

Notice on Revising *China Securities Depository and Clearing Corporation Limited's Implementation Rules for Registration and Settlement of Domestic Securities Investments of Qualified Foreign Institutional Investors*

Market participants,

In July 2012, China Securities Regulatory Commission revised the *Notice on Issues Relating to Implementation of "Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors"* and promulgated *Provisions on Issues Relating to Implementation of "Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors"*. In order to implement the spirit of these provisions, we have revised *China Securities Depository and Clearing Corporation Limited's Implementation Rules for Registration and Settlement of Domestic Securities Investments of Qualified Foreign Institutional Investors*. It is hereby promulgated and implemented starting from the date of promulgation.

Appendix: *China Securities Depository and Clearing Corporation Limited's Implementation Rules for Registration and Settlement of Domestic Securities Investments of Qualified Foreign Institutional Investors*

February 20, 2013

Appendix:

China Securities Depository and Clearing Corporation Limited's Implementation Rules for Registration and Settlement of Domestic Securities Investments of Qualified Foreign Institutional Investors

(Upon approval by the China Securities Regulatory Commission, promulgated on December 1st, 2002 and revised on February 16th, 2013)

Chapter I General Provisions

Article 1 These Rules have been developed in accordance with the *Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors, Provisions on Issues Relating to Implementation of "Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors"* and relevant regulations, and relevant business rules of the China Securities Depository and Clearing Corporation Limited (hereinafter referred to the "Company").

Article 2 The Rules apply to the registration, and settlement of domestic securities investments of qualified foreign institutions investors (QFIIs).

Article 3 A QFII, its trustee and the domestic securities company entrusted by the QFII shall abide by the Rules and other business rules of the Company when handling the business of registration and settlement in relation to domestic securities investments.

Chapter II Securities Account Management

Article 4 A QFII shall, after designating the securities company who will carry out securities trading on behalf of the QFII, entrust a custodian to apply to open a securities account for itself, its client or any fund under its custody (insurance fund, etc).The custodian shall file an application directly with the Company in accordance with the business rules of the Company.

Article 5 The custodian shall submit the following materials when initially applying for opening a securities account on behalf of a QFII:

- (i) Copy of approvals for the trustee's qualification given by China Security

Regulatory Commission (CSRC) and the State Administration of Foreign Exchange (SAFE) (stamped with the common seal of the custodian);

(ii) Copy of the custodian's business license (stamped with the common seal of the custodian);

(iii) Reserved signature card (in duplicate), stamped with the seal for the custodian and the personal seal of the person in charge of the securities account business on the front and with the custodian trustee's common seal on the back;

(iv) An Authorization issued by the custodian to authorize the handling person to open a securities account and handle relevant matters;

(v) Valid identity documents and copies of them of the handling person ;

(vi) Application Form of Institutional Securities Account;

(vii) An Authorization issued by the QFII to entrust the custodian to open a securities account and handle relevant matters, both original and copy;

(viii) QFII's securities investment license issued by CSRC, both original and copy;

(ix) QFII's foreign exchange registration certificate issued by SAFE, both original and copy;

(x) SAFE's approval document for the QFII in opening a foreign exchange account and Renminbi-denominated account;

(xi) Agreement for Prevention and Handling of Incorrect Trading made between the QFII and its custodian and the securities company;

(xii) Other materials required by the Company.

When applying for opening a securities account for a second time as a custodian entrusted by QFII, the custodian is only required to provide materials besides those set forth in (i), (ii) and (iii) of this Article. Where the custodian and the securities company entrusted by the QFII remain unchanged, the item set forth in (xi) of this Article is not required. The Company will verify its qualification as a custodian for a securities account business based on the specimen signature card.

When handling securities account business, the custodian may issue a one-time authorization to the handling department. Then the department may authorize the handling person to deal with the relevant securities account

business according to the scope of authorization.

Article 6 When entrusting the custodian to open a securities account, the QFII may issue a one-time authorization for the business such as opening a securities account, alteration of registration information, or non-trading transfer. After obtaining the one-time authorization, the trustee shall provide the power of attorney and a copy when handling the relevant business.

