# Qualified Foreign Institutional Investors (QFII)

## What is a QFII?

QFII refers to an overseas fund management institution, insurance company, commercial bank, securities firm or asset management institution that invests in China's securities market with the approval of the China Securities Regulatory Commission (CSRC) through a quota granted by the State Administration of Foreign Exchange (SAFE).

## QFII Scheme

China launched the QFII scheme in November 2002 after the CSRC and the People's Bank of China (PBoC) jointly issued the *Provisional Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors* on 5 November 2002, which came into force on 1 December 2002. As a transitional arrangement given that RMB is not fully convertible under the capital account, the QFII scheme allows authorised foreign institutional investors to invest in and trade on the Chinese securities market. On 24 August 2006, CSRC, PBoC and SAFE promulgated the *Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors* (Decree [2006] No. 36 of CSRC, PBoC, and SAFE), a revision of the provisional measures announced in November 2002 and effective from 1 September 2006.

Under the QFII scheme, foreign investors may invest in 'A' shares[1], bonds and warrants listed on China's domestic stock exchanges, securities investment funds and other instruments permitted by CSRC. A QFII must entrust a domestic commercial bank as the custodian of its assets, and entrust a domestic securities company for its domestic securities trading.[2] The scheme allows a single QFII to hold up to 10 per cent of the 'A' shares in one listed company while the total foreign shareholding held by a QFII in any one listed company should not exceed 20 per cent.[3] The minimum investment quota applied to a single QFII investment is US$50 million as required by the CSRC and SAFE. The accumulated investment quota for a single QFII is currently capped at US$1 billion. SAFE may adjust the above-mentioned investment limits according to the economic and capital market situation, the demand and supply for foreign exchange and the balance of international payments.[4]

## QFII Qualification Requirements

An applicant for a QFII licence must meet with the following qualitative requirements:[5]

- sound financial status and good credibility;
- employees possess relevant qualifications as legally required in its home country or region;
- a sophisticated corporate governance structure and internal control system, and received no major penalties in the last three years;
- its securities supervisory organisation has signed a memorandum of understanding with CSRC and maintains an effective cooperative relationship with the CSRC; and
- other requirements set by CSRC in light of the principle of prudent supervision.

1. The main stocks available in China's markets include 'A' shares, 'B' shares and 'H' shares. 'A' shares refers to RMB-denominated ordinary shares issued by mainland China-incorporated shareholding companies and traded on the Shanghai and Shenzhen Stock Exchanges. Trading of 'A' shares is restricted to institutional and individual investors from mainland China. 'B' shares refers to RMB-denominated shares issued by mainland China-incorporated shareholding companies and traded on the Shanghai and Shenzhen Stock Exchanges. 'B' shares are subscribed and traded in foreign currencies. 'H' shares refers to shares issued by mainland China-incorporated shareholding companies and listed in the Hong Kong market or other overseas markets, such as the US, UK, Singapore and Australia.
2. Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, promulgated by CSRC, PBoC, and SAFE on 24 August 2006.
3. Notice on Issues concerning the Implementation of the Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, issued by CSRC on 24 August 2006.
4. Regulations on the Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, promulgated by SAFE on 29 September 2009.
5. Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, promulgated by CSRC, PBoC, and SAFE on 24 August 2006.

In addition, the applicant must meet the following asset scale requirements:

### Asset scale and duration of operation requirements for a QFII[6]

| Type of Institution | Years of operation/ establishment | Paid-in capital | Securities assets under management in the latest accounting year |
|---|---|---|---|
| Funds management | >5 years operation | – | ≥US$5 billion |
| Insurance | >5 years establishment | – | ≥US$5 billion |
| Securities | >30 years operation | ≥US$1 billion | ≥US$10 billion |
| Commercial banks | – | Total assets ranked among top 100 in the world | ≥US$10 billion |
| Others institutional investors (pension funds, charity funds, donation funds, trust companies, government investment management companies etc) | >5 years establishment | – | ≥US$5 billion |

