger global market integrity to achieve better outcomes for investors around the world. This mission is more important than ever.

The world in which we operate today is evolving, and market dynamics and disruption in the industry are accelerating. To me, it seems as if the pace of change over the last five years seems to have eclipsed the changes in the prior 25 years. The global asset management business is consolidating. Sustainable investing and ESG are gaining prominence. Investment Management professionals are seeking fresh, relevant content and experiences, including micro-credentials, to advance their careers.

Technological advancement is fueling disruption, as artificial intelligence has started to truly become part of investment decision-making. This form of automation impacts industry jobs, of course, as we see more non-traditional talent entering finance-related jobs, particularly in fintech.

In China, we are extremely focused on supporting the rapid development of the investment management industry through the development of premium financial talent. We do this through our CFA Program, continuous professional development, and collaboration or strategic partnerships with industry leaders. And we support research into the future state of the investment management industry -- in China and abroad -- through our Future of Finance research series.

Our collaboration on this Guidebook is in keeping with our mission in China, as it helps to address the pressing need for investment professionals around the world to gain a better understanding of the dynamics of the industry in this increasingly globally influential market. The Guidebook will be used as a key resource for firms and investment management professionals around the world to learn about and identify opportunities for growth in China. It serves as a practical and effective gateway for overseas professionals to understand China's regulatory regime. And it will support these firms and professionals in their efforts to identify areas for investment and collaboration in China.

We live in incredibly dynamic times, where the importance of global understanding and collaboration are more important than ever. As we recover from the global pandemic and navigate through challenging market conditions, we at CFA Institute look forward to being a part of China's leadership role in a newly invigorated global investment management industry. It was our distinct honour to contribute to this guidebook, and we look forward to many fruitful future collaborations with our industry partners.



Margaret Franklin, CFA
President & CEO, CFA Institute
June, 2020

I. Why Choose China and Beijing?

1. Why Choose China?

With the rapid growth of residents' wealth, the demand for asset management services in China has surged. By the end of 2018, the scale of China's asset management industry was RMB 121.27 trillion^①. The total scale of investable assets held by Chinese individuals reached RMB 190 trillion in 2018 and was expected to exceed RMB 200 trillion^② by the end of 2019. The Chinese asset management industry is in high demand both domestically and globally, has great market potential.

In recent years, China's asset management industry has gradually opened up to foreign investment, and gradually liberalized restrictions on foreign investment in securities, retail funds, private funds, banking, and insurance fields. The growing potential of the asset management market coupled with the increasing demand of investors for asset allocation, the fully open asset management industry, and diversified investment channels have brought a newer and broader development opportunities for foreign-owned asset management institutions. These opportunities are reflected in the fact that foreign investment management agencies have the flexibility to choose to either raise overseas funds to invest into the Chinese capital market or raise funds from Chinese investors to invest in domestic and overseas capital markets.

First, there is a huge demand for Chinese investors to make overseas investments. According to the general principles of global decentralized allocation, 10% -20% of personal investable assets should be allocated overseas assets. The size of this market is RMB 20 - 40 trillion (approximately USD 3 - 6 trillion). With the gradual increase in QDLP and QDII investment quotas and the opening and substantial expansion of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and Shanghai London Stock Connect, these potential business opportunities are becoming a reality.

Second, China's A-shares and bonds have also been incorporated into major global indices in recent years. Various types of passive and active funds around the globe are expected to increase their allocation requirements for China's assets.

① Data Source: 2019 China's Asset Management industry development report, written by Ba Shusong and Yang Jing.

② Data Source: 2019 China Private Wealth Report jointly issued by China Merchants Bank and Bain Consulting.

Table 1 China's Capital Market Integration into Global Index Process

Time	Content
January 2019	Bloomberg Barclays announced that the Chinese RMB-denominated government and policy bank bonds will be added to the Bloomberg Barclays Global Aggregate Index starting from April 1, 2019 and will be complete within 20 months.
March 2019	MSCI announced that it would increase the Weight of China's A-Shares in the MSCI Indexes by increasing the inclusion factor of China A-shares from 5% to 20% in three steps.
September 2019	FTSE Russell announced that it would increase the inclusion factor of China's A-shares from 5% to 15%.
September 2019	S&P Dow Jones Indices officially added 1,099 of China's A-shares, weighted at 25%, to its S&P Emerging BMI.
February 2020	China's government bonds will be officially added to the J.P. Morgan Government Bond Emerging Markets Index with a 10% upper limit, to be complete within 10 months.



2. Why Choose Beijing?

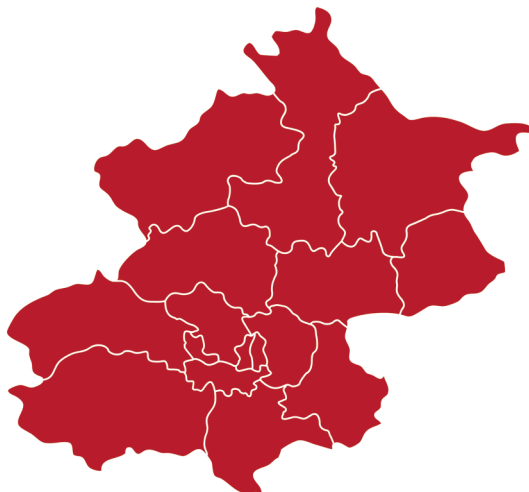


Figure 1 Overview of Beijing

- As the capital city of the People's Republic of China, Beijing has approximately 16,410.54 square kilometers of land area and consists of 16 districts, with a permanent population of 21.536 million.
- In 2019, Beijing's GDP reached RMB 3537.13 billion, which is an increase of 6.1% from the previous year.
- The tertiary industry contributed 87.8% to Beijing's economic growth.

Seven Advantages



RMB **148** Trillion | RMB **33** Trillion

1. Beijing has a massive asset management industry, which offers enormous business opportunities for overseas asset management institutions seeking cooperation and/or independent development opportunities in Beijing. By the end of 2018, the total financial assets in Beijing has reached RMB 148 trillion, capture about half of the China's total. The AUM of banks, insurance companies, securities firms, fund management companies, private fund managers, and trusts is around RMB 33 trillion, ranking the highest in China^①. In addition, Beijing also boasts the national social security fund of RMB 2.2 trillion, the national foreign reserve of USD 3.1 trillion, and the sovereign wealth fund of USD 0.94 trillion. The total amount of assets available for investment of Beijing residences is approximately RMB 16 trillion, accounting for 8% of that of China's total^②. Among them, the numbers of "high net-worth families" (family assets available for investment exceeding RMB 10 million), "ultra high net-worth families" (family assets available for investment exceeding RMB 100 million), and "international ultra high net-worth families" (family assets available for investment exceeding USD 30 million) are 288,000, 18,900 and 12,700 respectively, each of which ranks the first in China^③.



QDII、QDLP

2. There is abundant quota of QDII and QDLP in Beijing, allowing overseas asset management institutions to invest into global assets for their Chinese customers.



Dynamic Financial Ecosystem

3. Beijing is the home for numerous financial institutions, which consists of a dynamic financial ecosystem with lively networking effect and fast flow of information. Here overseas asset managers can conveniently and effectively interact with regulatory bodies, local governments, peers and think tanks. Not only is Beijing the location of China's financial regulatory agencies, but also the headquarters of various financial institutions. Over half of China's 10 biggest institutions in each sub-categories of asset managers, such as bank's wealth management subsidiaries, private banks, securities firms, public fund management companies, trusts or insurance asset managers, are headquartered in Beijing. The city is also the home of a large number of international financial organizations, financial professional associations, universities, and public policy research institutions.



805,600 Financial Professionals

4. Beijing has a huge and highly internationalized talent pool, from which foreign financial institutions can recruit outstanding employees with extensive working experience and/or high growth potential. There are 805,600 financial professionals^④ and 2400 CFA charter holders, accounting for 30% of China's total^⑤. Beijing is also home to many top tier universities. Eight out of 36 China's top universities (so called "double first-class" universities) are in Beijing, making Beijing the No.1 city in China with a big leading margin. 140,000-150,000 people come back to Beijing every year after finishing their studies in North America, Europe, Japan, or Australia, accounting for 30% of all overseas returnees in China.



Ranking **28th** Globally in terms of Business Environment

5. Beijing's business environment has been dramatically improved in recent years. According to the Doing Business 2020 report released by the World Bank, China ranks the 31st country in the world. As one of the two sample cities in China, Beijing's score is equivalent to 28th in the world. Beijing has set up designated service managers to help financial institutions address various problems in the course of their business in Beijing. In addition, Beijing has enacted numerous policy measures to speed up building a global wealth management center in Beijing's Sub-center, Tongzhou district.



China's **Only** City of the Extensive Opening-Up Service Industry

6. Beijing is becoming more and more open. As China's only city that is in the comprehensive pilot program of the extensive opening-up service industry, Beijing is able to try and test a wide range of innovative opening-up policies. Daxing Airport Free Trade District approved last year is one of the many recent examples of Beijing's opening-up and indicates that Beijing is making endeavor to become the most favorable destination for foreign asset management firms seeking business opportunities in China.



Ranking **1st** Globally in Terms of Fintech Index

7. Beijing is leading in both finance and technology sectors. Fintech improves the efficiency and effectiveness of investment research and risk management and in turn lifts asset management industry to the next level. In 2018, Beijing set up China's first Fintech Demonstration Zone. In 2019, the Beijing Fintech Research Institute was established and it piloted the first nationwide fintech "regulatory sandbox". So far, two rounds have been implemented. According to rankings announced by highly-regarded third-party institutions, Beijing is leading the world in fintech index.

① : Compiled by Boston Consulting Group based on the statistics from following entities: China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission, Asset Management Association of China, National Council for Social Security Fund, State Administration of Foreign Exchange, annual reports of various financial institutions, Wind statistics, and Galaxy Asset research center.

② : Compiled by Global Family Business Research Center, PBC School of Finance based on "2019 China Private Wealth Report" jointly released by Merchant Bank and Bain.

③ : Statistics from "Hurun Wealth Report 2019".

④ : Statistics from China's fourth national economic census report.

⑤ : Statistics from CFA Institute.

Selected Policies and Measures in Beijing for the Support of Financial Institutions^①

1. Newly established legal entity financial institutions that fall under Beijing's strategic "four centers" guidelines shall receive a one-time subsidy for opening and operating expenditure based on their comprehensive contribution. In proportion to the scale of actual paid-in capital, an RMB 5 million subsidy will be granted for capital contribution ranging from RMB 100 million (included) to RMB 500 million; a RMB 10 million subsidy will be granted for capital contribution ranging from RMB 500 million (included) to RMB 1 billion; a RMB 20 million subsidy will be granted for capital contribution ranging from RMB 1 billion (included) to RMB 3 billion; a RMB 50 million subsidy will be granted for capital contribution over RMB 3 billion (included). An increase of over RMB 1 billion (included) actual paid-in capital by a financial institution will entitle it to receipt of a one-time RMB 10 million subsidy based on its comprehensive contribution.

2. Newly established financial institutions that purchase or lease office space for their own use will receive a fund subsidy. Those which purchase office space will receive RMB 1,500 per square meter; those which lease office space will receive annual subsidy (50% of that year's rent) for three successive years. In line with the decentralization of non-capital functions of Beijing and the planning and construction of its financial function area, a batch of quality office space will be reserved for financial institutions, while improving supportive facilities and services, such as meeting and conferencing, commercial, telecommunications and Internet connection.

3. Senior management personnel and core employees of newly established legal entity financial institutions that fall under Beijing's strategic "four centers" guidelines and provide a major contribution to Beijing's financial industry development will be entitled to certain incentives and support service based on the scope of their overall contribution.

4. To select 10 innovation projects on a yearly basis, granting each a special monetary incentive of RMB 5 million. Such innovations may include technology, service, product, commercial procedures, or organizational model in the fields of fin-tech, green finance, cultural and creative industry finance, smart finance, and inclusive finance.

5. In line with the policy of building financial talent to develop a "high-grade, precision and advanced" financial industry, senior executives and core employees of financial institutions that meet certain criteria and make a significant contribution to Beijing's financial development are eligible to apply for Beijing Hukou, the local household registration status.

