



CSRC Signed Regulatory MOU with Cayman Authority

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On December 24, 2018 the China Securities Regulatory Commission ("**CSRC**") announced that it had entered into a memorandum of understanding ("**MOU**") on securities and futures regulatory cooperation with the Cayman Islands Monetary Authority ("**CIMA**"). The MOU aims to facilitate information exchange and regulatory cooperation in the securities, futures and other related investment products markets between CSRC and CIMA. The full text of the MOU is available at https://www.cima.ky/upimages/commonfiles/SignedMOU_1541788491.pdf.

So far, CSRC has established cross-border regulatory cooperation mechanisms with 63 countries/regions through such MOUs, including the United States, the United Kingdom, Ireland, Luxembourg and Hong Kong. A list of the MOUs signed between CSRC and overseas regulators (as of June 2018) is available at http://www.csrc.gov.cn/pub/newsite/gjb/jghz/201806/t20180614_339866.html.

Given the Cayman Islands has been a leading jurisdiction for the offshore investment funds industry, the MOU between CSRC and CIMA is expected to facilitate cross-border investments for both Chinese and overseas investors.

A regulatory MOU between CSRC and its foreign counterpart is one of the pre-requisite requirements to which foreign investors or foreign investment products are subject under inbound and outbound investment schemes in China. For example, an MOU signed between CSRC and a foreign securities regulator is an eligibility requirement for any qualified foreign institutional investor (QFII) to directly invest in PRC securities. In addition, the lack of an MOU between the Cayman authority and CSRC had prevented some investors in Cayman Islands (such as Cayman-domiciled funds) from accessing futures markets in China, including the trading of crude oil futures on the Shanghai International Energy Exchange and iron ore futures on the Dalian Commodity Exchange. Similarly, securities companies and fund management companies under the qualified domestic institutional investors (QDII) scheme may only invest in listed shares and public funds in a foreign jurisdiction where the local securities regulator has

signed an MOU with CSRC. A similar requirement also applies to foreign investors that seek to invest directly in a CSRC-regulated PRC securities company or fund management company.

With the MOU between CSRC and CIMA in place, more investors from the Cayman Islands will be seen in domestic markets and onshore Chinese investors will be able to invest in more investment products in the Cayman Islands.

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