

Implementation details on the Registration and Settlement Related Businesses of
Domestic Securities Investments of Qualified Foreign Institutional Investors

(Approved by The China Securities Regulatory Commissions on 1 Dec 2002)

Chapter 1 General Provisions

Article 1 China's Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "Company") promulgates these implementation details (hereinafter referred to as the "Details") in accordance to the Provisional Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors.

Article 2 This Regulation shall be applicable to the registration and settlement related to the domestic securities investments of qualified foreign institutional investors (hereinafter referred to as "QFII").

Article 3 QFII and their mandated custodians and domestic securities companies, when engaging in the registration and settlement related to domestic securities investments, shall abide by the Regulation and other business rules of the Company.

Chapter 2 Securities Account Management

Article 4 Each QFII should mandate a Custodian to open a securities account, after selecting a domestic securities companies for trading; the custodian should apply, in compliance with the operations rules of this Company, directly to the Shanghai Branch and Shenzhen Branch of the Company (hereinafter collectively referred to as the "Company").

Article 5 Upon its initial acceptance of the QFII's mandate to open the securities account, the Custodian, shall provide the following documents:

- (1) a certified photocopy of approval of its custodian status granted by China Securities Regulatory Commission (hereinafter referred to as "CSRC"), People's Bank of China (hereinafter referred to as "PBOC") and State Administration of Foreign Exchange (hereinafter referred to as 'SAFE') with common seal affixed thereon;
- (2) a photocopy of the business license of the Custodian, with common seal affixed thereon;
- (3) a reserved signature card, in duplicate, the front of which shall be affixed with the Custodian's authorized seal and the name and personal seal of the officer-in-charge of the relevant securities account, and the reverse of which shall be affixed with the common seal of the Custodian;
- (4) Power of Attorney by the Custodian; and

- (5) valid identity documents, together with the relevant photocopies, of the person in charge.
- (6) the Application for the registration of a securities account;
- (7) the original of Power of Attorney issued by the QFII, and its photocopy;
- (8) the original of the Securities Investment License granted by CSRC, and its photocopy;
- (9) the original of the Foreign Exchange Registration Certificate granted by SAFE and its photocopy;
- (10) the original of the Power of Attorney signed by the QFII and the domestic securities company, and its photocopy,
- (11) a photocopy of the business license of the domestic securities company, with common seal affixed thereon,
- (12) any other documents as required by the Company.

When applying for a securities account on behalf of other QFII's, the custodian need only provide the documentation mentioned in items (6), (7), (8), (9), (10), (11) above. Moreover, the Company will acknowledge the custodian's qualification based on the specimen seal they have kept.

Article 6. The "Name of Account Holder" in the securities account should be the full name of the domestic securities company, the Custodian and that of the QFII. The name of the domestic securities company and the Custodian should be identical with that appeared on its business license; the name of the QFII should be identical with that appeared on the Securities Investments License.

The Number of Identity Document should be identical with that appeared on the Securities Investments License. The QFII has the right to securities assets in its securities account.

Article 7. After applying for the re-issue of Securities Investment License, the QFII should mandate the Custodian to apply on its behalf for the alteration of registration particulars of the securities account. The Custodian, apart from the provision of the required documents stipulated in the "Rules for the Administration of Securities Account", should also provide the original and photocopy of Securities Investments License re-issued;

Article 8. After the replacement of Custodian, QFII should mandate the new Custodian to apply for the alteration of registration particulars of the securities account. The Custodian, apart from the provision of the required documents stipulated in the "Rules for the Administration of Securities Account", should also provide the required documents as set out in Item (7), Article 5 of these Details.

Article 9. When the QFII re-designates a domestic securities company, it should mandate its Custodian to apply for the alteration of registration particulars of the securities account. The Custodian, apart from the provision of the required documents stipulated in the "Rules for the Administration of Securities Account", should also provide the required documents as set out in Item (10) (11), Article 5 of these Details.

Article 10. In the event that the Securities Investments License and Foreign Exchange Registration Certificate of the QFII become invalid, it should mandate its Custodian to apply for the cancellation of the securities account.