6. To provide senior executives of financial institutions comprehensive and high-quality services, such as medical care, children education, commuting, and housing.

7. Assistance will also be provided to international financial professionals regarding international schooling and medical care, entry into and exit from China, permanent residence in Beijing, and work permit application assistance.

8. With the consent of the Beijing Municipal Government, financial institutions that provide a unique, strategically significant contribution to Beijing's financial development will receive special policy support.

9. Financial institutions can contribute to the housing fund at no more than 12% of employees' total salary.

10. Financial institutions that meet certain conditions are eligible to benefit from special industry policies formulated by Beijing to support green finance, fin-tech, and cultural and creative industry finance.

① : The above are policies and measures formulated by the Beijing Municipal Government in support of financial institutions. Each district in Beijing will develop and implement its own relevant supporting policies and measures.

3. Overseas Asset Management Institutions that can be Established in the PRC

Overseas asset managers may consider setting up asset management institutions listed in the following table in the PRC.

Table 2

Institution Type	Regulatory Authority/Self-regulatory Organization	Product, Service, & Investment Scope	Source of Funds	Channel for raising overseas funds	Channels for investing in overseas assets
Fund Management Company (FMC)	China Securities Regulatory Commission (CSRC)	Issuing and managing public securities investment funds (i.e. retail funds), which may invest in listed stocks and bonds, and any other securities and derivatives thereof stipulated by the CSRC. FMC and its subsidiary can also carry out private fund business.	Public funds products: non-specific public investors. FMC can issue age-targeted retirement fund and participate in the pilot program of the "third pillar" retirement fund system. Private placement products: qualified investors.	QFII/RQFII can gather fund in foreign countries to invest into the products managed by FMC or sold in Hong Kong and other markets by Mutual-Recognition of Funds program.	Apply for the qualification and quota under the Qualified Domestic Institutional Investors (QDII) scheme ; use Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Institution Type	Regulatory Authority/Self-regulatory Organization	Product, Service, & Investment Scope	Source of Funds	Channel for raising overseas funds	Channels for investing in overseas assets
Securities Company	CSRC	Providing services such as securities brokerage, securities investment advisory, financial consulting, securities underwriting and sponsoring, margin trading and short-selling, securities market making, self-operated securities business. Issuing private products; issuing public products once obtaining the permit of “public fund manager” from CSRC.	Same as above	Same as above once obtaining the permit of “public fund manager” from CSRC.	Same as above
Private Securities Investment Fund Manager (PFM)	Asset Management Association of China (AMAC)	Issuing and managing private securities investment funds. Private securities investment funds can invest in publicly listed and traded stocks (including stocks listed on main-board markets, SME ^① board, GEM ^②); bonds (including inter-bank bonds, exchange bonds); money market instruments, pledge repo, bank deposits, publicly-offered securities investment funds, futures, options, warrants, income swaps, etc.	Private placement from domestic qualified investors.	N/A	Apply for the QDLP qualification and quota from Beijing Local Financial Supervision and Administration. Make use of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; use bond connect scheme once the south-bound becomes available.

① : SME, Small and Medium-sized Enterprises

② : GEM, Growth Enterprise Market

Institution Type	Regulatory Authority/Self-regulatory Organization	Product, Service, & Investment Scope	Source of Funds	Channel for raising overseas funds	Channels for investing in overseas assets
Qualified Domestic Limited Partnership (QDLP)	AMAC(QDLP manager must be a private fund manager)	Issuing feeder funds can invest in overseas securities, commodity futures, REITS, financial derivatives; can initiate the establishment of sub funds for overseas securities investment and other securities investment funds; can invest in securities investment funds, overseas bonds/ securities funds; can invest in equity of unlisted companies.	Private placement from domestic qualified investors.	N/A	Apply for the QDLP qualification and quota from Beijing Local Financial Supervision and Administration.
Qualified Foreign Limited Partner (QFLP)	AMAC	Raising and issuing private equity investment funds to invest in unlisted companies, convertible bonds, and companies listed in the “new-third-board” market.	Private placement from both foreign and domestic qualified investors.	Apply for QFLP qualification and quota from Beijing Local Financial Supervision and Administration	PE fund managers can apply Outbound Direct Investment quota from Development and Reform Commission, Commerce Department, or their local branches.

Institution Type	Regulatory Authority/Self-regulatory Organization	Product, Service, & Investment Scope	Source of Funds	Channel for raising overseas funds	Channels for investing in overseas assets
Wealth Management Subsidiaries of Commercial Bank	China Banking and Insurance Regulatory Commission (CBIRC)	Issuing and managing public traded or private placement wealth management products. Public traded funds can invest in standardized equities, and standardized or non-standardized debts. Private placement can be invested in a wider range of assets, without specific restrictions.	Publicly offered products: non-specific public investors. Private placement products: domestic qualified investors.	N/A	Apply for the qualification and quota of QDII; use Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect; use bond connect scheme once the south-bound becomes available.
Insurance Asset Management Company	CBIRC	Can invested in bonds, equity, commodities and derivatives based on different product categories.	Private placement from domestic qualified investors.	N/A	Same as above
Trust Company	CBIRC	Managing and disposing of trust property. Establishing and managing trust funds, chattel trust, real estate trusts, securities trusts, and trusts in other properties. Trust can invest in a wide range of investment targets including standard and non-standard equity, debt, derivatives, funds and other alternative assets.	Private placement from domestic qualified investors.	N/A	Same as above

4. Cross-border investments that can be Carried Out by Overseas Asset Management Institutions

Under cross-border projects, overseas investors can invest in China's securities and futures market without the need to set up entities in China.

Table 3

Business	The role of overseas institutions	The direction of capital flows	The role of domestic/Chinese partners	Investment scope
QFII, RQFII	Raising overseas funds to be invested in China's securities and futures markets	From overseas to domestic	<p>A domestic custodian bank is required to take the fund into custody.</p> <p>Domestic institutions may provide investment research and advisory services.</p>	<p>RMB-denominated financial instruments</p> <ul style="list-style-type: none"> - Equities, bonds, and options traded at Stock Exchanges; - Fixed income products traded in CIBM; - Stock index futures; - Securities investment funds; - Any other financial instruments permitted by the CSRC. - Issuance of new shares, issuance of convertible bonds, rights issue, and subscription of placement shares.
Stock Connect: Shanghai-HK Connect, Shenzhen-HK Connect, Shanghai-London Connect (to invest in China market)	Raising overseas funds to invest in China's securities and futures markets	From overseas to domestic	Domestic institutions can be entrusted to provide investment research and advisory services.	<ul style="list-style-type: none"> - Shanghai-Shenzhen-Hong Kong Stock Connect (Northbound): stocks in the list prescribed by Shanghai Stock Exchange and Shenzhen Stock Exchange. - Shanghai-London Stock Connect (Westbound) : Global Depository Receipts (GDR) of the qualified A-share in Shanghai Stock Exchange, which are listed and traded in the London Stock Exchange.

Business	The role of overseas institutions	The direction of capital flows	The role of domestic/Chinese partners	Investment scope
Stock Connect: Shanghai-HK Connect, Shenzhen-HK Connect, Shanghai-London Connect (to invest in overseas markets)	Providing Investment research and advisory services to domestic institutions.	From overseas to domestic	Raising domestic funds to invest in overseas securities markets	Shanghai-Shenzhen-Hong Kong Stock Connect (Southbound): stocks in the list prescribed by the Hong Kong Stock Exchange Shanghai-London Stock Connect (Eastbound): Chinese Depository Receipts (CDR) of the qualified companies listed in the London Stock Exchange, which are listed and traded in the Shanghai Stock Exchange.
Direct investment in the inter-bank bond market (CIBM Direct)	Raising overseas funds to invest in the Chinese inter-bank bond market	From overseas to domestic	A domestic bank is required to settle the transaction; Domestic institutions can be entrusted to provide investment research and advisory services.	All bond products traded in the inter-bank bond market. In addition, asset managers can participate in bond lending, bond forward, interest rate forward, and interest rate swap transactions based on hedging requirements, and invest in other products permitted by PBOC.
Bond Connect	Raising overseas funds to invest in China's interbank bond market	From overseas to domestic	Domestic institutions can be entrusted to provide investment research and advisory services.	All bond products traded in the inter-bank bond market.

Business	The role of overseas institutions	The direction of capital flows	The role of domestic/Chinese partners	Investment scope
Qualified specific types of commodity futures	Raising overseas funds to invest in China's futures markets	From overseas to domestic	Domestic institutions can be entrusted to provide investment research and advisory services.	Qualified specific types of futures, such as crude oil, iron ore, PTA, TSR 20, etc
Mutual Fund Recognition (Northbound Fund)	Issuing and managing public traded funds registered in Hong Kong to invest in overseas assets	From domestic to oversee	The HK Fund manager need hire a FMC or a custody bank to be her domestic proxy. The proxy or other qualified institutes can sell her north bound funds.	The investment scope of public funds, prescribed by the Securities and Futures Commission of Hong Kong.
China Themed ETF listed on the Tokyo Stock Exchange	Issuing and managing of ETF funds listed on the Tokyo Stock Exchange to invest in the Chinese market	Through QFII, funds flow from overseas to domestic	A domestic custodian bank is required to take the fund into custody.	ETF of Shanghai Stock Exchange or its corresponding underlying stocks.

II. Legal and Policy Environment

1. Legal and Policy Environment

China has laid out standard requirements for the asset management industry at three levels: laws and regulations, management by administrative government bodies and self-regulation of self-regulatory organizations. To conduct asset management business in China, requirements at all three levels should be followed.

Currently, the China Securities Regulatory Commission (hereinafter referred to as the CSRC) is the administrative authority for public funds, the private asset management business of securities and futures institutions, and for private investment funds. The Asset Management Association of China, under the guidance of the CSRC, conducts self-regulatory management for this group.

The China Banking and Insurance Regulatory Commission (hereinafter referred to as the CBIRC) is the administrative authority for the wealth management business and subsidiaries of commercial banks and the asset management business of the trust and insurance companies. The Insurance Asset Management Association of China, under the guidance of CBIRC, conducts self-regulatory management for this group.

Table 4 The Administrative Authorities, Legal Basis and Self-regulatory Organizations of Various Asset Management Business^③

Administrative authorities	Types of asset management	Major laws	Major government regulatory documents	Self-regulatory organizations
CSRC	Public-offered funds	the Fund Law, the Securities Law, the Trust Law	The CSRC mainly puts forward specific requirements in administrative regulations or standard documents in the six aspects: fund management company, fund sales, fund custody, fund investment, fund information disclosure, and fund practitioners.	Asset Management Association of China, Securities Association of China
	Private asset management business of securities and futures institutions	Same as above	Administrative Measures on Private Asset Management Business of Securities and Futures Institutions, Administrative Provisions on the Operation of Private Asset Management Plans by Securities and Futures Institutions, Administrative Measures on the Suitability of Securities and Futures Investors	Same as above

Administrative authorities	Types of asset management	Major laws	Major government regulatory documents	Self-regulatory organizations
CSRC	Private investment funds (including private equity investment funds, private securities investment funds, other private investment funds and private asset allocation funds)	the Fund Law, the Securities Law, the Trust Law	Provisional Measures on Supervision and Administration of Private Investment Funds, Administrative Measures on the Suitability of Securities and Futures Investors, Administrative Measures On Private Fundraising, Administrative Measures On Private Investment Fund Service Business(for Trial Implementation)	Asset Management Association of China, Securities Association of China
CBIRC	Wealth management business of commercial banks	Law on Banking Regulation, the Commercial Bank Law	Measures on Supervision and Administration of Wealth Management Business of Commercial Banks	/
	Wealth management business of wealth management subsidiaries of commercial banks		Administrative Measures on Wealth Management Subsidiaries of Commercial Banks	/
	Asset management business of trust companies	the Trust Law	Administrative Measures on Assembled Funds Trust Schemes of Trust Companies	/
	Asset management business of insurance companies	the Insurance Law	Provisional Measures on Administration of Insurance Asset Management Products, Notice of China Insurance Regulatory Commission on Matters Relating to Establishment of Insurance Private Investment Fund, Tentative Provisions of the Administration of Insurance Asset Management Companies Provisions, etc.	Insurance Asset Management Association of China

③ : As for the legal basis set out in Table 4, "law" refers to standard documents formulated by the National People's Congress or the Standing Committee of the National People's Congress, among which the Fund Law, the Securities Law, the Trust Law, Law on Banking Regulation, the Commercial Bank Law, and the Insurance Law refer to the Securities Investment Fund Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Trust Law of the People's Republic of China, and the Law of the People's Republic of China on Banking Regulation, the Commercial Bank Law of the People's Republic of China, Insurance Law of the People's Republic of China. "Government regulatory documents" refer to administrative regulations and other standard documents formulated by administrative departments of the government.

