

Financial

Policy Outcomes of the 10th UK-China Economic and Financial Dialogue – Opening Up Opportunities

The Chinese Vice-Premier HU Chunhua and the UK's Chancellor of the Exchequer Philip Hammond recently attended the 10th UK-China Economic and Financial Dialogue (the "Dialogue") in London, during which they confirmed their commitment to deepen their strategic economic collaboration and financial links. On 17th June 2019, the day the Dialogue concluded, the Chinese Ministry of Finance published the *Policy Outcomes of the 10th UK-China Economic and Financial Dialogue* ("Policy Outcomes"), which details the key outcomes of the Dialogue.¹ These include the official launch of London-Shanghai Stock Connect, and information about some of the ways in which China's financial markets are being opened up to UK institutions. In doing so, the Policy Outcomes provides insights into the future opportunities for the further opening of China's financial markets. Below, we provide an extract of some of the key points of the Policy Outcomes:

I. QFII/RQFII License Application and Broadening of the Investment Scope

The Policy Outcomes addresses three aspects of the QFII/RQFII regime of relevance to foreign

institutions, namely the investment channel, investment scope and investment quota:

- (i) China welcomes British investors to invest in China's capital market via QFII, RQFII, Stock Connect and other available channels;
- (ii) China agrees to allow greater access for qualified UK financial institutions to trade in China's commodity futures markets;
- (iii) China agrees to approve and issue QFII and RQFII quotas for UK institutions.

II. Market Access for the Financial Industry

2.1 The Policy Outcomes reaffirms the relaxation of foreign ownership limits in securities companies, securities investment fund management companies (i.e., mutual fund management companies, "FMCs"), future companies and life insurance companies.

2.2 The Policy Outcomes indicates that qualified UK financial institutions will be able to register with the Asset Management Association of China (AMAC) as a wholly foreign-owned or joint venture private securities-type investment fund manager

¹ See http://wjb.mof.gov.cn/pindaoliebiao/gongzuodongtai/201906/t20190617_3279622.html for the complete Policy Outcomes.

(“WFOE/JV PFM”) and that the permissible business scope will be broadened to include providing investment advisory services to affiliated companies or third parties.

We note that, currently, only PFMs that satisfied the “3+3+1” requirements² are able to provide investment advisory services for privately-raised asset management products offered by securities and futures operation institutions or their subsidiaries, privately-raised wealth management products offered by bank wealth management subsidiaries, or privately-raised securities-type investment funds. Of note, the consultation paper of the QFII and RQFII regulations released earlier this year also included the proposal to allow onshore private fund managers to provide investment advisory services to their affiliated QFII/RQFIIs.

According to our observation, providing investment advisory services is an important part of the WFOE PFMs’ business; it remains to be seen how Chinese regulators will allow such PFMs to extend their investment advisory services to other foreign or domestic institutional investor clients in addition to those products or institutions specified above.

2.3 “Yi Can Yi Kong” and Converting PFMs to FMCs

At the recent “Lujiazui Forum”³ and in the China Security and Regulatory Commission (CSRC) follow-up media Q&A, the regulatory authorities emphasized that the “Yi Can Yi Kong” equal treatment principle should also apply equally to both domestic and foreign

² i.e., having 3 or more investment managers each having more than 3 years of consecutive investment experience, and having been registered with the AMAC for more than 1 year.

³ Held in Shanghai on 13th-14th June, 2019.

shareholders. A foreign investor can invest in no more than two FMCs, of which just one can be majority-owned by that foreign investor. The Policy Outcomes addresses the topics of “Yi Can Yi Kong” and “converting PFMs to FMCs” in the same section, which suggests that there is some consideration being given to foreign institutions’ preference to set up wholly or majority-owned FMCs, in addition to any existing minority-owned joint venture FMCs and/or WFOE PFMs.

In practice, any local PFM that has converted to an FMC has done so by first establishing a new entity which applies for the FMC license, and then integrating their existing private fund management business into this new entity. However, converting their business in this manner has proven to be somewhat cumbersome and the reference to a “continuity of business” mentioned in the Policy Outcomes suggests that the Chinese regulators may be considering introducing more convenience to undertake this changeover from PFM to FMC.