Chapter 3 The Registration of Securities

Article 11 In the case that listed companies offered to distribute dividends in cash to shareholders, the Company shall in accordance with the agreement with the listed companies distribute cash dividends of QFII to the clearing reserve fund account of the relevant custodian. The custodian should pay the respective QFII cash dividends timely in full amount.

Article 12 The enquiry into, lock-up, and unlock of the securities assets of QFII by the judiciary authorities are to be managed by domestic securities companies as mandated by the QFII. The arbitration of accounts transfer of the securities assets of QFII by the judiciary authorities is to be executed by the Company.

Article 13 In the circumstances of erroneous transactions by domestic securities companies, and both parties having entered into a rectification agreement, the relevant custodians and securities companies may apply to the Company for the registration of the relevant non-transactional securities accounts transfer, with the support of the following documents:

- (1) application form of non-transactional accounts transfer;
- (2) the original of the securities accounts cards of both parties and its photocopy; (3) the rectification agreement reached by both parties, the agreement should specify the cause of erroneous transaction;
- (4) Power of Attorney of the custodians;
- (5) the original of applicants' identification document and its photocopy;
- (6) other information as required by the Company.

Article 14 The Company upon verification of the above documents, shall proceed with the accounts transfer and issue the "Confirmation of Registration Transfer".

Article 15 The custodian, as the clearing participant of the Company, operates directly the clearing business of its QFII held under its custody, with the Company. The custodian shall be held responsible for the relevant settlement.

Article 16 Before operating the clearing business, the custodian shall enter into a clearing agreement with the Company specifying the rights and obligations of both parties.

Article 17 In order to operate the capital clearing business of all QFII's held under its custody, the custodians shall open a clearing reserve fund account with the Company, with the submission of the following documents to the Company:

- (a) a photocopy of the approval of the qualifications of the custodians (with common seal affixed thereon) issued by CSRC, PBOC and SAFE;
- (b) a photocopy of business license of the custodians (with common seal affixed thereon);
- (c) Power of Attorney by the custodians;
- (d) an application for the opening of the clearing reserve fund account and reserve stamp card;
- (e) Power of attorney for designated receiving account;
- (f) a photocopy of valid identification documents of the person-in-charge;
- (g) other materials as required by the Company.

Article 18 The custodian should designate a clearing bank of the Company to open a saving account specifically for the clearing of capital. The account will act as the designated receiving account reserved for the Company after obtaining the reply of filing issued by CSRC and SAFE. The custodian shall only transfer capital to its clearing reserve fund account and receive capital contribution from the clearing reserve fund account through the said account. The name of the designated receiving account shall be identical with that of the custodian.

Article 19 The balance of the clearing reserve fund account of the custodian at the close of each business day shall not be lower than the minimum threshold amount for the clearing reserve fund.

The Company may determine and adjust the minimum threshold amount for the clearing reserve fund in accordance with the relevant business rules.

Article 20 In the event where the custodian's name, particulars of the designated receiving account and the QFII under its custody are changed, the custodian shall provide the relevant information and proceed with the alteration of clearing account timely.

Article 21 Upon cancellation of a clearing participant's qualification, the custodian may apply to the Company for the withdrawal of the remaining clearing reserve fund after settling other debt liabilities with the Company.

Article 22 At the close of each business day (the date of Transaction), the Company calculates the net account receivable or payable for the custodian according to the transaction volume and other data (including payment of dividend, bonus issue, net amount of subscription of new shares, reversal of capital frozen by subscription of new shares and tax deductible, etc.) concerning the QFII under its custody, at the stock exchange on the Transaction day. The securities receivable and payable, securities incurred and data on the clearing of capital for the dealing of relevant securities by each QFII under its custody are also calculated to ascertain the settlement obligations of the custodian.

Article 23 After the completion of clearing on the Transaction day, the Company will enter the data of the clearing of securities and capital of the day in the Company's settlement system as evidence of the custodian's securities and capital settlement and its settlement order. The custodian shall retrieve the data from the system timely.

Apart from the company's settlement system failure whereby the custodian is unable to retrieve the relevant data, the Company considers as having notified the custodian of the settlement order.