At present, beyond the regulations set by the CSRC and the CBIRC, to conduct asset management business in China, the Guidance on Regulating the Asset Management Business of Financial Institutions must be complied with. In addition, the Asset Management Association of China has established a relatively complete set of self-regulatory rules covering private investment fund management institutions, fund products, qualified investors, fund custody, fund sales, fund investment, information disclosure, accounting, fund valuation, outsourcing of services and etc.

2 . Organizational and Legal Structure of Asset Management Products

Generally, the asset management products of China are organized in three forms: contract type, partnership type and company type. Partnership type and company type asset management products need to be registered as business entities at the industrial and commercial administrative departments in accordance with the Partnership Law of the People's Republic of China (hereinafter referred to as the Partnership Law), the Company Law of the People's Republic of China (hereinafter referred to as the Company Law). In addition, private investment funds should be registered with the Asset Management Association of China.

From the perspective of legal framework, asset management products usually involve investors, managers, custodians, underlying asset and other subjects.

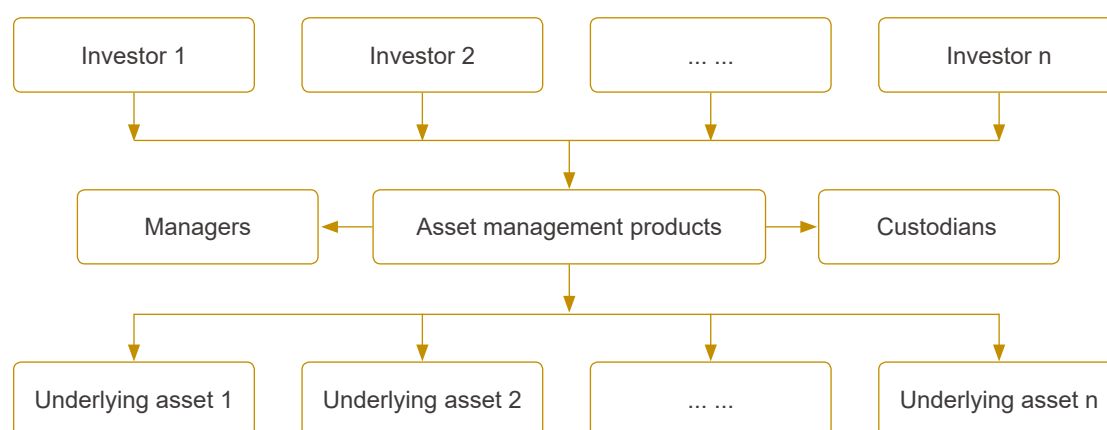


Figure 1 Reference Model of the Legal Architecture of Asset Management Products

In practice, asset management products such as private equity management products and private equity investment funds of securities and futures management institutions are usually contract type products which boils down to a fiduciary relationship. The investor/shareholder is the trustor as well as the beneficiary. It is a self-benefit trust because the trustor and the beneficiary are the same person. The fund manager and the fund custodian are trustees who perform their fiduciary duties in accordance with the provisions of the Fund Law and other relevant laws and regulations.

Private equity funds are mainly invested in the equity of unlisted companies. Partnership and company type funds, once established in accordance with the Partnership Law and the Company Law, are commercial entities and can be directly registered as shareholders of the invested company through the industrial and commercial registration system. For contract type funds, fund managers are registered as shareholders on behalf of investors and the agency relationship may have a negative impact on the invested company in any future IPO process. Therefore in practice, private equity funds tend to be either partnership or company type. In partnership and company type funds, the fund manager shall also assume the obligation of trustee, placing the interests of the trustor above that of the fund manager, and earnestly perform the fiduciary management duties in the principles of trustworthiness and prudence.

In partnership type private equity funds, the investor becomes a partner (usually a limited partner) and establishes the partnership while the fund manager and/or its related parties become the general partner of the partnership, acting as the executive partner to deal with the partnership affairs. In certain fund structures, the fund manager is not a general partner and does not act as an executive partner but establishes the fiduciary management relationship with the fund asset by signing a management entrusting agreement with the partnership.

In company type private equity funds, the investor makes an investment to establish a limited liability company or a joint stock company and the fund manager and/or its related parties may make a follow-up investment to become a shareholder of the company. Company type funds usually entrust fund managers with investment and management services through a management entrusting agreement with the fund manager.

Commercial banks, wealth management subsidiaries of commercial banks, trust companies and insurance companies mostly conduct private asset management business using contracts and offer products such as equity, debt, real estate investment, trust plans and wealth management products in accordance with the applicable laws and regulations.

III . Establishment of Asset Management Companies and Filing of Record for Asset Management Products

1. Public Funds

(1) Establishment of Public Fund Management Company and Approval of Qualifications of Public Fund Managers

Public funds must be raised and managed by public fund managers in order to invest in securities. Management of public funds may only be carried out by a fund management company or an institution approved by the China Securities Regulatory Commission (CSRC) in accordance with relevant laws and regulations. The application process for the approval to act as a public fund manager includes two steps: (i) the establishment of a public fund management company; and (ii) approved qualifications for the public fund manager. Once the CSRC approves the establishment of a fund management company, the applicant should go to the State Administration for Industry and Commerce to complete company registration procedures with a receipt of the approval document. After registration, public funds must apply to the CSRC for on-site inspection. The CSRC will issue a Securities and Futures Business License after on-site inspection.

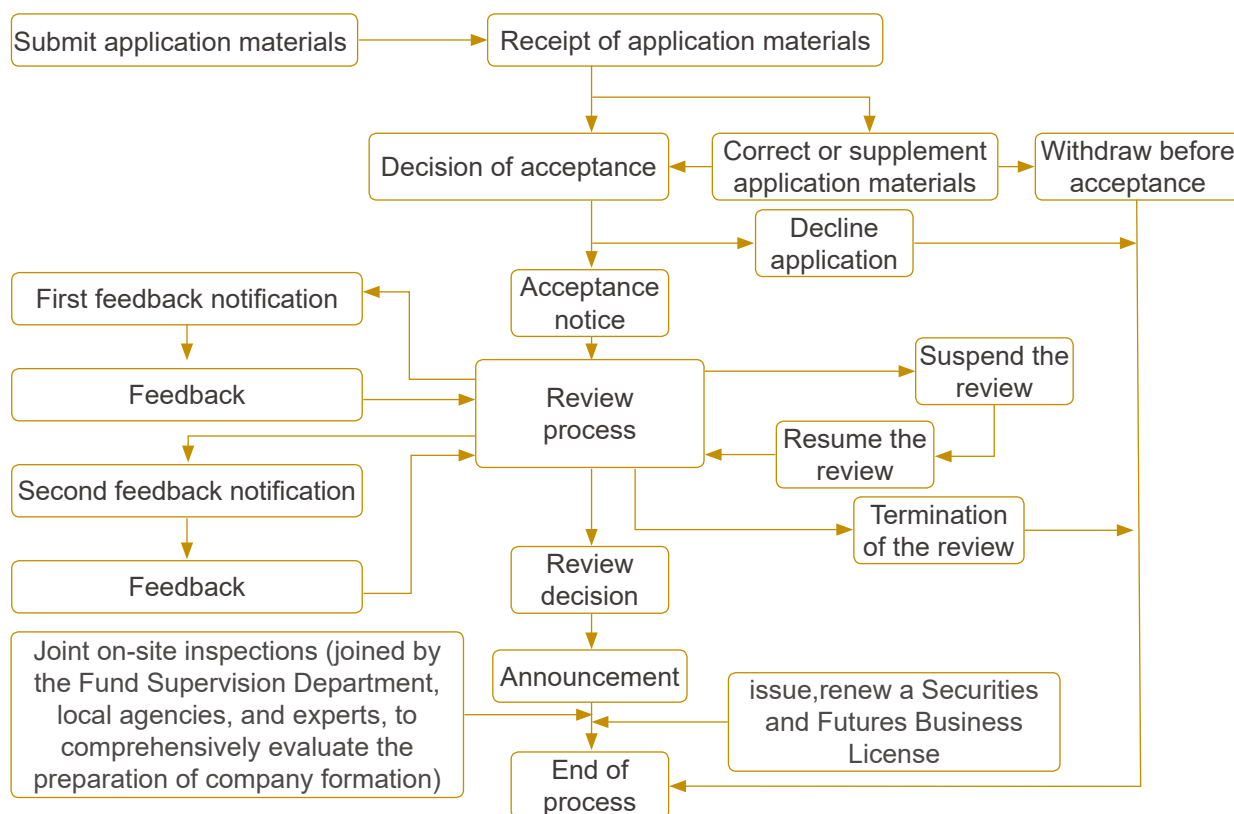


Figure 3 The Establishment Process of Public Fund Management Company

(2) Approval of Qualifications of Public Fund Managers of Asset Management Company

If an asset management company, like the securities company, insurance assets management company and securities company, applies to engage in fund management business, it must submit application materials to the CSRC. The CSRC will review the application in accordance with relevant laws and regulations. If the application is approved, the CSRC will issue the securities and futures business license to the applicant.