## QFIIs

Since the first QFII licences were granted to UBS and Nomura Securities on 23 May 2003, China has granted QFII licences to a total of 103 foreign institutions (as of end of October 2010), including institutions from Hong Kong and Taiwan.[7]

### List of QFIIs (as of 31 October 2010)

| | Name of QFII | Place of Company Registration | QFII Custodian Bank | Date of Approval | Total QFII Quota Received as @30.09.2010 US$ million |
|---|---|---|---|---|---|
| 1 | UBS AG | Switzerland | Citibank (China) | 23.05.2003 | 800 |
| 2 | Nomura Securities | Japan | Agricultural Bank of China | 23.05.2003 | 350 |
| 3 | Morgan Stanley & Co International Ltd | United Kingdom | HSBC (China) | 05.06.2003 | 400 |
| 4 | Citigroup Global Markets Limited | United Kingdom | Standard Chartered Bank (China) | 05.06.2003 | 550 |
| 5 | Goldman Sachs & Co | United States | HSBC (China) | 04.07.2003 | 300 |
| 6 | Deutsche Bank Aktiengesellschaft | Germany | Citibank (China) | 30.07.2003 | 400 |
| 7 | Hong Kong and Shanghai Banking Corporation Ltd | Hong Kong | China Construction Bank | 04.08.2003 | 400 |
| 8 | ING Bank N.V. | Netherlands | Standard Chartered Bank (China) | 10.09.2003 | 400 |
| 9 | JP Morgan Chase Bank, National Association | United States | HSBC (China) | 30.09.2003 | 150 |
| 10 | Credit Suisse (Hong Kong) Ltd | Hong Kong | Industrial and Commercial Bank of China | 24.10.2003 | 500 |
| 11 | Standard Chartered Bank (Hong Kong) Ltd | Hong Kong | Bank of China | 11.12.2003 | 75 |
| 12 | Nikko Asset Management Co Ltd | Japan | Bank of Communications | 11.10.2003 | 450 |
| 13 | Merrill Lynch International | United Kingdom | HSBC (China) | 30.04.2004 | 300 |
| 14 | Hang Seng Bank Ltd | Hong Kong | China Construction Bank | 10.05.2004 | 100 |
| 15 | Daiwa Securities SMBC Co Ltd | Japan | Industrial and Commercial Bank of China | 10.05.2004 | 50 |

**6.** Notice on Issues concerning the Implementation of the Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, issued by CSRC on 24 August 2006.
**7.** Hong Kong, Macao, and Taiwan are also applicable regions of the regulation.

