

OnPoint

Dechert  
LLP

November 2012

A Legal Update from Dechert LLP

## Application Process for Qualified Foreign Institutional Investor (“QFII”) License Substantially Shortened in China

Since its launch in 2002, the QFII program has been the principal means for foreign investors to invest directly in China’s securities markets. This year, the China Securities Regulatory Commission (CSRC) initiated extensive QFII reforms, one key outcome of which is that foreign investors find it much easier and quicker to obtain QFII licenses. This is primarily due to reforms that have accelerated the QFII license application process and reduced the volume of application documents required.

The QFII license application process includes the following two key steps:

1. Applying with the CSRC to obtain a QFII license; and
2. Obtaining an investment quota from the State Foreign Exchange Bureau (“SAFE”).

The CSRC reforms have made the first step, applying for the QFII license, quicker and less burdensome for applicants. Based on the CSRC’s written rules, the agency should complete its review of an application within 20 business days (i.e. around 1 month) upon its acknowledgement of receipt of a complete set of application documents. However, in practice, this process had been significantly delayed, taking between 10 to 18 months. As a result of the CSRC’s reforms, the process is now estimated to take around 6 months, at the successful conclusion of which the CSRC will grant the QFII license. Also as a result of the reforms, the application documents to be submitted at this step are less burdensome than before. For example, only the audited financial statements for the most recent year are required, in lieu of the old requirement to submit audited financial statements for the previous three years. In addition, instead of the submission of the applicant’s custodian agreement with the custodian bank, only a letter authorizing the custodian bank to provide custodian services is required to be submitted. Articles of association (or other constitutive documents of the QFII applicant) are no longer required. Furthermore, foreign investors will be able to apply for QFII licenses and file compliance reports electronically.

Upon receiving the QFII license from the CSRC, obtaining an investment quota from the SAFE will permit a QFII license holder to make investments up to the maximum investment amount set by SAFE. As a result of the QFII reforms, the SAFE process has been expedited so that it is estimated to take only 1-3 months to receive a QFII quota. This process typically took longer pre-reform.

In a clear sign of the impact that the expedited application process has already had on foreign investors in the securities market, during the first nine months of this year, 53 foreign investors obtained QFII licenses, compared with a similar number during the past three years combined. Seven entities obtained QFII licenses this September, compared to 13 during all of 2010 and 19 during all of 2009. Chinese governmental authorities, including the CSRC, are endeavouring to attract more foreign investment into China’s securities market, and the QFII regulatory reforms are one sign of this governmental policy.

---

This update was authored by :

Paul Wang  
Beijing  
[Send an email](#)

Amy Yang  
Beijing  
[Send an email](#)

Le Yu  
Beijing  
[Send an email](#)



T: +8610 5829 1338



T: +8610 5829 1339



T: +8610 5829 1321



**Susan Kilgore**

Beijing

[Send an email](#)

T: +8610 5829 1325

To see the full list of corporate and securities lawyers, please [visit our website](#).

[Unsubscribe](#) | [Manage my mailings](#) | [Forward to a colleague](#)

© 2012 Dechert LLP. All rights reserved. This publication should not be considered as legal opinions on specific facts or as a substitute for legal counsel. It is provided by Dechert LLP as a general informational service and may be considered attorney advertising in some jurisdictions. Prior results do not guarantee a similar outcome. We can be reached at the following postal addresses: in the US: 1095 Avenue of the Americas, New York, NY 10036-6797 (+1 212 698 3500); in Hong Kong: 27/F Henley Building, 5 Queen's Road Central, Hong Kong (+852 3518 4700); and in the UK: 160 Queen Victoria Street, London EC4V 4QQ (+44 20 7184 7000).

Dechert internationally is a combination of separate limited liability partnerships and other entities registered in different jurisdictions. Dechert has more than 800 qualified lawyers and 700 staff members in its offices in Belgium, China, France, Germany, Georgia, Hong Kong, Ireland, Kazakhstan, Luxembourg, Russia, the United Arab Emirates, the UK and the US. Further details of these partnerships and entities can be found at [dechert.com](#) on our [Legal Notices](#) page.