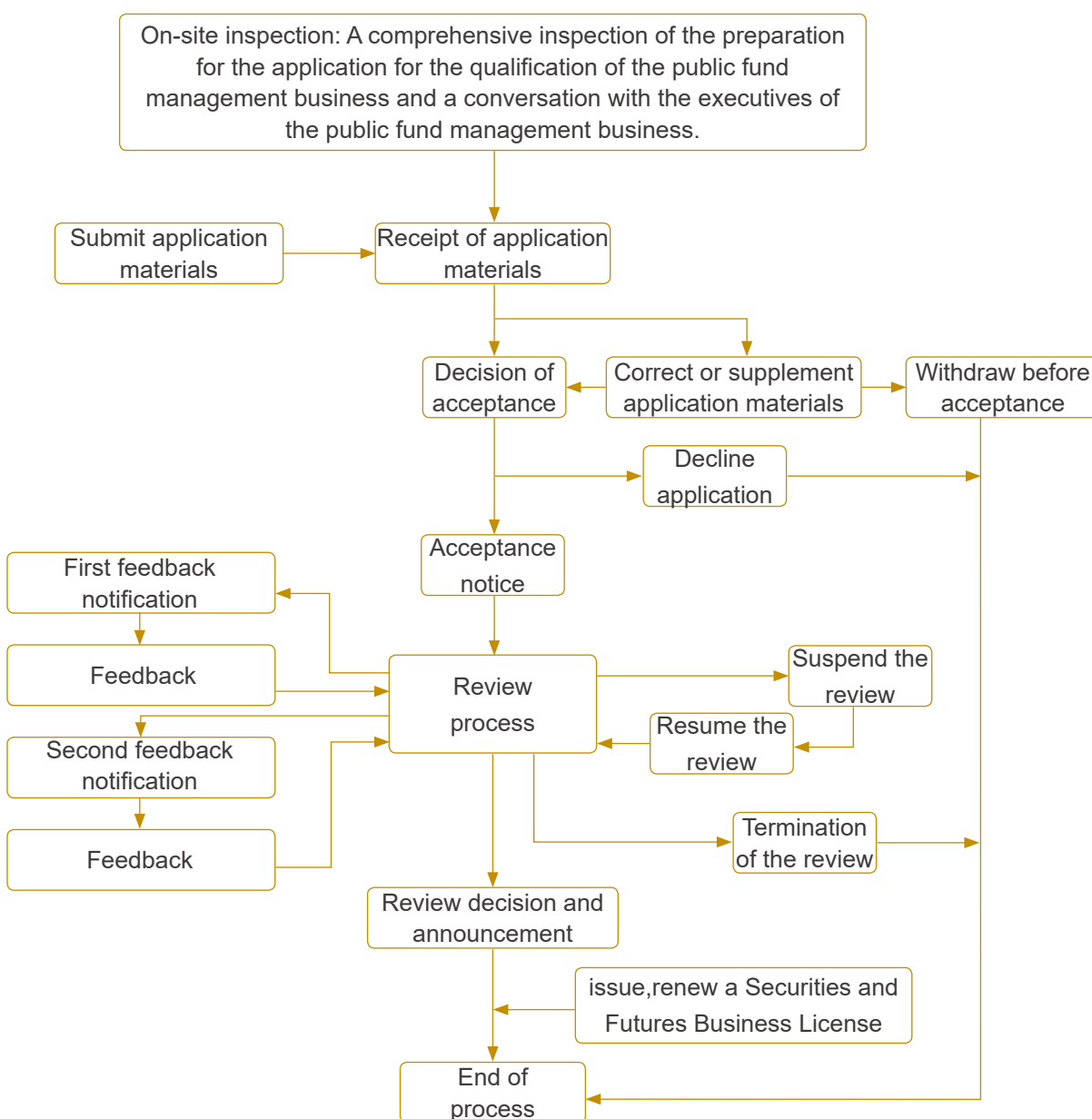


Figure 4 The Process of Approval of Qualifications of Public Fund Managers

(3) Registration of Public Funds

According to Article 50 and Article 54 of the Securities Investment Fund Law (amended in 2015), public funds must be registered with the CSRC. The CSRC will determine whether the registration will be approved. The fund manager must raise the first fund within six months after receiving the approval.

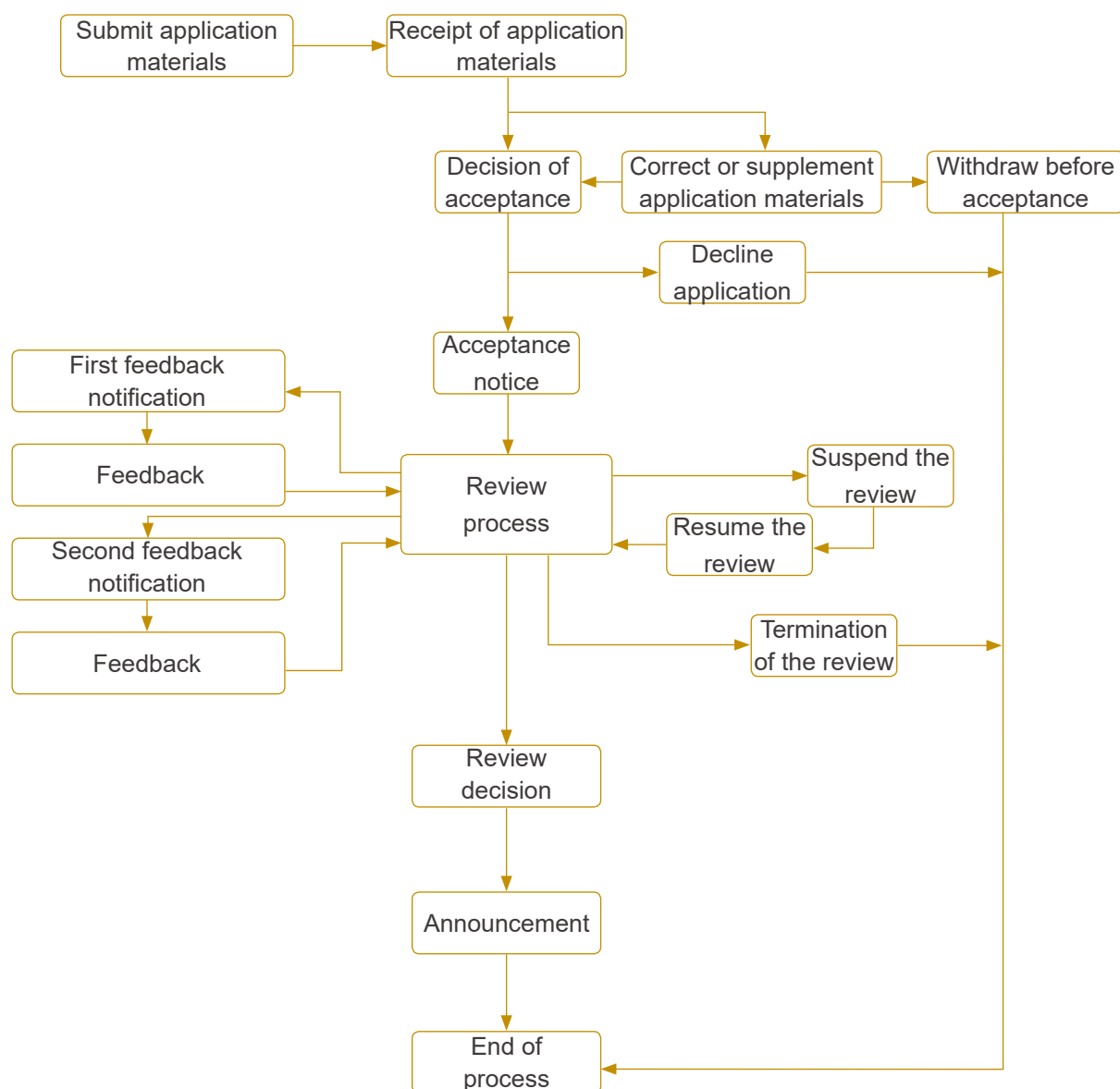


Figure 5 Public Fund Registration Process

2. Private Equity Asset Management by Securities and Futures Operating Institution

(1) Application for Qualification of Private Equity Asset Management

- ① The institution's financial and risk control indicators such as net assets and net capital are in compliance with laws, administrative regulations, and rules of the CSRC;
- ② Has a sound corporate governance structure, comprehensive internal control, compliance management, and risk management systems;
- ③ Has qualified senior management and at least three investment managers;
- ④ Has an investment research department and at least three full-time investment researchers;
- ⑤ Has business premises, security protection facilities, and an information technology system that meet legal requirements;
- ⑥ Did not receive any administrative or criminal penalty for major violations of laws and regulations in the last two years, nor any administrative regulatory measures by administrative authorities for major violations of laws and regulations in the last year, and it is not being investigated by competent authorities for alleged major violations of laws and regulations;
- ⑦ Fulfills other requirements stipulated by the CSRC based on the principle of prudent supervision.

(2) Record-filing of Private Equity Asset Management Products

A securities and futures operating institution must submit the asset management agreement, list of investors and subscribed amounts, the capital verification report or the asset contribution evidence and other materials to the AMAC for filing, and send copies to relevant local offices of the CSRC, within five working days from the establishment of the asset management scheme.

3. Private Investment Funds

According to the Interim Measures for the Supervision and Administration of Private Investment Funds and the classification of fund types and other self-regulatory rules of the Asset Management Association of China, private investment funds are divided into private securities investment funds, private equity investment funds, venture capital funds, as well as other private equity investment funds and private equity asset allocation funds.

(1) Registration of Private Investment Funds and Private Fund Managers

① Registration of Private Fund Managers

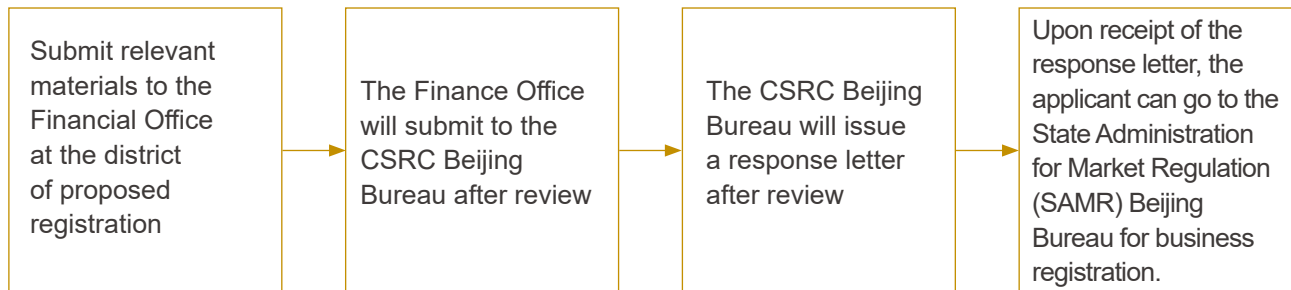


Figure 6 Process for Registration of Private Investment Funds in Beijing

② Registration of Private Investment Fund

Private funds to be registered in Beijing should submit relevant materials to the CSRC Beijing Bureau, the CSRC Beijing Bureau will issue a no objection letter after review. Upon receipt of the no objection letter, the applicant can go to the State Administration for Market Regulation Beijing Bureau for business registration.

(2) Registration and Record-filing for Private Investment Fund Managers

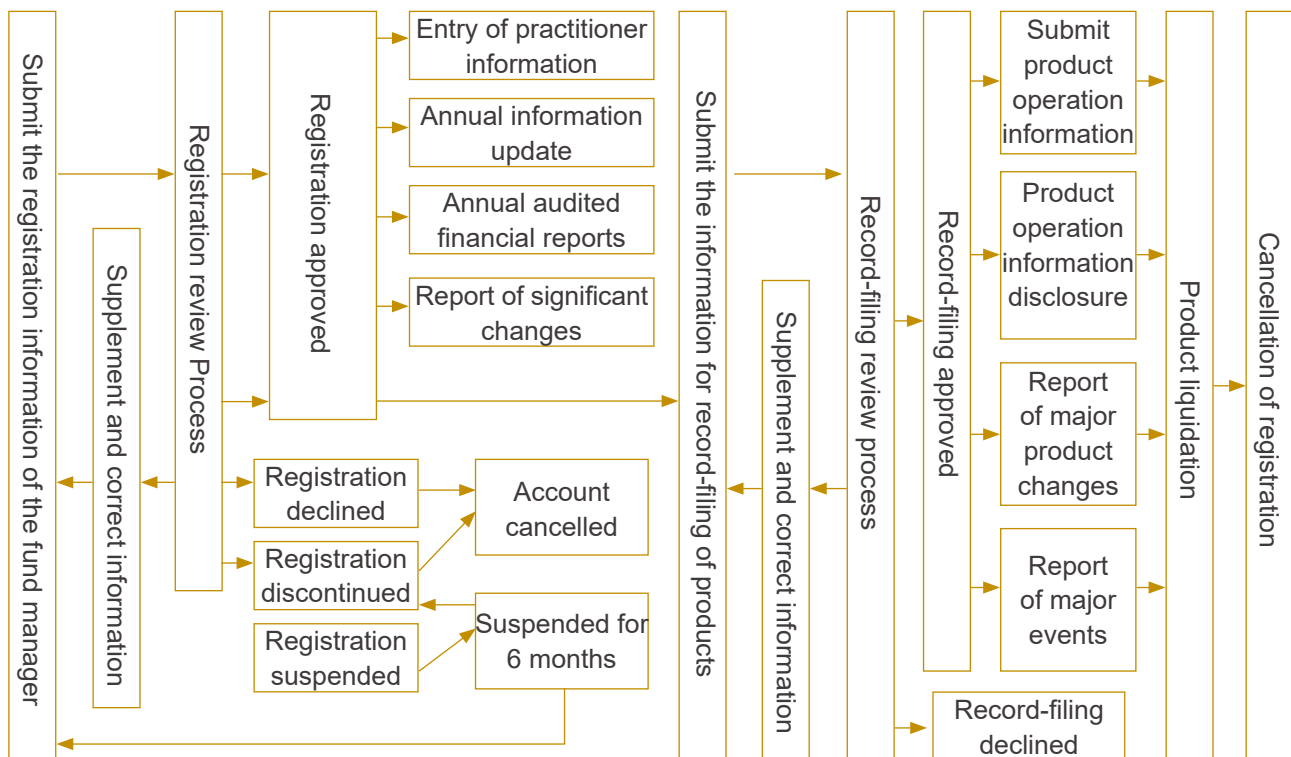


Figure 7 Registration Process of Private Investment Fund Managers

A private investment fund manager must record the first product within 6 months after its registration. Within 20 working days after completion of private fund-raising, the private investment fund manager must submit for record-filing relevant private fund products.