## List of QFIIs (as of 31 October 2010)

| | Name of QFII | Place of Company Registration | QFII Custodian Bank | Date of Approval | Total QFII Quota Received as @30.09.2010 US$ million |
|---|---|---|---|---|---|
| 16 | Lehman Brothers International (Europe) | United Kingdom | Agricultural Bank of China | 06.07.2004 | 200 |
| 17 | Bill & Melinda Gates Foundation | United States | HSBC (China) | 19.07.2004 | 300 |
| 18 | INVESCO Asset Management Ltd | United Kingdom | Bank of China | 04.08.2004 | 250 |
| 19 | ABN AMRO Bank N.V. | Netherlands | HSBC (China) | 02.09.2004 | 175 |
| 20 | Société Générale | France | HSBC (China) | 02.09.2004 | 50 |
| 21 | Barclays Bank PLC | United Kingdom | Standard Chartered Bank (China) | 15.09.2004 | 400 |
| 22 | Commerzbank AG | Germany | Industrial and Commercial Bank of China | 27.09.2004 | 75 |
| 23 | Fortis Bank SA/NV | Belgium | Bank of China | 29.09.2004 | 500 |
| 24 | BNP Paribas | France | Agricultural Bank of China | 29.09.2004 | 200 |
| 25 | Power Corporation of Canada | Canada | China Construction Bank | 15.10.2004 | 50 |
| 26 | Credit Agricole Corporate and Investment Bank | France | HSBC (China) | 15.10.2004 | 75 |
| 27 | Goldman Sachs Asset Management International | United Kingdom | HSBC (China) | 09.05.2005 | 500 |
| 28 | Martin Currie Investment Management Ltd | United Kingdom | Citibank (China) | 25.10.2005 | 120 |
| 29 | Government of Singapore Investment Corporation Pte Ltd | Singapore | Standard Chartered Bank (China) | 25.10.2005 | 300 |
| 30 | PineBridge Investment LLC | United States | Bank of China | 14.11.2005 | 50 |
| 31 | Temasek Fullerton Alpha Investments Pte Ltd | Singapore | HSBC (China) | 15.11.2005 | 300 |
| 32 | JF Asset Management Ltd | Hong Kong | China Construction Bank | 28.12.2005 | 275 |
| 33 | The Dai-ichi Mutual Life Insurance Company | Japan | Bank of China | 28.12.2005 | 200 |
| 34 | DBS Bank Ltd | Singapore | Agricultural Bank of China | 13.02.2006 | 100 |
| 35 | AMP Capital Investors Ltd | Australia | China Construction Bank | 10.04.2006 | 300 |
| 36 | The Bank of Nova Scotia | Canada | Bank of China | 10.04.2006 | 150 |
| 37 | KBC Financial Products UK Ltd | United Kingdom | Citibank (China) | 10.04.2006 | 100 |
| 38 | La Compagnie Financiere Edmond de Rothschild Banque | France | Bank of China | 10.04.2006 | 100 |
| 39 | Yale University | United States | HSBC (China) | 14.04.2006 | 150 |
| 40 | Morgan Stanley Investment Management Inc | United States | HSBC (China) | 07.07.2006 | 450 |
| 41 | Prudential Asset Management (Hong Kong) Ltd | Hong Kong | Agricultural Bank of China | 07.07.2006 | 300 |
| 42 | Stanford University | United States | HSBC (China) | 05.08.2006 | 100 |
| 43 | GE Asset Management Incorporated | United States | HSBC (China) | 05.08.2006 | 350 |
| 44 | United Overseas Bank Ltd | Singapore | Industrial and Commercial Bank of China | 05.08.2006 | 50 |
| 45 | Schroder Investment Management Ltd | United Kingdom | Bank of Communications | 29.08.2006 | 200 |
| 46 | HSBC Global Asset Management (Hong Kong) Ltd | Hong Kong | Bank of Communications | 05.09.2006 | 350 |
| 47 | Mizuho Securities Co Ltd | Japan | China Construction Bank | 05.09.2006 | 50 |
| 48 | UBS Global Asset Management (Singapore) Ltd | Singapore | Citibank (China) | 25.09.2006 | 200 |
| 49 | Sumitomo Mitsui Asset Management Co Ltd | Japan | Citibank (China) | 25.09.2006 | 350 |
| 50 | Norges Bank | Norway | HSBC (China) | 24.10.2006 | 700 |

