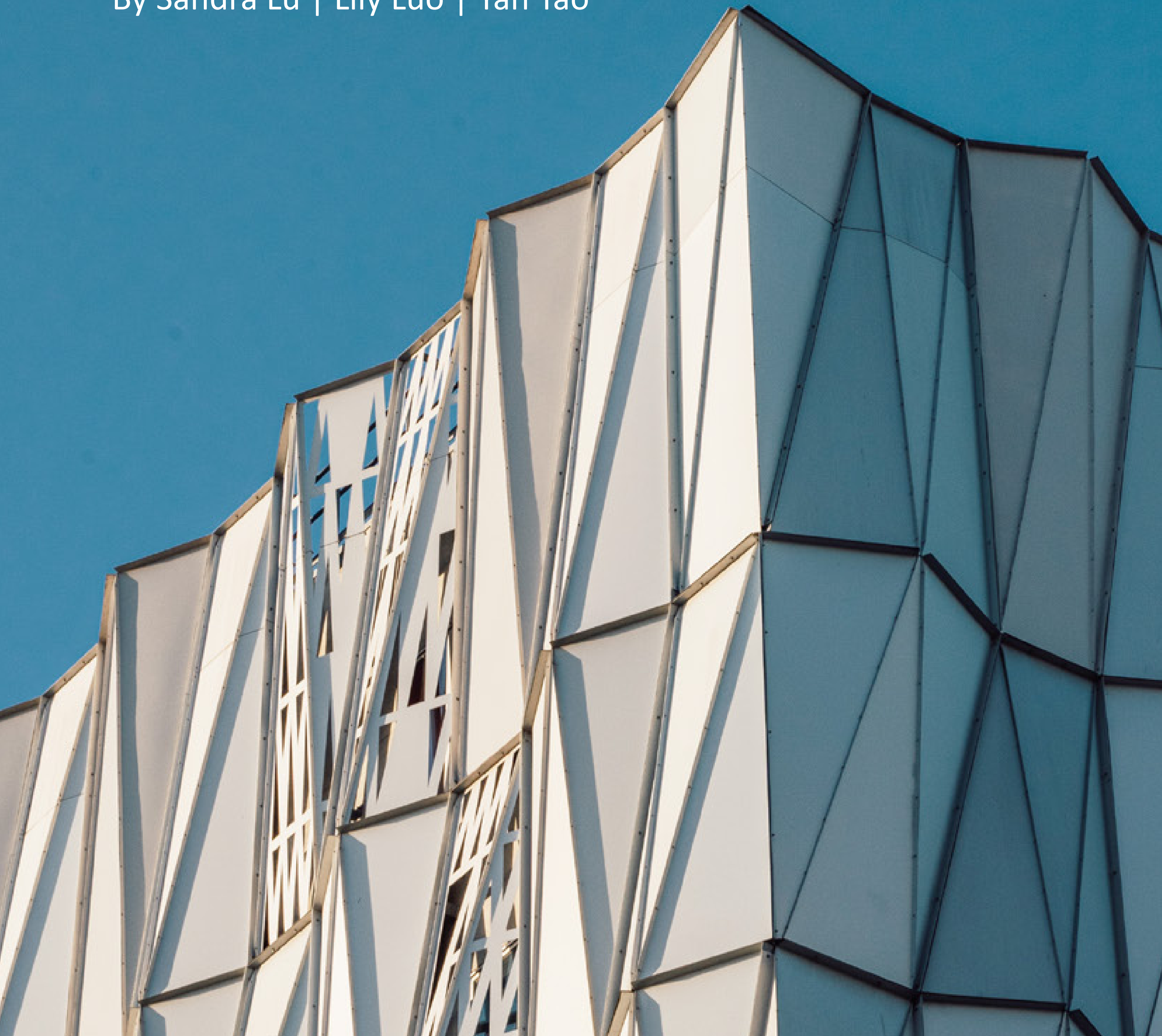
LLINKS Law Offices
通力律师事务所

The Impact of New Registration and Filing Measures on PFM

By Sandra Lu | Lily Luo | Yan Tao



On 30 December 2022, Asset Management Association of China ("**AMAC**") released the *Measures for Registration and Filing of Private Investment Funds (Consultation Paper)* (私募投资基金登记备案办法(征求意见稿), "**Registration and Filing Measures**") and the implementation guidelines, seeking public comments till 10 January 2023. The Registration and Filing Measures is a comprehensive overhaul of the *Measures for Registration of Private Investment Fund Managers and Filing of Funds (Trial)* (私募投资基金管理人登记和基金备案办法(试行)) which has been implemented since 7 February 2014. The Registration and Filing Measures aim to formulate comprehensive and unified rules for registration of PFM and filing of private funds by leveraging AMAC's accumulative experience in handling registration and filing cases, and integrating the self-disciplinary rules released by AMAC in recent years.

We sort out key changes of the Registration and Filing Measures from the perspective of private securities fund managers ("**PFM**") in the below text. We also would like to point out that, the requirement of "compliance on a continuous basis" is emphasized multiple times in the Registration and Filing Measures. For instance, a PFM shall continue to comply with laws, administrative regulations, rules of China Securities Regulatory Commission ("**CSRC**") and AMAC after registration with AMAC; the financial standing of a PFM shall enable its going concern; the shareholder(s) of a PFM shall have the capability to make continuous capital replenishment to the PFM; the senior management personnel ("**SMP**") of a PFM shall meet the eligibility requirements on a continuous basis. Therefore, both the institutions planning to apply for PFM registration and the existing PFM need to pay attention to the new requirements covered in the Registration and Filing Measures. There is no "new-old cut" facility or transition period arrangement in the draft of Registration and Filing Measures. It is advisable for the existing PFM to keep an eye on how AMAC would require them to implement new rules (e.g., if there is any grandfather clause or any transition period) when the formal version of the Registration and Filing Measures releases.