4. Qualified Domestic Limited Partner (QDLP)

The Beijing Local Financial Supervision and Administration launched a pilot project for qualified domestic limited partners (QDLP) for overseas investments in 2020, which has already attracted multiple foreign institutions. This pilot project is marked by four major innovations: first, the process is the simplest, with a one-time review process involving all relevant departments. The pre-approval company registration can be handled simultaneously. During the COVID-19 pandemic, it took only five working days (March 2 – March 6) for an application by Oaktree Capital to be approved; second, there is no quota. The investment quota for QDLPs in Beijing is accepted according to market demands and will be determined with caution by relevant authorities. The quota can be re-applied once used up; third, QDLPs can raise funds from both institutional investors and individual investors; fourth, QDLPs are allowed to invest in both public markets and private markets. Until May, 2020, fifteen institutions, expressed their intentions to participate in the pilot project of QDLPs in Beijing, and they have requested an investment quota in the amount of nearly US \$2 billion.

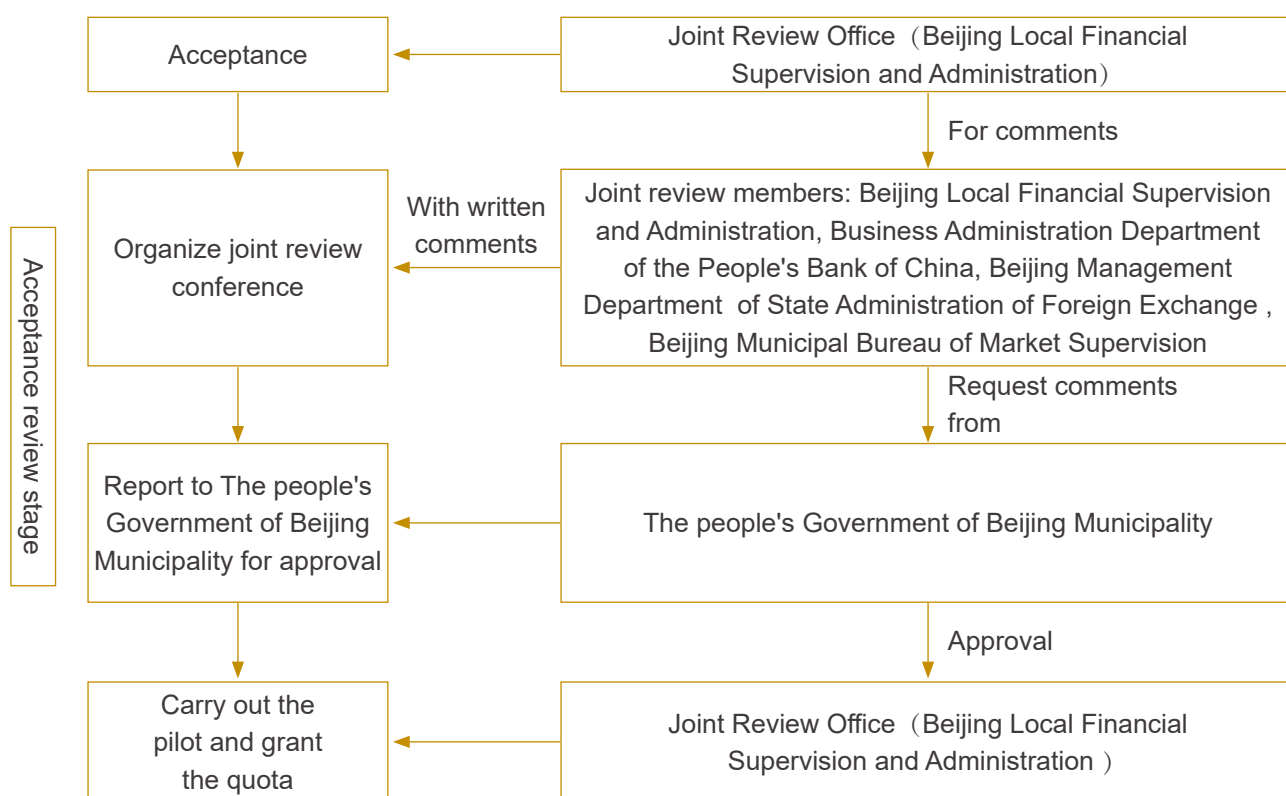


Figure 8 Application Process For Pilot QDLP In Beijing (For Reference Only)

5. Trust

(1) Domestic Trust Companies

As of April 2020, there are 68 trust companies in China. The China Banking and Insurance Regulatory Commission (CBIRC) no longer issues new licenses for trust companies, such licenses can only be obtained through mergers and acquisitions. There are currently seven foreign invested trust companies. In 2015, the CBIRC lifted the 20% cap on shares held by foreign financial institutions in domestic trust companies. On April 14, 2020, the CBIRC asked for public consultation for abolishing the requirement under which foreign financial institutions must have a total asset of US \$ 1 billion in order to qualify to invest in domestic trust companies.

(2) Establishment of Trust Products

A trust company must register its products before conducting its trust business. The China Trust Registration Co., Ltd (the “Registration Company”) provides services such as trust product registration, trust beneficiary rights account management, collection or report of information, and public announcement of assembled funds trust plans.

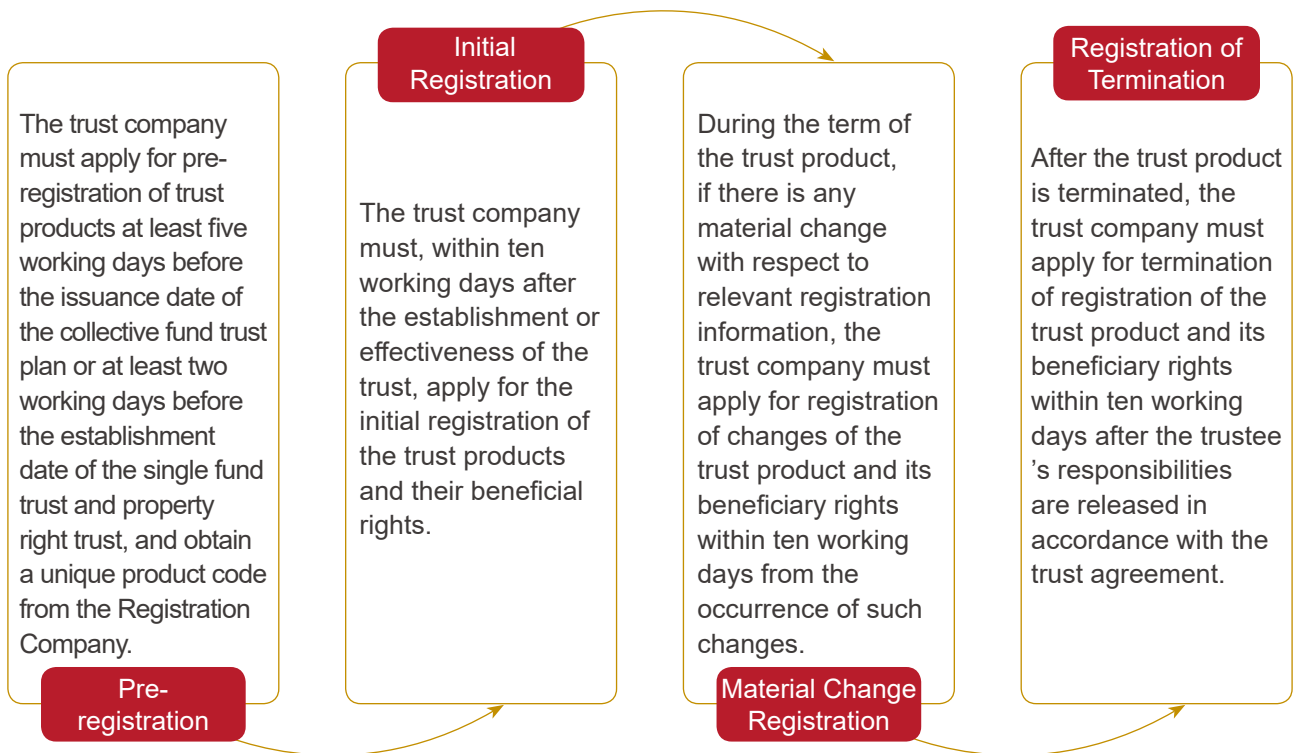


Figure 9 Registration Process of Trust Products

6. Insurance Asset Management

(1) Establishment of an Insurance Asset Management Company

Insurance companies may establish insurance asset management companies with the approval of the CBIRC. Application requirements for the establishment of an insurance asset management company include: minimum paid-in capital of RMB100 million, shareholder structure, business scope, and personnel requirements. The CBIRC will issue a written decision on whether to approve the application within 3 months from the date when the application materials are accepted.

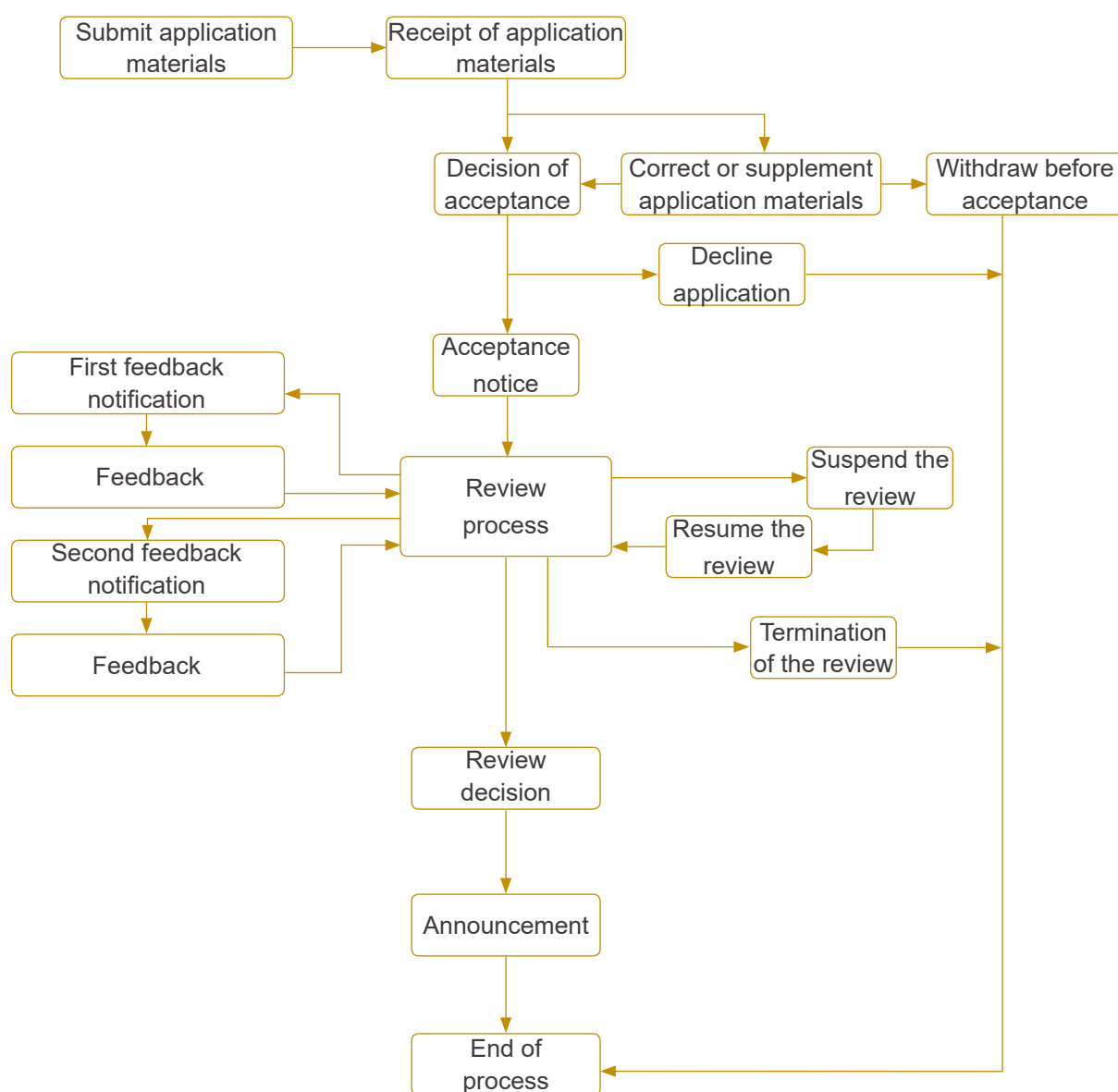


Figure 10 Process for Insurance Asset Management Companies

(2) Insurance Asset Management Products

The Interim Measures for the Management of Insurance Asset Management Products were released by the CBIRC on March 25, 2020, and will be implemented on May 1, 2020. The existing insurance asset management products include debt investment plans, equity investment plans, portfolio products and other products specified by the CBIRC. The regulatory requirements for these three types of products are now unified. Insurance asset management products must be registered with institutions approved by the CBIRC. Currently, the issuance of debt investment plans and equity investment plans follow a registration-based system, and the China Insurance Asset Management Association is responsible for management of registration.