Article 24 A custodian shall perform its duty of settlement in due course in accordance with the settlement order of securities and capital. If a custodian disputes with the clearing data provided by the Company, it should inform the Company timely. The Company will make corrections if errors on the clearing are confirmed upon verification. The custodian, however, shall not refuse or delay the performance of its settlement duty of the day accordingly.

Article 25 The Company, according to the clearing data on the Transaction day, will credit or debit the securities account of the QFII held under the custody of the custodian, and complete the irrevocable final settlement in the evening of the Transaction day. The final settlement of capital with the custodian shall be completed on the following day of the Transaction day at 17:00.

Chapter 4 Risk Management

Article 26 A custodian should have professionals having the expertise in computer, finance and settlement, who are responsible for the settlement operation, the formulation of the internal settlement management scheme, and the smooth transaction of capital amongst the custodian, the settlement bank and the Company.

Article 27 A custodian should implement effective measures to ensure the security and smooth operation of the electronic settlement system. A custodian should establish a back-up system and an anti-virus system for the settlement data bank.

Article 28 To prevent running risks of settlement, the custodian shall adhere to the risk sharing principle to contribute to the settlement guarantee fund.

Article 29 A custodian, as a participant of the settlement, should contribute to the security settlement guarantee fund, as stipulated by the “Security Settlement Guarantee Fund Management Provisional Measures”.

Article 30 In the event where a custodian overdrafts, the Company will adopt the following measures:

1. impose a penalizing interest pursuant to the requirements of PBOC, basing on the amount overdraft.
2. retain on a provisional basis, on the next day of the date of transaction, the securities designated by the custodian, which are equivalent to 120% of the amount overdraft. If within two business days the custodian pays up the principal of the overdraft and the penalizing interest, then the Company will return to the custodian the provisionally retained securities. Otherwise, the Company will dispose of the retained securities to cover the overdraft of the custodian. If the proceeds from the disposal are not sufficient to cover the principal of the overdraft and the penalizing interest, the difference will still be claimed from the custodian.
3. require a written document explaining the overdraft of capital from the overdrafting custodian, together with a responsibility acknowledgement letter issued by the overdrafting responsible party with its common seal thereon . The overdraft will be noted as a bad record of the custodian’s business and serves reference for the assessment of risk and to facilitate the composition of intensive examination list in the future.
4. notify the overdrafting custodian that he should provide its financial statement to the Company, and propose practical compensatory measures. The custodian will be subject to intensive examination, vis-à-vis his financial situation.
5. call for stock exchanges to limit or suspend the purchase of securities of QFII mandated under the overdrafting custodian, and the action will be reported to the CSRC.

Article 31 If the QFII mandated under a custodian oversells shares , the Company will retain the amount of overselling on the following day of the date of transaction. If the custodian covers the securities oversold within two business days, the Company will release the retention of the amount oversold. Otherwise, the Company will use the retention to purchase securities in a quantity equivalent to the amount oversold. If in lack of sufficient fund, the difference will still be claimed from the custodian.

In the event of overselling, the Company will base on the amount of securities oversold and impose a penalizing interest on the custodian as stipulated by PBOC.

Article 32 The custodian will be charged for any cost and fees incurred in the course of the Company dealing with any breach of contract of the custodian.

Article 33 The Company is entitled to impose special regulatory measures on high-risk custodians. Ad hoc measures include the increase of settlement guarantee fund payment, the adjustment of the minimum threshold amount on the clearing reserve fund and the funding timing, and the requirement that he should mandate other custodians to handle the settlement.

Chapter 5 Miscellaneous

Article 34 A QFII when applying, through its custodian, for the registration of the custody of securities should pay a relevant fee in accordance with the existing payment scheme.

Article 35 The aforesaid requisite documents, shall be in the norms of the Chinese version, if written in a foreign language, they must be accompanied by a Chinese translation.

Article 36 Other relevant operation regulation, business guidelines and rules of the Company are applicable, where these Details has not specified.

Article 37 The Company has the rights of interpretation for this Measure

Article 38 These Details, after being approved by the CSRC, will come into effect as at date of promulgation.

China Securities Depository and Clearing Corporation Limited