Article 7 When the QFII opens a securities account for itself, its client or any fund under its custody (insurance fund, etc.), the securities account name shall be consistent with the Renminbi-denominated account name. The "Identity Document Number" shall be the QFII's securities investment license number.

Article 8 The QFII may apply for opening up to three securities accounts in Shanghai, Shenzhen and other stock exchange markets respectively with each Renminbi-denominated account.

Article 9 The QFII shall, having re-applied for a securities investment license, entrust the custodian to handle the application for changes in securities account registration information on its behalf. In addition to the materials set forth in the *Rules for Administration of Securities Accounts*, the custodian shall also submit the power of attorney issued by the QFII, documentation proving approved changes such as the approval of SAFE on the change of the Renminbi-denominated account name, the original and copy of the modification records on the foreign exchange registration certificate and so on, as well as the original and copy of the new securities investment license.

Article 10 Under any of the following circumstances, the QFII shall entrust the custodian to handle securities account deregistration:

(i) Securities investment license has been returned to CSRC, except when re-applying for a securities investment license due to a change of institution name;

(ii) QFII and any fund under its custody (insurance fund, etc) terminate assets management service;

(iii) Renminbi-denominated account is closed (except for the case of changing the bank only);

(iv) Other situations specified by the Company.

The custodian shall handle the securities account deregistration formalities with the Company within 15 working days after occurrence of the aforesaid situations. When handling securities account deregistration formalities, the custodian shall provide the QFII's power of attorney and relevant materials prescribed in the *Rules of Securities Accounts Administration*. If the custodian fails to deregister the securities accounts as required, the Company shall have the right to deregister the account or limit its usage.

Chapter III Securities Registration and Settlement

Article 11 When a securities issuer distributes cash dividends and bond principals and interests to its investors, the Company will distribute the cash dividends and bond principals and interests of the QFII to the settlement reserves accounts of the custodian according to the securities issuer's entrustment, and the custodian shall pay such cash dividends and bond principals and interests to the QFII in full and in a timely manner.

Article 12 If the QFII has any incorrect trading, the custodian and the securities company may apply to the Company for non-trading transfer formalities for the relevant securities according to the *Agreement for Prevention and Handling of Incorrect Trading* that has been filed with the Company, and submit the following materials:

- (i) Transfer Registration Application Form;
- (ii) Correction agreement made between the two parties in which the causes for the incorrect transaction are stated;
- (iii) An Authorization issued by the custodian and securities company;
- (iv) ID card of the handling person, both original and copy;
- (v) Securities account cards of both transferor and transferee, both original and copy;
- (vi) Other materials required by the Company.

If the custodian and the securities company apply for handling a non-trading transfer, the application must be handled within three working days after occurrence of incorrect trading. The securities to be transferred shall be unfrozen securities whose settlement has been finished. A non-trading transfer can be carried out only between the self-owned securities account of the custodian or that of the securities company and QFII's securities account.

For non-trading transfer applications that are submitted before 11:30 AM each working day, the Company will carry out the transfer on the date of acceptance and issue the Transfer Registration Confirmation on the following day after review and verification.

If at the same time when the Company is entrusted with handling fund transfer, the custodian or the securities company correcting a securities transfer due to incorrect trading, are required to apply for correcting fund transfer payments for incorrect trading.

Article 13 The custodian, as a settlement participant of the Company, shall handle the business of settlement for the QFII under its custody directly with the Company and assume responsibility for securities settlement.

Article 14 The custodian shall enter into a securities fund settlement agreement with the Company in accordance with the relevant regulations of the Company to define the rights and obligations of both parties prior to handling any settlement business.

Article 15 The custodian shall open a securities settlement account and funds settlement account (settlement reserves account) in accordance with the relevant regulations of the Company for the purpose of handling securities fund settlement business on behalf of all QFIIs under its custody.

