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Department of Fund and Intermediary Supervision
China Securities Regulatory Commission
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Dear Sirs and Madams

Consultation on Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) Regulations

On behalf of the membership of FIA, we welcome the opportunity to respond to the Consultation on the Administrative Measures and the Implementing Provisions of Domestic Securities and Futures Investment by the QFII and RQFII ("**Consultation**") released on 31 January 2019.

FIA is the leading global trade organisation for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 jurisdictions as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. Further information is available at www.fia.org.

FIA's members are active in exchange traded derivatives around the world and we welcome developments such as those set out in the Consultation that will encourage more cross-border business to flow into and out of China. We believe opening China's markets to a wide range of market participants who are active in global markets including banks, principal trading firms, asset managers and other institutional investors can help to increase liquidity and reduce volatility in underlying markets. We believe this will assist greatly in strengthening not only China's capital markets but the global capital markets.

We set out our comments below.

A. Qualified Investor Schemes

We understand the objective is to unify the qualification requirements for QFII and RQFII. This means Foreign Institutional investors will only need to submit a single application and FIA is supportive of this consolidated approach. We also support the harmonization of QFII/RQFII requirements with those under the Stock Connect and Foreign Direct Access to China Interbank Market regimes.

However, we would be grateful if the CSRC could provide more guidance on whether other types of foreign institutional investors such as principal trading firms and corporate end users are eligible to apply or is the QFII/RQFII only limited to those listed in the draft measures ie. limited to "foreign fund management institutions, commercial banks, insurance companies, securities companies, futures companies, trust companies, government investment management companies and other asset management institutions,

as well as other types of institutional investors recognized by the CSRC such as pension funds, charity funds and endowment funds.”

B. Scope of Investments

FIA is fully supportive of expanding the scope of permitted investments by QFII/RQFII to include:

- (a) Financial futures contracts listed on the China Financial Futures Exchange (CFFEX). We note that trading can only be conducted for hedging purposes; *Are there plans by CSRC and/or CFFEX to relax this restriction?*
- (b) Commodity futures contracts listed and traded on futures exchanges approved by the CSRC; and
- (c) Options listed and traded on futures exchanges approved by the State Council or CSRC. *As financial options can also be listed on securities exchanges (such as the Shanghai 50 ETF Option) and to avoid ambiguity, we suggest this be amended to “financial or commodity options listed and traded on securities or futures exchanges approved by the State Council or the CSRC”.*

C. Fund Resources

Under the Administrative Measures, Article 2, a QFII/RQFII must be approved to invest in China's securities and futures markets “with funds raised overseas”.

Could CSRC provide more clarity on:

- (a) *If the funds raised overseas refers to ultimate beneficiaries and if there is a minimum percentage holding interest that this requirement refers to; and*
- (b) *If a see-through inspection is required?*

D. Supervision

Under Article 5 of the Implementing Provisions that QFII/RQFII is obliged to verify the identities of the investors of the fund or product under its securities or futures accounts.

Could CSRC provide clarity on whether a see-through inspection is required and if yes, to clarify the minimum percentage of interest held by the ultimate beneficial owner?

E. Overseas Hedging Positions

Article 10 of the Implementing Provisions requires QFII/RQFII to report its overseas hedging positions related to domestic securities and futures investment through its custodian within 10 business days following the end of each quarter.

Could the CSRC clarify and provide guidance on how to determine what types of activity are relevant to domestic securities and futures investment and the scope of information that is required to be reported?

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Thank you for the opportunity to share our views. We strongly support the continued development and growth and stability of China's derivatives markets to facilitate the risk management, investment and trading needs of both domestic and international market participants.

We are available to discuss these comments in further detail with you if required. If you have any questions, please contact me or Stella Gan, Head of Operations Asia Pacific at sgan@fia.org.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bill Herder', written in a cursive style.

Bill Herder
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