2.4 Fund Servicing institutions

Both China and the UK have welcome qualified UK financial institutions that comply with the relevant registration requirements to register with AMAC as fund accounting (FA) and transfer agency (TA) service providers for private funds. As yet, no foreign-owned institution has completed the TA/FA service provider registration process with AMAC. Indeed, there have been no new licenses issued to private fund servicing institutions since 2016. Our reading of the Policy Outcomes is that it means eligible foreign institutions will be able to submit an application to provide TA/FA services to private fund managers.

2.5 Fund Distribution License

The Policy Outcomes stipulates that only eligible UK financial institutions are able to apply for a license to distribute funds in China. To date, we note that only one wholly foreign-owned institution has been granted a license for independent fund distribution (iFast).

2.6 Enterprise Annuity Management License

The Policy Outcomes indicate that both China and the UK are open to the possibility of investing pension assets in offshore markets. Furthermore, we note that, while no WFOE has been granted an annuities management license at the current stage, in the Policy Outcomes it is noted that China has welcomed one foreign provider, Heng An Standard Life (HASL), to participate in the bidding process for such license.

III. UK-China Mutual Recognition of Funds

In terms of the mutual recognition of funds (MRF), we note the only MRF scheme available to date has been between mainland China and Hong Kong, and the funds have been limited to public funds. The Policy Outcomes states that both China and UK look forward to the findings of a feasibility study into a UK-China MRF program.

IV. QDLP and QDIE

The Policy Outcomes includes various comments of relevance to QDLP and QDIE:

4.1 The UK welcomes the continued issuance of QDLP and QDIE licenses to qualified UK institutions.

4.2 The UK welcomes China's reforms to improve the management of the QDII quota and the RQDII system, and expects eligible Chinese institutions to take advantage of these schemes in order to invest in related UK financial products.

V. Opening-up of the Bond Market

Both China and the UK have agreed to continue their feasibility study into a UK-China bond market connect arrangement, including the potential extension of CFETS trading hours to resolve any difficulties that might arise due to the different time zones. In the Policy Outcomes, it is noted that the UK welcomes the need to further research the feasibility of integrating QFII/RQFII, CIBM Direct and Bond Connect.

The Policy Outcomes acknowledges the progress made by China in terms of opening up its bond market. The Policy Outcomes further mentions that China welcomes qualified British banks to develop their lead underwriting business for non-financial debt instruments in the China Interbank Bond Market, that the UK also welcomes China to consider issuing sovereign bonds and RMB PBOC bills in London, and that both sides agree to promote RMB bonds as widely acceptable collateral in UK markets.

Our Observation

Overall, the Dialogue and the Policy Outcomes indicates that the Chinese regulators are continuing to move towards an opening up of the markets, and that they are willing to take into account the specific concerns of market players in their decision-making.

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金融法律热点问题

第十次中英经济财金对话成果 - 展望开放机遇

2019年6月17日，中国国务院副总理胡春华与英国财政大臣菲利普·哈蒙德在伦敦共同主持了第十次中英经济财金对话。财政部于当日公布了“第十次中英经济财金对话政策成果”（以下简称“对话成果”）。中英双方在对话中表示，愿加强战略经济合作，深化金融合作关系。除欢迎沪伦通的正式启动外，对话成果涉及英资机构所关心的中国金融市场开放和准入问题，可从中展望与开放相关的机遇。以下为我们对若干要点的梳理：

一、QFII/RQFII 资质申请及投资范围扩大

就 QFII/RQFII 机制而言，对话结果主要提及了三个外资机构关注的方面，即，投资渠道、投资范围和投资额度：

- (1) 中方欢迎英国投资者通过 QFII、RQFII、沪深港通及其他渠道投资中国资本市场；
- (2) 中方同意扩大符合条件的英国金融机构进入中国大宗商品期货市场的渠道；
- (3) 中方同意向英国机构批准和发放 QFII 和 RQFII 额度。

