

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.

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

*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

UBS guide to getting started under the QFII New Rules

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 / RQFII 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/RQFII directly without brokers' directly involvement.

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