Article 16 The custodian shall open a bank saving account for the securities settlement fund with one of the Company's settlement banks, and the account will be the designated beneficiary account at the Company after the receipts for registration with CSRC and SAFE. The custodian shall only use the bank saving account to transfer funds to the settlement reserves account and receive funds transferred from the settlement reserves account. The name of the designated beneficiary account shall be consistent with the name of the custodian.

Article 17 The balance of the trustee's settlement reserves account at the end of the day shall not be less than the minimum settlement reserves specified by the Company. The deposit ratio for the minimum settlement reserves and its adjustments shall be implemented as per the regulations of the Company.

Article 18 In the case of any changes in the name of the custodian,

information on the designated beneficiary account or marketing unit through which trading is carried out on the Shenzhen Stock Exchange, the trustee shall complete alteration formalities for the relevant information in a timely manner according to the relevant regulations of the Company.

If the QFII changes its custodian, the new custodian shall be trusted to handle the formalities of changing settlement relationship with the Company.

Article 19 The custodian shall perform settlement responsibilities in a timely manner in accordance with the securities and fund clearing results of the Company. The custodian shall promptly notify the Company of any disagreed clearing data provided by the Company. The Company will correct such settlement if any error in the clearing data is confirmed by the Company, which shall not constitute a basis for the custodian on which to deny or delay performance of settlement obligations on that day. Any dispute between the settlement participant and the QFII will not affect on-going or completed securities fund clearing and settlement of the Company according to business rules.

Chapter IV Risk Management

Article 20 The custodian shall assign settlement business to professionals familiar with computers, finance and settlement, develop internal procedures for settlement management, in order to ensure the smooth access of remittance between the custodian, the settlement bank and the Company.

Article 21 The custodian shall take effective measures to ensure the operational safety of the electronic settlement system and devise measures for settlement data backup and computer virus prevention.

Article 22 The custodian shall pay the settlement margin to prevent settlement risks adhering to the risk-sharing principle.

Article 23 The custodian as a settlement participant shall pay the securities settlement risk funds in accordance with *the Measures on Administration of Securities Settlement Risk Funds*.

Article 24 The Company may take the necessary risk management actions against any settlement failure in accordance with the *Circular of the China Securities Regulatory Commission (CSRC) Concerning Issues about Registration and Settlement of Domestic Securities Investments of Qualified*

Foreign Institutional Investors (Zheng Jian Shi Chang Zi [2003] No. 3) and relevant regulations of the Company.

Article 25 When the QFII under the custody of the custodian sells securities short, the Company will withhold its short-sell proceeds upon settlement on day T+1. The Company will release the withholding of such short-selling proceeds if the custodian makes up the securities sold short within two trading days. Otherwise the Company will buy securities in the same quantity as the securities sold short with the withheld proceeds and, if the short-selling proceeds are insufficient, the difference has to be made up by the defaulting custodian.

If the QFII under the custody of the custodian sells securities short, the Company will calculate and collect a penalty against the custodian on the short-sell proceeds in accordance with relevant regulations of the Company.

Article 26 Any costs or losses resulting from handling settlement failure by the company should be assumed by the custodian causing the settlement failure.

Article 27 The Company may impose special monitoring on the custodian that poses high risks in settlement and may, if necessary, take measures such as increasing the settlement margin, adjusting the deposit ratio of the minimum settlement reserves and the time requirement for paying minimum settlement reserves, and requesting designation of a substitute custodian to handle the settlement business.

Chapter V Supplementary Provisions

Article 28 The QFIIs shall pay relevant fees and charges at the rates specified by the Company when entrusting a custodian to apply for securities depository, clearing and settlement.

Article 29 Materials submitted and provided under the Rules shall be finally interpreted in accordance with the Chinese text, and a Chinese translation shall be provided for any materials in a foreign language.

Article 30 Any matter not covered by the Rules shall be subject to other applicable business rules, guidelines and directives of the Company.

Article 31 In the case of opening securities accounts for Renminbi-denominated qualified foreign institutional investors, the Rules can be taken as

reference, unless otherwise provided for by laws and regulations and the Company.

Article 32 The Rules shall be subject to final interpretation by the Company.

Article 33 The Rules shall be implemented on the date of their issuance upon approval by CSRC.