二、金融业市场准入

1. 对话成果重申了证券公司、基金管理公司、期货公司、人身险公司外资持股比的放开。
2. 对话成果除进一步欢迎英国机构在中国基金

业协会注册成为外商独资企业或合资私募基金管理人外，私募基金管理人（PFM）的业务范围将被扩大至包括向第三方或关联公司提供投资建议服务。

我们注意到，目前，符合“3+3+1”规定的 PFM 可以为证券基金经营机构及其子公司发行的私募资产管理计划、商业银行理财子公司发行的私募理财产品以及私募基金提供投资顾问服务。今年年初公布的 QFII/RQFII 新规征求意见稿拟允许境内私募基金管理人为与其存在关联关系的 QFII/RQFII 提供投资建议服务。

根据我们的观察，投资顾问业务是 WFOE PFM 的重要业务之一。目前尚不确定监管者如何允许 PFM 将投资顾问业务的服务对象扩大至在上述明确允许的产品或机构范围之外的所有境外或境内机构投资者。

3. “一参一控”及私募转公募

上周的陆家嘴论坛及证监会答记者问中，监管机构强调了将按照内外资一致的原则，将一参一控原则同时适用于内外资股东，即允许一家外资股东可以持股两家公募基金管理公司，其中可以控股一家。此次中英对话中，将“一参一控”及“私募转公募”放在一起提出，可能是考虑到已经在华设立合资基金公司和/或 WFOE PFM 的机构设立独资或控股公募基金管理公司的需要。

现行内资私募转公募的机构均为新设机构申请公募牌照并以新设主体整合既有私募业务，实践操作较为繁琐。此次对话成果中提及“保持业务的连续性”意味着监管机构可能在政策层面为外资私募“私转公”提供进一步便利。

4. 基金服务机构

中英双方欢迎符合条件的英国机构在符合相关注册要求的前提下，在中国基金业协会登记注册成为基金会计及估值（FA）和转移代理（TA）私募基金服务供应商。截至目前，尚未有一家外资机构成功登记为私募基金服务机构，且自 2016 年以来，并未有新的私募基金服务机构注册成功。我们理解，该项成果意味着符合条件的境外机构可以递交申请为私募基金管理人提供 TA/FA 相关服务。

5. 基金销售牌照

中方欢迎符合条件的英资在华金融机构申请基金分销牌照。目前，我们注意到仅有一家外商独资机构拿到了独立基金销售牌照（即，奕丰基金销售有限公司）。

6. 企业年金管理牌照

对话成果显示，中英双方欢迎探讨将养老金资产投资于离岸市场的可能性。此外，我们注意到，现阶段尚未有外资机构具备企业年金管理资质，而中方在此次对话中表示欢迎恒安标准养老保险有限责任公司参与年金牌照申办程序。

三、中英基金互认

目前，就基金互认而言，我们注意到依然仅有中国大陆与香港地区的基金互认，且互认基金仅限

于公募基金。对话成果表示，双方期待中英基金互认可行性研究报告的出台。

四、与 QDLP 和 QDIE 有关的对话成果

- 1 英国欢迎继续向符合条件的英方机构发放合格境内有限合伙人（QDLP）和合格境内投资企业（QDIE）牌照。
- 2 英方欢迎中方改革完善 QDII 配额和 RQDII 制度，期待符合条件的中资机构利用上述机制投资英方相关金融工具。

五、债券市场开放

双方同意继续就中英债券市场互联安排开展可行性研究，包括研究延长中国外汇交易中心（CFETS）交易时间的可行性，以解决潜在的时差问题。此次中英经济财金对话中，英国方面也关注到 QFII/RQFII、直接投资银行间债券市场和债券通等渠道进行整合的可行性，有待进一步研究。

此次对话充分认可了中国在债券市场开放方面所得的进展。对话成果提及，中方欢迎符合条件的英国银行在中国银行间债券市场发展非金融债务融资工具主承销业务，英国也欢迎中方考虑在伦敦发行主权债和人民币央行票据，双方同意推动人民币债券成为英国市场普遍接纳的合格担保品。

我们的观察

整体而言，我们认为此轮对话及政策成果显示中国监管者推动市场开放的持续努力以及愿在决策过程中考虑市场参与者的需求和具体问题的意愿。

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