CLIFFORD CHANCE

Briefing note | February 2014

Launch of the Renminbi Qualified Foreign Institutional Investor (RQFII) programme in Singapore

The Monetary Authority of Singapore (MAS) announced on 24 January, 2014 that eligible financial institutions in Singapore may now apply for an RQFII licence to establish Renminbi (RMB) denominated investment products.

The agreement aims to strengthen cooperation between Singapore and the People's Republic of China on financial development and regulation and follows the success of the RQFII programme in Hong Kong.

Eligibility criteria

Only a Singapore-incorporated financial institution that is approved by MAS to conduct fund management activities may apply for an RQFII licence.

A notice issued to PRC custodian banks by the China Securities Regulatory Commission (**CSRC**) on 22 January 2014, says the Singapore application process should follow the same approach as the RQFII regime in Hong Kong.

An institution in Singapore applying for an RQFII license must satisfy the following criteria:

- stable financial status and good credit standing;
- compliance with CSRC rules on place of incorporation and licensing status;
- effective corporate governance and internal control systems;
- employees must meet the relevant qualification requirements in its country or region;
- conduct business in compliance with laws and regulations;
- not have been subject to any severe penalties imposed by the local regulator in the past three years or since its establishment; and
- any other criteria imposed by the CSRC based on principle of prudential supervision.

The applicant should also be:

1. a Singapore subsidiary of a PRC domestic fund management company, securities company, commercial bank or insurance company, etc.,

   or
2. a financial institution with its place of incorporation and principal business operations in Singapore; and
3. licensed by the MAS to engage in asset management activities and already carrying out such asset management activities.

Highlights of this new initiative

- China extends RQFII programme to Singapore, with an aggregate quota of RMB 50 billion
- Singapore will be given consideration as one of the investment destinations under the new Renminbi Qualified Domestic Institutional Investor (RQDII) scheme
- China and Singapore will introduce direct currency trading between the Chinese Yuan and Singapore Dollar

The application process

- Applicants in Singapore should submit their application through an approved custodian bank in PRC to the CSRC for an RQFII licence.
- After obtaining the RQFII licence, the applicant will then need to apply to the PRC State Administration of Foreign Exchange (**SAFE**) for an RQFII investment quota. An RQFII may also enter the Chinese inter-bank bond market by applying to the People's Bank of China.

The CSRC requires that all applications for RQFII licences be accompanied by a confirmation from MAS on the licensing status of the financial institution and its regulatory records for the past three years.

Application timeline

- After reviewing the complete set of application documents submitted by an applicant, the CSRC will determine, within 60 days, whether the applicant satisfies the above eligibility requirements and either approve or decline the application.
- Upon receiving the RQFII licence from CSRC, the Singapore financial institution will need to apply to SAFE for an investment quota within one year. SAFE will determine whether to grant the requested quota within 60 days. If a Singapore financial institution fails to apply to SAFE within one year after obtaining the RQFII licence, the RQFII licence will be revoked by the CSRC.

Conclusion

The success of the RQFII programme in Hong Kong is indicative of the increasing demand for RMB products by foreign investors and the significant potential of the RQFII programme in Singapore.

The RQFII programme in Singapore offers another channel for foreign investors to enter China's capital markets and is a welcomed step in the continued internationalisation of the RMB.

Although Singapore has been allocated an initial investment quota of RMB 50 billion, it is expected that the quota may increase to meet investor demand. For example, in Hong Kong, the initial allocated investment quota of RMB 20 billion was increased to RMB 134.30 billion in September 2013 due to high demand for RMB products.

Read our other publications

For further information on the Hong Kong RQFII pilot programme, please refer to our previous client briefings:

- Renminbi Qualified Foreign Institutional Investor Scheme Launched
- Renminbi Qualified Foreign Institutional Investor Scheme Scaled Up

Or please contact Julie Dean for copies of these briefings

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