7. Establishment of a Wealth Management Subsidiary of a Commercial Bank by Foreign Commercial Banks

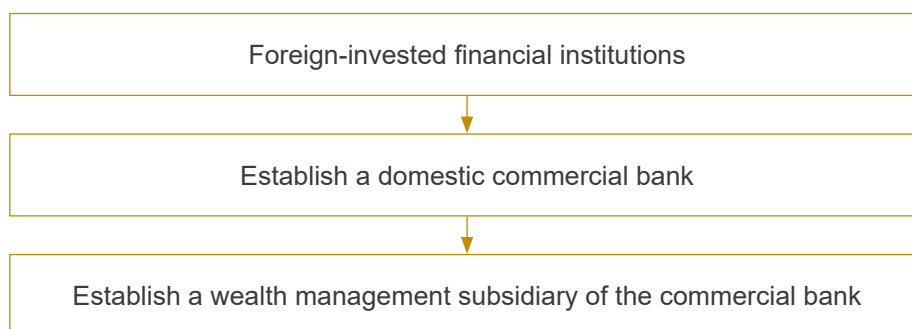


Figure 11 Path for Foreign Institutions to Set Up a Wealth Management Subsidiary of a Commercial Bank in China

8. Establishment of a Wealth Management Subsidiary of a Commercial Bank by both Foreign-invested Financial institutions and Domestic Financial Institutions



Figure 12 Path for Foreign-Invested Financial Institutions and Domestic Financial Institutions Cooperate to Set Up a Wealth Management Subsidiary of the Commercial Bank in China

9. Participation in Establishment of Wealth Management Company by Foreign Asset Management Institutions

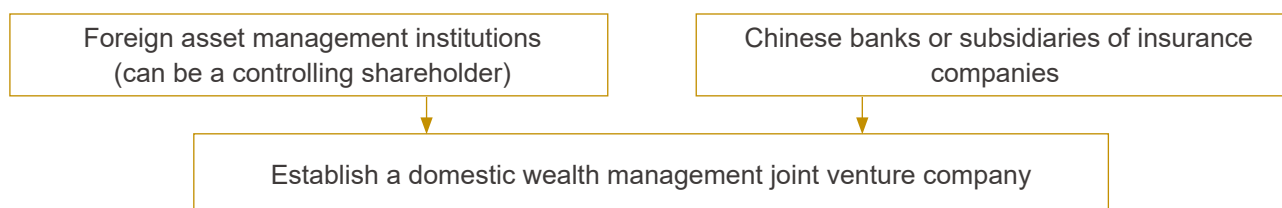


Figure 13 Path for Foreign Asset Management Institutions Participate in the Establishment of Wealth Management Companies

10. Asset Management Company (AMC)

For a foreign financial institution to become a sponsor of an AMC, it must meet the following requirements:

- 1) Its total assets as of the end of the immediately preceding fiscal year must, in principle, be no less than US\$10 billion or the equivalent of a freely convertible currency.
- 2) Its long-term credit rating for the immediately preceding two years is good.
- 3) Its financial condition is good, and it has been continuously profitable for the last two fiscal years.
- 4) Its capital adequacy ratio must exceed the average ratio of the banking industry in its place of registration and must be no less than 10.5%; the total capital of non-bank financial institutions must be no less than 10% of the total risk-weighted assets.
- 5) Its internal control systems are sound and effective.
- 6) The supervision and administration system of financial institutions of its place of registration is sound.
- 7) The economic condition of its country or region is sound.
- 8) It is only allowed to use its own capital to contribute into the AMC. Funds other than its own capital, such as entrusted funds or loans are not allowed to contribute into the AMC.
- 9) The aggregate of equity investment must not exceed 50% of its net assets (including the amount of this investment).
- 10) Other prudential requirements as stipulated by the CBIRC.

The CBIRC is responsible for the review and approval of the investment.

11. Asset-investment Company (AIC)

(1) Establishment of Asset-investment Company

According to Article 13 of the Administrative Measures for Financial Asset Investment Companies, the preparation documents for establishing a financial asset investment company shall be submitted by the commercial bank as the main shareholder to the banking supervision and administration institution of the State Council. The banking supervision and administration institution is responsible for the review and approval of the investment.

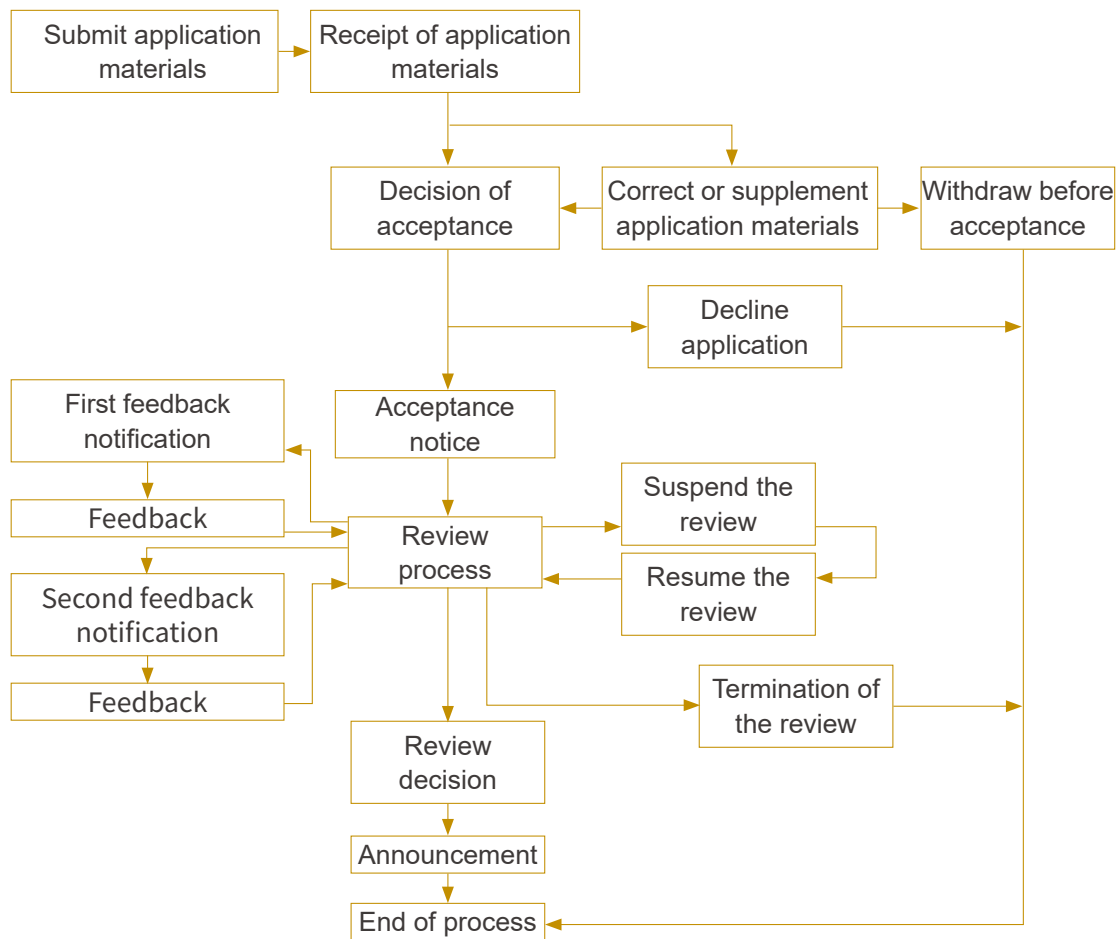
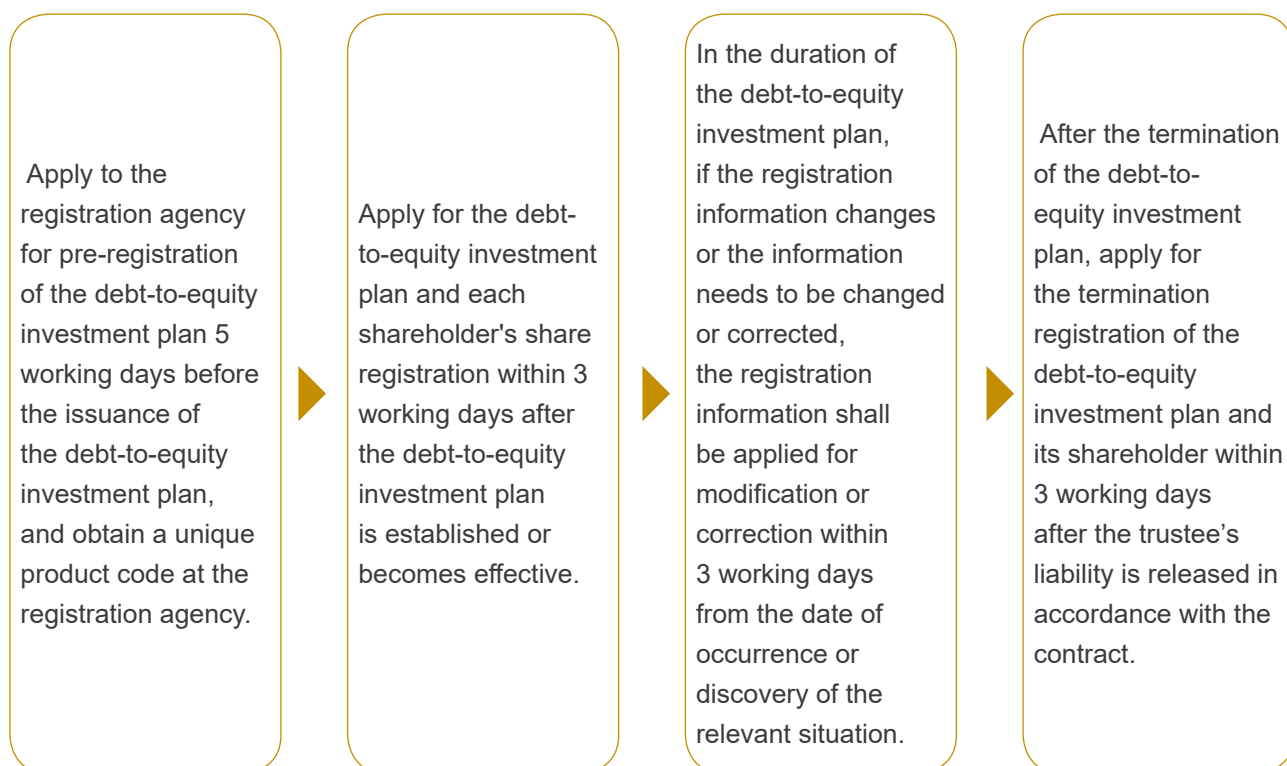


Figure 14 AIC Registration Process

(2) Issuance Procedure of AIC Asset Management Product

According to the Notice on Matters Related to the Asset Management Business of Financial Asset Investment Companies and Basic Requirements for Debt-to-Equity Investment Plan Registration, the debt-to-equity investment plan shall be registered in the banking financial management registration and custody center. Without registration, the debt-to-equity investment plans shall not be issued. The specific registration process is as follows:



IV. Tax Policies on Asset Management

The tax system in China is in a process of continuous development. Enterprises that are incorporated in China are subject to corporate income tax (CIT), value-added tax (VAT), and stamp duty. In addition, enterprises holding any real estate may also be subject to the land use tax, property tax, and land value appreciation tax. For foreign-invested asset management institutions, the major types of taxes that apply include CIT, VAT, and individual income tax(IIT).

