Decoding China’s QFII new rules

With UBS, you can optimize your China access

With the official release of the "QFII and RQFII Onshore Securities and Futures Investment Management Rules" – the "QFII Rules" - it is now simpler and faster to access China’s securities markets.

With our deep China experience, UBS Securities (UBS-S) is the only foreign securities firm who holds all the relevant licenses and permits necessary to facilitate the ‘QFII New Rules’ for our clients and investors.

<table>
<thead>
<tr>
<th>Product / Solution</th>
<th>Supported by UBS-S</th>
<th>QFII / RQFII holders can engage in</th>
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<tbody>
<tr>
<td>Stock Lending</td>
<td>Yes</td>
<td>Clients will be permitted to lend out long positions to China Securities Finance Corp (“CSFC”)</td>
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<tr>
<td>Margin Financing and Stock Borrow</td>
<td>Yes</td>
<td>Clients will be permitted to open margin accounts with their brokers for margin financing and stock borrowing–lending.</td>
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<tr>
<td>*Financial Futures</td>
<td>Yes</td>
<td>Clients will be permitted to trade all futures contracts listed on CFFEX, with bond futures in scope. &quot;Hedging purpose only&quot; that is adopted currently might be removed.</td>
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<tr>
<td>*Commodity Futures</td>
<td>Yes</td>
<td>Clients will be able to trade commodity futures contracts listed on (SHFE) (INE) (DCE) (ZCE).</td>
</tr>
<tr>
<td>*Listed Options</td>
<td>To be provided</td>
<td>Clients will be able to trade options listed on stock and futures exchanges.</td>
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</table>

*In scope futures and derivatives products will be subject to approval by CSRC, PBOC, SAFE in a case by case manner.
*UBS-F is the whole owned subsidiary company of UBSS to conduct the futures related business

Why UBS-S?

- **First foreign investment bank to operate under FULL license in China** and UBS-S has been operating in China for over 13 years. The first foreign broker got approved with SBL license in A share market, and is also the first foreign broker increased the stake to 51% in China
- **Cover over 70 high profile QFII / RQFII clients** and is the leading foreign investment bank in China A share market
- **Deep China experience, and has the top ranked domestic research team**, covering close to 500 A/H/ADR names and is active in China primary market, including STAR board and main board IPOs, blocks and private placement deals
- **Top ranked China A-Share research and corporate access team**, and is the first foreign broker to launch A-Share quant research
- **Best execution capabilities**, a global network and strong onshore-offshore cross border solutions
## Stock Lending

**Eligible:** QFII / RQFII holders  
Clients are not required to open a new account and we anticipate that the rules will largely follow the current settlement model. The settlement cycle will be slightly different to Cash; details are still being worked out with custodian banks.

**From:** After the effective date.

**Summary of requirements to commence stock lending through UBS-S:**

- **Account:** QFII/ RQFII holders can lend out stocks held in their cash account with Custodian; UBS-S can facilitate the lending.

- **Documents Required:**
  - Stock Lending Agency Agreement
  - Stock Lending Risk Disclosure Statement
  - POA and ID copies for authorized persons

- **Lender Information Filing:**
  UBS-S will file the QFII / RQFII account information with the CSFC and corresponding stock exchanges as required by the relevant regulator(s).

- **Lending Order:**
  - QFII/RQFII holders can send their stock lending orders to UBS-S
  - UBS-S Margin Financing Team will send the stock lending order on behalf of the relevant QFII / RQFII client to the CSFC.

- **Reporting:**
  UBS-S will provide daily reports to each of our clients to show stock lending transactions with CSFC and any stock returned by CSFC.

## Margin Financing and Stock Borrow

**Eligible:** QFII / RQFII holders.

Clients will need to open a margin account, which will need to follow a securities firm settlement model, rather than the current custodian bank settlement model.

**From:** After the effective date.

**Summary of requirements to commence Margin Financing and Stock Borrow through UBS-S:**

Currently, QFII custodian banks are waiting for additional regulatory implementation details to be issued to further revise procedures and make necessary systems enhancements.

UBS-S will keep you posted with the ongoing developments in this area.

## Futures

**Eligible:** QFII / RQFII holders  
Current futures trading model has not been changed by the New QFII Rules.

Open questions will be on latest product scope and application process. Connectivity should be the same.

**From:** UBS Futures (UBS-F) is ready to provide onshore futures execution and clearing services immediately.

**Summary of requirements for Futures through UBS-F:**

- UBS-F is a wholly owned subsidiary of UBS-S, a member of all four onshore commodity exchanges (SHFE, INE, DCE, ZCE) and a clearing member of CFFEX.

- **Bond Futures**
  - Designate a FMDB account (exempted for existing accounts)
  - Open futures trading account with UBS-F (exempted for existing accounts)
  - Apply for a trading ID from CFFEX (exempted for existing accounts)
  - Apply for hedging quota from CFFEX (for hedging purposes)
  - Transfer margin to your account and commence trading

- **Commodity Futures**
  - Designate a FMDB account (exempted for existing accounts)
  - Open a futures trading account with UBS-F (exempted for existing accounts)
  - Apply for a trading ID from the relevant commodity exchanges (SHFE/INE/DCE/ZCE)
  - Transfer margin to your account and commence trading

## QFII investment into PFM

**Eligible:** QFII / RQFII holders

**From:** After the effective date.

The investment scope of the PFM invested by QFII / RQFIIs should be in line with new rules, and those investment and transaction will be via the fund management companies and the custodian banks of QFII/RQFIIs directly without brokers’ directly involvement.
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In order to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS, we may rely on information barriers. Additional information can be found at "https://www.ubs.com/global/en/investment-bank/regulatory.html" and may be made available upon request. Contents of Material This material is prepared from information believed to be reliable, but we make no representations or warranties, express or implied, and owe no duties (including in negligence) as to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the Instruments, markets or developments referred to in the materials. The information contained in this material is as of the date hereof only and is subject to change without notice. We do not undertake any obligation to update this material. 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