## List of QFIIs (as of 31 October 2010)

| | Name of QFII | Place of Company Registration | QFII Custodian Bank | Date of Approval | Total QFII Quota Received as @30.09.2010 US$ million |
|---|---|---|---|---|---|
| 51 | Pictet Asset Management Ltd | United Kingdom | HSBC (China) | 25.10.2006 | 100 |
| 52 | The Trustees of Columbia University in the City of New York | United States | HSBC (China) | 12.03.2008 | 100 |
| 53 | Prudential Asset Management Co Ltd | Korea | China Construction Bank | 07.04.2008 | 75 |
| 54 | Robeco Institutional Asset Management B.V. | Netherlands | Citibank (China) | 05.05.2008 | 150 |
| 55 | State Street Global Advisors Asia Ltd | Hong Kong | Standard Chartered Bank (China) | 16.05.2008 | 50 |
| 56 | Platinum Investment Company Ltd | Australia | HSBC (China) | 02.06.2008 | 150 |
| 57 | KBC Asset Management N.V. | Belgium | Industrial and Commercial Bank of China | 02.06.2008 | 150 |
| 58 | Mirae Asset Global Investments Co Ltd | Korea | Industrial and Commercial Bank of China | 25.07.2008 | 250 |
| 59 | ACE INA International Holdings Ltd | United States | Industrial and Commercial Bank of China | 05.08.2008 | 150 |
| 60 | Caisse de dépôt et placement du Québec | Canada | HSBC (China) | 22.08.2008 | 200 |
| 61 | President and Fellows of Harvard College | United States | Industrial and Commercial Bank of China | 22.08.2008 | 200 |
| 62 | Samsung Investment Trust Management Co Ltd | Korea | Bank of China | 25.08.2008 | 300 |
| 63 | AllianceBernstein Ltd | United Kingdom | HSBC (China) | 28.08.2008 | 150 |
| 64 | Overseas-Chinese Banking Corporation Ltd | Singapore | China Construction Bank | 28.08.2008 | 150 |
| 65 | First State Investment Management (UK) Ltd | United Kingdom | Citibank (China) | 11.09.2008 | 120 |
| 66 | DAIWA Asset Management Co | Japan | Bank of China | 11.09.2008 | 100 |
| 67 | Shell Asset Management Company B.V. | Netherlands | Citibank (China) | 12.09.2008 | 100 |
| 68 | T. Rowe Price International Inc | United States | HSBC (China) | 12.09.2008 | 110 |
| 69 | Credit Suisse AG | Switzerland | Industrial and Commercial Bank of China | 14.10.2008 | 200 |
| 70 | UOB Asset Management Ltd | Singapore | Industrial and Commercial Bank of China | 28.11.2008 | 50 |
| 71 | Abu Dhabi Investment Authority | United Arab Emirates | HSBC (China) | 03.12.2008 | 200 |
| 72 | Allianz Global Investors Luxembourg S.A. | Luxembourg | Industrial and Commercial Bank of China | 16.12.2008 | 100 |
| 73 | Capital International Inc | United States | HSBC (China) | 18.12.2008 | 100 |
| 74 | Mitsubishi UFJ Securities Co Ltd | Japan | Bank of China | 29.12.2008 | 100 |
| 75 | Hanwha Investment Trust Management Co Ltd | Korea | Citibank (China) | 05.02.2009 | 70 |
| 76 | Emerging Markets Management L.L.C. | United States | HSBC (China) | 10.02.2009 | 50 |
| 77 | DWS Investment S.A. | Luxembourg | Citibank (China) | 24.02.2009 | 200 |
| 78 | The Korea Development Bank | Korea | China Construction Bank | 23.04.2009 | 100 |
| 79 | Woori Bank Co Ltd | Korea | Industrial and Commercial Bank of China | 04.05.2009 | 50 |
| 80 | Bank Negara Malaysia | Malaysia | HSBC (China) | 19.05.2009 | 200 |
| 81 | Lloyd George Management (Hong Kong) Ltd | Hong Kong | HSBC (China) | 27.05.2009 | 50 |
| 82 | Templeton Investment Counsel LLC | United States | HSBC (China) | 05.06.2009 | 200 |
| 83 | BEA Union Investment Management Ltd | Hong Kong | Industrial and Commercial Bank of China | 18.06.2009 | 100 |
| 84 | The Sumitomo Trust & Banking Co Ltd | Japan | Citibank (China) | 26.06.2009 | 50 |
| 85 | Korea Investment Trust Management Co Ltd | Korea | Industrial and Commercial Bank of China | 21.07.2009 | 100 |