1.CIT

Scope of Taxation	<p>According to the relevant laws and regulations regarding CIT in China, a Chinese tax resident enterprise is subject to CIT for its income generated both in and outside China. Taxable income for calculating CIT mainly consists of the balance derived from an enterprise's total revenue in each tax year after subtracting various deductions and permitted offsets of losses from the previous year(s).</p> <p>The above-mentioned enterprises generally apply to limited liability companies. For partnership enterprises, CIT does not apply; the enterprise's production and operation income and other income are distributed on the principle of "tax after distribution", and each partner is the taxpayer. If the partner is a corporation, CIT shall be paid. If the partner is a natural person, IIT shall be paid. When calculating enterprise income tax, the loss of partnership business shall not be used to offset profit, if partners of the partnership business are legal persons or other organizations.</p>
Tax Rate	The above taxable income is subject to a 25% CIT.
Preferential Tax Treatment	<p>For the asset management industry, China's tax laws and regulations stipulate a series of tax benefits. CIT is not imposed, for the time being, upon the revenue obtained by securities investment funds from the securities market, including the investment gains derived from stock and bond trading, equity investment dividends and bonuses, and bond investment interest and other revenues; the revenue obtained by securities investment fund managers from trading of stocks and bonds using funds; and revenue obtained by investors from the distribution of securities investment funds. The securities investment funds in this paragraph mainly refer to the public securities investment funds.</p>
Filing Requirements	<p>CIT is calculated based on calendar years. Enterprises shall file tax returns and complete final settlement with the tax authority within 5 months after the end of a calendar year. In addition, enterprises are generally required to prepay CIT on a quarterly basis and file tax returns with the tax authority for prepayment within 15 days after the end of each period.</p>

2.VAT

Scope of Taxation	<p>The financial industry also falls under China's VAT system. The revenue generated from providing loan services, direct-charge financial services, insurance services and transfers of financial commodities are all subject to VAT. Therefore, foreign-invested enterprises that engage in asset management are also required to pay VAT on their operating revenue.</p> <p>According to the relevant laws and regulations regarding VAT, VAT taxpayers are classified into general taxpayers and small-scale taxpayers. The amount of VAT payable by general taxpayers is calculated as follows:</p> <p>The amount of VAT payable = sales amount * VAT tax rate - input tax</p> <p>The input tax refers to the amount of VAT paid by the taxpayer when purchasing taxable goods, labor and services that are subject to VAT.</p> <p>The amount of VAT payable by small-scale taxpayers is calculated as follows:</p> <p>The amount of VAT payable = sales amount * VAT collection rate</p> <p>Institutions engaged in equity investment, including equity investment with limited partnerships should pay relevant VAT on the received taxable income based on their VAT taxpayer identities (i.e., general or small-scale taxpayer). At the same time, if revenue from equity transfers and dividend income are received during the holding period, these incomes are generally non-taxable VAT income, and thus in most cases no VAT is required.</p> <p>Asset management institutions engaged in secondary market of the securities investment should divide their business into asset management product operations and other businesses, and then apply different VAT treatments as follows:</p> <ul style="list-style-type: none"> -For the asset management product operations business of asset management product managers, the simplified VAT collection method applies at the rate of 3%. The asset management products specified in relevant regulations include public securities investment funds, private investment funds and others, and the taxable revenue mainly consists of revenue from loan services and from transfers of financial commodities. -For other businesses of asset management product managers, if the manager is a general taxpayer, the output tax shall be calculated at the rate of 6% and input tax could be credited. "Other businesses" generally refer to direct-charge financial services, and the related taxable revenue refers to management fees, advisory service fees, etc.
Tax Rate	<p>For general taxpayers, the VAT tax rate varies based on the types of revenue, and the rate of 6% is generally applied to the financial industry. For small-scale taxpayers, the VAT rate is 3%.</p>

Preferential Tax Treatment	For the asset management industry, preferential tax treatment is applicable to certain investment targets. For example, tax-exempt treatment may apply to interests derived from investments in treasury bonds, local government debts, and inter-financial institution transactions. Tax-exempt treatment also applies to revenue from transfers of financial commodities that is obtained by securities investment funds through trading of stocks and bonds. Securities investment funds in this paragraph mainly refer to public securities investment funds.
Filing Requirements	Under the current VAT system, except in certain industries (such as banking and trust companies), general taxpayers are required to file tax returns on a monthly basis, and small-scale taxpayers are required to file tax returns on a quarterly basis. Taxpayers are generally required to file tax returns with the tax authority for VAT payment within 15 days after the end of each tax period.

3. IIT

In addition to the above corporate taxes, foreign-invested asset management enterprises should also pay attention to IIT, as it is not only related to the company's compliance obligations, but more importantly, is closely related to the interests of employees and senior management. Foreign-invested asset management enterprises should pay attention to the following aspects regarding IIT.

Scope of Taxation	<p>An individual who has a domicile in China, or an individual without a domicile in China but have resided in China for 183 days or more cumulatively within a tax year, shall be deemed as a resident individual. Income derived by resident individuals from China and overseas shall be subject to IIT. For a resident individual who does not have a domicile in China and has resided in China for less than six consecutive years, his/her foreign-sourced income paid by an overseas organization or individual shall, upon filing with the tax authority in charge, be exempted from IIT; where he/she leaves China for more than 30 days consecutively in any year in which he/she resides in China for 183 days or more cumulatively, the computation of consecutive number of years for which he/she resides in China for 183 days or more cumulatively shall restart.</p> <p>The taxable income amount shall be the balance less the expense of RMB60,000, special deductions, and the special additional deductions from the annual income of resident individuals in each tax year. Special deductions shall include basic pension insurance, basic medical insurance, unemployment insurance and other social security premiums, as well as housing provident fund etc., contributed by resident individuals; special additional deductions shall include expenses towards children education, continuing education, major illness medical treatment, housing loan interest or housing rent, and support for elderly family members.</p> <p>An individual who does not have a domicile in China and has resided in China for less than 183 days cumulatively within a tax year shall be deemed as a non-resident individual. Income derived by non-resident individuals from China shall be subject to IIT pursuant to the provisions of this law.</p>
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Tax Rate	<p>Consolidated income (including income such as wages and salaries) shall be taxed at progressive rates ranging from 3% to 45%.</p> <p>Income from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income shall be subject to a proportional tax rate at 20%.</p>
Preferential Tax Treatment	<p>For a portion of income, the tax law provides exemptions, such as interest income on treasury bonds and other financial debentures issued by the government, insurance claims, welfare benefits, pension and relief funds.</p> <p>In addition, between January 1, 2019 and December 31, 2021, foreigners who are classified as tax residents of China may elect to enjoy either the special expense additional deductions for IIT, or the tax exemptions for housing allowance, language training fees, children's education fees, and other allowances and subsidies as listed below (they may not enjoy both the special expense deductions and the tax exemptions at the same time):</p> <ol style="list-style-type: none"> 1) Reasonable housing allowance, meal allowance and laundry fee allowance provided to foreign individuals in non-cash form or on an at-cost basis are exempt from IIT. 2) Relocation income provided to foreign individuals on an at-cost basis and in relation to taking or leaving office in China is exempt from IIT. 3) Domestic and overseas travel allowance provided to foreign individuals based on a reasonable standard is exempt from IIT 4) Fare for home trips provided to foreign individuals is exempt from IIT. 5) Allowances for language training and children's education provided to foreign individuals are exempt from IIT. <p>Once made, foreign individuals may not change their selection during the relevant tax year.</p>
Filing Requirements	<p>Taxpayers obliged to pay IIT are the individuals and withholding agents are the organizations or individuals who will pay such income.</p> <p>Individuals deriving consolidated income shall compute IIT on a yearly basis; where there is a withholding agent, the withholding agent shall withhold and prepay tax on a monthly basis or based on each income item; where there is a need for final filing, the taxpayer shall complete the filing during the period from 1 March to 30 June in the following year after obtaining the income.</p>

4. Common Reporting Standard

In addition to the above tax compliance obligations, asset management institutions in China must also fulfill the compliance obligations related to the Common Reporting Standard (CRS). On July 1, 2017, China officially implemented the compliance requirements of the CRS and promulgated relevant regulations. The regulations stipulate obligations for financial institutions in China regarding information reporting under CRS, including due diligence and annual reporting.

V. Frequently Asked Questions

Q1. What core advantages and characteristics does Beijing provide for foreign asset managers?

Beijing's core strengths and characteristics are mainly concentrated in the following four aspects:

1) High concentration of key institutional headquarters

The headquarters of China's three major policy banks, four major state-owned commercial banks, and three major insurance companies are all in Beijing. In addition, Beijing has more than 700 licensed legal person financial institutions. This gives Beijing unique advantages for foreign asset managers to conduct business in China in the future and establish cooperation with domestic financial institutions.

2) Proximity to regulatory bodies

The State Council Financial Stability Development Committee, the People's Bank of China, China Banking and Insurance Regulatory Commission, and China Securities Regulatory Commission and other national financial regulatory agencies are all based in Beijing. All of China's macroeconomic and financial decisions are issued here, affecting China and the world.

3) Presence of international financial organizations

Numerous international financial organizations including the Asian Infrastructure Investment Bank, Silk Road Fund, and the Asian Financial Cooperation Association have been established in Beijing. With success of the Asia-Pacific Economic Cooperation Leaders' Summit and the Belt and Road Forum for International Cooperation in Beijing, the city has become a center of financial cooperation under the Belt and Road Initiative. This has also created an important platform for foreign asset managers to unleash their potential as professional organizations with an international outlook.

4) Key center of securities market

Beijing has the third national stock exchange after Shanghai and Shenzhen, the National Equities Exchange and Quotations (The New Third Board), and has also established the Beijing Equity Exchange Center (The New Fourth Board) and inter-institutional private equity product quotation and service system (The Fifth Board), all three are important components of China's multi-level capital market. Beijing is China's largest bond pricing and issuance center, and is also the location of enterprise bond, corporate bond, inter-bank dealer association debt financing instruments, asset securitization products, and other bond issuance supervision and registration institutions.

Q2. What are some examples of international asset management organizations that have successfully established a presence in Beijing?

On April 1, 2020, China officially lifted restrictions on the proportion of foreign shares held by securities companies and fund management companies. Moving ahead a timeline originally scheduled for December 2020. Numerous foreign-owned financial institutions have recently settled in Beijing, with asset management institutions including private equity management companies accounting for a considerable proportion. Specific examples include:

- 1) Oaktree Capital Management, a leading global alternative investment management company, established OAKTREE (Beijing) Investment Management Co. in Beijing in February 2020. This was the first financial organization registered in China with an English name after the passage of the Foreign Investment Law of the People's Republic of China on January 1, 2020.
- 2) In March 2020, CITIC Prudential Asset Management Company, a joint venture insurance asset management company established by Prudential Group, the UK's largest life insurance company, was registered in Beijing.
- 3) In March 2020, after approval by the China Securities Regulatory Commission, Goldman Sachs' shares in Goldman Sachs Gaohua Securities Co. Ltd increased from 33% to 51%.
- 4) In June 2020, after approval by the China Securities Regulatory Commission, Credit Suisse AG's shares in Credit Suisse Founder Securities Co. Ltd increased from 33.3% to 51%.
- 5) In 2019, the well-known French financial institution Amundi established Amundi Pioneers (Beijing) Co., Ltd. These examples not only highlight the huge market opportunities that China's asset management industry provides for international financial institutions and investors, but also reflects the huge potential of Beijing's asset management industry as the most active sector in China's continued opening of its financial industry to the world.

