

Summary of the *Decision to Amend Section 14 and Section 19 of the Rules on the Administration of Securities Registration and Settlement (Draft for Comment)*, issued by the China Securities Regulatory Commission (October 13, 2009)

To accommodate the needs of developing the capital market, on October 13, 2009, the China Securities Regulatory Commission (“CSRC”) published on its website the *Decision to Amend Section 14 and Section 19 of the Rules on the Administration of Securities Registration and Settlement (Draft for Comment)* (the “Draft”) to solicit public comments. The Draft amends the following two sections in the *Rules on the Administration of Securities Registration and Settlement* effective on July 1, 2006:

1. The Draft adds a Subsection 2 to Section 19: ***“The investors mentioned in the preceding subsection include Chinese citizens, Chinese legal persons, Chinese partnerships and other investors as provided in laws, administrative regulations and rules of the CSRC.”***

Section 166 of the *Securities Law* provides that “investors who apply to open an account must hold valid identification documents for Chinese citizens or Chinese legal person qualification certificates, unless otherwise provided by the State.” According to such provision, only Chinese legal persons and natural persons may open a securities account, and there have been no express legal basis for partnerships and enterprises in other forms to open securities accounts. This amendment enlarges the scope of subjects that are entitled to open securities accounts, by allowing Chinese partnerships and other investors as provided in laws, regulations and rules of the CSRC to open securities accounts.

According to the *Explanations regarding the Amendment of the Rules on the Administration of Securities Registration and Settlement* published by the CSRC on its official website, “other investors” currently include qualified foreign institution investors (QFIIs), foreign strategic investors, natural persons, legal persons and other organizations from foreign countries, Hong Kong, Macau and Taiwan who invest in the B-share market, and venture capital investment enterprises as provided in the *Interim Measures for the Administration of Venture Capital Investment Enterprises*.

2. The Draft amends Item 3 of Section 14(2) to read: where “Stock exchanges and ***China Financial Futures Exchange*** request securities registration and settlement institutions to provide relevant data and information to perform their duties”, the securities registration and settlement institutions shall assist in doing so. This amendment entitles China Financial Futures Exchange to inspect securities registration and settlement information.

This amendment aims at establishing necessary information exchange channel between securities registration and settlement institutions and China Financial Futures Exchange to promote the efficiency of the regulatory coordination.

If you have any further questions, please feel free to contact us. Thank you!

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