## List of QFIIs (as of 31 October 2010)

| | Name of QFII | Place of Company Registration | QFII Custodian Bank | Date of Approval | Total QFII Quota Received as @30.09.2010 US$ million |
|---|---|---|---|---|---|
| 86 | Baring Asset Management Ltd | United Kingdom | HSBC (China) | 06.08.2009 | 200 |
| 87 | Ashmore Investment Management Ltd | United Kingdom | Industrial and Commercial Bank of China | 14.09.2009 | 200 |
| 88 | BNY Mellon Asset Management International Ltd | United Kingdom | China Construction Bank | 06.11.2009 | n/a* |
| 89 | Manulife Asset Management (Hong Kong) Ltd | Hong Kong | Citibank (China) | 20.11.2009 | 200 |
| 90 | Nomura Asset Management Co Ltd | Japan | Industrial and Commercial Bank of China | 23.11.2009 | 200 |
| 91 | Tongyang Asset Management Corp. | Korea | Citibank (China) | 11.12.2009 | 100 |
| 92 | Royal Bank of Canada | Canada | Industrial and Commercial Bank of China | 23.12.2009 | 100 |
| 93 | Aviva Investors Global Services Ltd | United Kingdom | Industrial and Commercial Bank of China | 28.12.2009 | n/a* |
| 94 | Ivy Investment management Company | United States | Citibank (China) | 08.02.2010 | 100 |
| 95 | DIAM Co Ltd | Japan | HSBC (China) | 20.04.2010 | 100 |
| 96 | OFI Asset Management | France | Standard Chartered Bank (China) | 21.05.2010 | n/a* |
| 97 | Aberdeen Asset Management Asia Ltd | Singapore | Citibank (China) | 06.07.2010 | n/a* |
| 98 | KB Asset Management Co Ltd | Korea | Citibank (China) | 09.08.2010 | n/a* |
| 99 | Fidelity Investments Management (Hong Kong) Ltd | Hong Kong | HSBC (China) | 01.09.2010 | n/a* |
| 100 | Legg Mason Investments (Europe) Ltd | United Kingdom | Citibank (China) | 08.10.2010 | n/a* |
| 101 | Hong Kong Monetary Authority | Hong Kong | Citibank (China) | 27.10.2010 | n/a* |
| 102 | Fubon Securities Investment Trust Co Ltd | Taiwan | China Construction Bank | 29.10.2010 | n/a* |
| 103 | Capital Securities Investment Trust Co Ltd | Taiwan | HSBC (China) | 29.10.2010 | n/a* |

**n/a** = QFII quota not available at the time of compiling this snapshot.

***Sources: CSRC, SAFE, Austrade***

## Custodian Banks for QFIIs

A custodian must meet the following requirements:

- a dedicated assets custody department;
- paid-up capital of not less than RMB8 billion;
- equipped with sufficient full-time staff who are familiar with the custody business;
- met the conditions for safekeeping of the assets of QFIIs;
- the ability to process fund clearing and settlement in a safe and efficient manner;
- obtained the qualification of a designated foreign exchange bank and engaging in RMB business operations; and
- no record of serious violation of foreign exchange administration regulations in recent three years

Domestic branches of the foreign-funded commercial banks with more than three years of continuous operation in China are eligible to apply for the custodian qualification. Their paid-up capital requirement will be based on that of their overseas headquarters.

## Key QFII Regulators

- China Securities Regulatory Commission (CSRC) **www.csrc.gov.cn**
- State Administration of Foreign Exchange (SAFE) **www.safe.gov.cn**

## Key QFII Regulations

- Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, promulgated by CSRC, PBoC, and SAFE on 24 August 2006.
- Notice on Issues concerning the Implementation of the Measures on the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, issued by CSRC on 24 August 2006.
- Regulations on the Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors, promulgated by SAFE on 29 September 2009.

## Want to know more?

**The Australian Trade Commission – Austrade** – is the Australian Government's trade and investment development agency. Austrade provides a range of services to investors, including information about local market conditions and regulations.

Austrade operates in more than 100 locations in over 55 countries. To find out more visit www.austrade.gov.au/invest or email invest@austrade.gov.au

## Disclaimer

Any person relying on information contained in this publication does so entirely at their own discretion; the Australian Government strongly recommends independent professional advice is obtained prior to acting on this information. The Australian Government disclaims all liability whether in law or in equity for any loss, damage, opportunity foregone or cost incurred by any person and howsoever caused by the use, reliance or adoption of the information or material contained in this presentation. Enquiries should be directed to invest@austrade.gov.au