Q3. What specific cross-border projects does Beijing support for foreign institutions?

Beijing supports foreign institutions to engage in cross-border business on the following five levels:

- 1) Supporting qualified institutions to invest in domestic market stocks, bonds, public funds and stock index futures through Qualified Foreign Institutional Investor (QFII) or RMB Qualified Foreign Institutional Investor (RQFII) projects.
- 2) Supporting qualified institutions in Beijing to carry out pilot projects of Qualified Domestic Limited Partners (QDLP) for overseas investment, allowing qualified institutions to raise RMB funds from qualified investors, and invest the raised funds in overseas markets
- 3) Supporting qualified institutions to apply for Qualified Domestic Institutional Investor (QDII) and RMB Qualified Domestic Institutional Investor (RQDII) business qualifications to pursue investment quotas.
- 4) Extending the scope of the qualifications of domestic institutional investors to investment management institutions launched by domestic and foreign institutions in Beijing, including domestic securities companies, fund management companies, insurance asset management companies and wealth management subsidiaries of the commercial banks.

Exploring pilot cross-border transfers of banking non-performing assets in Beijing based on qualified trading venues.

Q4. As China continues to open its financial industry, what specific plans does Beijing have for the market entry of foreign asset managers?

Specific measures related to the asset management industry include:

- 1) Supporting the establishment of local joint-venture asset managers in Beijing.
- 2) Promoting the relaxation of market access restrictions for securities financial institutions and supporting the establishment of new foreign-controlled securities companies, wholly foreign-owned or joint venture asset managers in Beijing.
- 3) Supporting the rapid implementation of policies on the limitation of the proportion of foreign-owned shares of fund managers and futures company.

Q5. What specific support are provided to foreign asset managers intending to register in Beijing?

Beijing provides assistance to foreign asset managers interested in registering in the city in three ways:

- 1) Establish a service assistant system for foreign financial institutions

Beijing currently provides assistant services for several key financial institutions. Each institution is assigned a service assistant, serving the institution's needs in registration and development in Beijing. In the future a full-time service assistant will be provided to newly-established foreign financial institutions to respond to corporate demands at any time.

- 2) Establish a fast track for the registration of foreign financial institutions

Beijing will include newly-established foreign-owned financial institutions in the "white-list" based on the Eleven Policies (the eleven policies for further opening the financial industry announced by the State Council's Financial Stability and Development Commission Office on July 20, 2019), and establish a fast track to optimize the process and achieve rapid registration.

According to the World Bank's Doing Business report, opening a business in Beijing can be completed within 5 business days. After the foreign-owned financial institution obtains the approval from the regulatory authority, relevant agencies in Beijing will support the registration of the institution in Beijing as soon as possible.

- 3) Promote a fast track for foreign talent acquisition

Beijing has introduced new policies in response to the needs of foreign institutions for talent acquisition, including the establishment of a fast track to coordinate and facilitate the entry and exit of foreign high-level financial talent to China. Foreign high-level talent in key service industries such as the finance industry are eligible to receive a working permit for a maximum of five years.

VI、 Relevant Government Departments and Organizations

Financial Stability and Development Committee of the State Council

Financial Stability and Development Committee, whose office located in the People's Bank of China, is the deliberative and coordinating body for the State Council to coordinate the major issues of financial stability and reform and development. It is responsible for the implementation of the decision-making and deployment of the Party Central Committee and the State Council on financial work, the deliberation of major plans for the reform and development of the financial industry, and the overall coordination of major financial supervision and management issues.

The People's Bank of China

As China's central bank and under the leadership of the State Council, the People's Bank of China formulates and implements monetary policies to prevent and resolve financial risks and maintain financial stability. Monetary policy and market interest rate are important factors that affect the capital supply of asset management industry. The People's Bank of China shall be responsible for the implementation of macro Prudential Management of asset management business, and work with the financial supervision and regulation department to formulate standard regulations on asset management business. The representative office in Beijing is Operations Office (Beijing), the People's Bank of China.

Website Link: <http://www.pbc.gov.cn>

China Banking and Insurance Regulatory Commission

As the main regulatory body for China's banking and insurance industry, China Banking and Insurance Regulatory Commission (CBIRC) aims at maintaining the legal and stable operation of banking and insurance industry, preventing and resolving financial risks, protecting the legitimate rights and interests of financial consumers, and maintaining financial stability. In the asset management industry, the CBIRC is responsible for the examination and approval of license of bank financing subsidiaries, joint venture financing companies, financial asset management companies, financial asset investment companies, insurance asset management companies, trust companies and other institutions. The representative office in Beijing is Beijing Office, China Banking and Insurance Regulatory Commission.

Website Link: <http://www.cbirc.gov.cn>

China Securities Regulatory Commission

As the main regulatory body for China's capital market, China Securities Regulatory Commission (CSRC) is responsible to supervise and manage the national securities and futures market, maintain the order of the securities and futures market, and ensure its legal operation. In the asset management industry, CSRC is responsible for the license approval of public fund management companies and securities companies to carry out asset management business. China fund industry association is responsible for the record management of private fund license. In addition, an asset management institution established in China to invest outside China through QDII or an overseas asset management institution to invest in China's domestic securities market through QFII shall be approved by or filed with CSRC. The representative office in Beijing is Beijing Bureau, China Securities Regulatory Commission.

Website Link: <http://www.csrc.gov.cn/pub/newsite>

State Administration of Foreign Exchange

State Administration of Foreign Exchange (SAFE), supervised by the People's Bank of China, is in charge of foreign exchange control in China. Its main responsibilities are balance of payments, foreign exchange market management, foreign exchange reserve management, etc. In the asset management industry, activities such as opening non-resident accounts, settlement and sale of foreign exchange, capital inward and outward remittance are subject to the supervision of SAFE, if foreign currency is used as the capital of newly established institutions, or cross-border investment or cross-border asset management and other businesses are carried out.

Website Link: <http://www.safe.gov.cn>

Beijing Local Financial Supervision and Administration

Directly supervised by the Beijing Municipal Government, Beijing Local Financial Supervision and Administration is responsible for the financial industry development planning, policies and liaison, coordination and service for financial institutions in Beijing. It aims at strengthening Beijing's function as a national financial management center and developing Beijing to an important international financial center.

Website Link: <http://jrj.beijing.gov.cn>

Beijing Asset Management Association

In order to improve the self-discipline and sound development of asset management industry in Beijing, Beijing Asset Management Association (“BAMA”) was formally established under the initiative of the Beijing Municipal government. The BAMA is in charge of promotion and facilitation overseas institutional investments to Beijing.

The association is a non-profit organization, approved by the Beijing Municipal Civil Affairs Bureau. Its inaugural members include the wealth management companies of ICBC, ABC, BOC, CCB and PSBC. It is China's first regional asset management association that has members including commercial banks, wealth management companies, insurance companies, securities firms, asset managers and various other financial institutions. The inaugural membership consists of 60 institutions with a total Asset under Management of circa 30 trillion yuan.

The principles of BAMA are 1) to assist the Chinese regulators in supervising and administering the asset management industry under the premise of laws and regulations; 2) to strengthen membership self-discipline and coordination; 3) to protect the rights of investors; 4) to improve members' professional standard and promote best practice; 5) to maintain and protect the rights and interests of members and promote the asset management business in Beijing.

Website Link: <http://www.bj-bama.org.cn>

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Beijing Private Equity Association

Beijing Private Equity Association (BPEA) is a non-profit social group, which was established by the equity investment fund industry in a voluntary joint initiative on June 20, 2008. With the tenet of “standardization, marketization and internationalization”, BPEA focuses on providing independent and professional information consultation, investment consulting and fundraising services for all parties in the private equity investment industry in China, through professional training, research consulting, conference services, investment and financing docking and other services which will help the industry to flourish. BPEA committed to: promote the issuance of preferential policies for PE industry, build the self-regulatory discipline of PE industry, safeguard the legitimate rights of members, research development trends of PE industry, train relevant professional individuals and cooperate with domestic and overseas institutions.

Website Link: <http://www.bpea.net.cn>

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Beijing Financial Services Stewardship

In order to further improve the opening-up of Beijing's financial industry, and to promote the settlement of foreign financial institutions in Beijing, a special task force was established in September 2018. In July 2019, Beijing announced the "Ten Measures" to further expand the opening up of the financial industry. A service stewardship system for foreign financial institutions has been proposed. Each foreign-funded financial institution shall be allocated with a service manager to provide "one-to-one" precise services and meet their needs when entering into and developing in Beijing. At present, a service stewardship system, covering both municipal and district levels, has been established in Beijing, providing comprehensive services for foreign financial institutions and improving their satisfaction.



Afterword

As the center of China's financial management and a key financial hub, Beijing has a long history in the finance industry, having been home to the first central bank in Chinese history. After years of development, Beijing's financial industry has formed a diversified and comprehensive institution system, a multi-level market system and a multi-dimensional financial service system. Today, many indicators of Beijing's financial industry rank first in China, including the size of assets, number of financial institutions, tax contribution, total share capital and total market value of listed companies, and size of financial talent.

In order to assist overseas investment management institutions in better understanding China and Beijing's financial environment and favorable policies, the Asset Management Association of China, Beijing Asset Managing Association, Beijing Private Equity Association, and CFA Institute jointly compiled Beijing Guidebook for Overseas Asset Management Institutions. This Guidebook aims to help overseas asset management institutions to set up a presence and conduct business in Beijing, by assisting in preparation for the establishment of institutions and the pre-investigation of product filing, understanding preferential tax policies as well as Beijing's financial market system and business environment.

With the supervision and support of the Beijing Local Financial Supervision and Administration, Operations Office (Beijing) of The People's Bank of China, Beijing Office of China Banking and Insurance Regulatory Commission, and Beijing Bureau of China Securities Regulatory Commission, this Guidebook was jointly compiled by the School of Finance of CUEB (Capital University of Economics and Business), Jincheng Tongda & Neal (JT&N), Fangda Partners, Grandall Law Firm, Simmons & Simmons, KPMG, Euromoney Institutional Investor. We would like to extend our special thanks to the above institutions.

Special thanks to the Beijing Sub-center Financial Industry Development & Promotion Team for their outstanding contributions to this guidebook!

Due to the limited time available for preparation, this Guidebook has been released with room for further improvement. Your valuable advice and suggestions are greatly appreciated. We strive to continuously commit our efforts to improve and enrich this Guidebook on a regular basis.

For subsequent updates, please refer to the link:

[Beijing Guidebook for Overseas Asset Management Institutions 1.0.1](#)

Beijing Sub-Center

Beijing Sub-Center is located on the eastern side, 25 kilometers away from Tian'anmen Square. With total area of 155 square kilometers, it serves as the Beijing's municipal administrative center. Beijing Sub-Center and the Xiong'an New Area constitute two new "wings" of Beijing to accommodate the businesses and institutions that are moving away from the capital's central district, in an endeavor to make the central district the place primarily for critical central government functionalities, to enhance the economy structure of Beijing City, and to grow and develop the economy of Beijing-Tianjin-Hebei region. The Sub-Center is the recommended destination for newly established financial institutions, with the focus on wealth management, green finance, and fintech.

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Asset Management Association of China

Asset Management Association of China (AMAC) is a civil organization with legal person status, approved by the State Council and registered with the Ministry of Civil Affairs, in accordance with Law of the People's Republic of China on Securities Investment Fund and Regulation on Registration and Administration of Social Organizations. AMAC is a self-regulatory organization in the securities investment fund industry and accepts the guidance, supervision and management from China Securities Regulatory Commission and the Ministry of Civil Affairs. According to Law of the People's Republic of China on Securities Investment Fund, fund managers and fund custodians shall join the association, and fund service agencies may join the association.

Website: www.amac.org.cn/

CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. To meet the increasing need for financial talent driven for China's economic growth, CFA Institute opened its first China office in Beijing in 2015, demonstrating strong support to develop leading financial professionals with knowledge of global best practice in China.

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Beijing Asset Managing Association

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