I. Clarification on the Application of Q&A (10) by Foreign-owned PFM

On 30 June 2016, the *Q&A for Matters Relating to Registration and Filing of Private Funds (10)* (私募基金登记备案相关问题解答(十), "**Q&A (10)**") was released, allowing eligible wholly foreign-owned enterprises and joint ventures to apply for registration as PFM, and providing eligibility requirements for their offshore shareholders and offshore actual controllers. At present, there is no publicly-released statutory provision on the standard for joint ventures to apply the Q&A (10). In practice, the standard is 25%, i.e., a joint venture of which the foreign shareholding accounts for 25% or above shall meeting the requirements stipulated by the Q&A (10). The 25% standard is formally included in the Registration and Filing Measures, which expressly stipulates that a PFM engaging in domestic private securities fund business must meet the requirements in the Q&A (10) if the total foreign shareholding in it is not less than 25%. If the foreign shareholding in a PFM reaches 25% or above due to change of capital contribution proportion or change of the nationality of any natural person shareholder, it shall also meet relevant requirements in Q&A (10) and undergo the requisite procedures with AMAC for change of registration information.

For clarity, the following requirements 1 to 4 already included in Q&A (10) are reiterated in the Registration and Filing Measures without change. As such, a foreign-owned PFM with the satisfaction of other applicable provisions of the Registration and Filing Measures, shall additionally meet the following requirements:

1. The PFM's foreign shareholder(s) and actual controller should be a financial institution duly approved or licensed by the financial regulator which have entered into the memorandum of understanding for securities regulatory cooperation with the CSRC or other institutions recognized by the CSRC;

2. None of the PFM, PFM's foreign shareholder(s), actual controller shareholder has been imposed with any material punishment by any regulatory authority or judicial authority in the preceding three (3) years;

3. Any use of the capital funds and the RMB funds settled from the capital funds of the PFM shall be in accordance with the relevant requirements of the State Administration of Foreign Exchange;

4. The PFM shall make investment decisions independently for the securities and futures investment within Mainland China, and shall not place trading orders through foreign institution(s) or foreign-based systems, except as otherwise stipulated by the CSRC.

II. Enhancement on Basic Requirements for Business Operation

The Registration and Filing Measures and the accompanying *Guidelines for Registration of Private Fund Managers No.1 – Basic Requirements for Business Operation (Consultation Paper)* (私募基金管理人登记指引第 1 号—基本经营要求(征求意见稿), "**Guidelines No.1**"), in general, inherit AMAC's current requirements on the PFM's company name, business scope, paid-in capital, financial conditions, business premises, staffing, internal control policies, etc. with the enhancement on certain aspects:

1. Time Interval between Registration with Administration for Market Regulation ("AMR") and Registration with AMAC

In these years, some entities incorporated with name and business scope indicating private fund management business put off the submission of PFM registration application to AMAC for a long time, which may confuse and mislead investors. For this chaotic situation, the Guidelines No.1 specifies that, an entity established for the purpose of carrying out private fund management business should submit the PFM registration application within 1 year since its registration with the companies registry(i.e. AMR).

2. Minimum Paid-in Capital

With a view to ensure that a PFM has sufficient capital to maintain effective operation, the Registration and Filing Measures stipulates that, the capital injection to a PFM must be made in cash, and the paid-in capital shall not be less than RMB10 million or the equivalent in foreign currency.

3. Segregation and Stability of Business Premises

A PFM shall have independent and stable business premises. On this basis, the Guidelines No.1 further refines the relevant requirements as follows: (1) sharing space and other places with weak stability cannot be used as business premises; (2) it is not allowable for a PFM to use the same business premises with its shareholder(s), actual controller and related parties; and (3) for leased business premises, the lease term must be more than 1 year except for reasonable grounds.

We understand that, though sharing space and other places with weak stability are not qualified business premises, it should be somehow feasible for a PFM to lease a dedicated room or area from serviced office or office space solution suppliers, provided that such room or area is segregated from the public area and stable (with a lease term of more than 1 year). In addition, under some local QDLP pilot program, it is permissible for a PFM and its wholly-owned QDLP subsidiary to share the business premises. This practice has existed for years, but whether it would still be workable under the Registration and Filing Measures is to be tested.

4. Internal Control Policies

To carry out the private fund business in a compliant and orderly manner, a PFM shall formulate sound internal control policies. The Registration and Filing Measures and the Guidelines No.1 set out the policies that a PFM is required to formulate. On the basis of the requisite policies for PFM registration at present, additional polices are required, including, without limitation, the firewall and business segregation policy, the policy on ensuring safety of capital and the emergency response plan.

III. Stringent Requirements for Shareholder and Actual Controller

In practice, there are some chaotic situations in PFM registration applications, e.g., the shareholders make false capital contribution, the shareholding structure is complex, the exercise of shareholder’s rights is not clear, the actual controller is not well identified. The Registration and Filing Measures and the accompanying *Guidelines for Registration of Private Fund Managers No.2 – Shareholder, Partner, Actual Controller (Consultation Paper)* (私募基金管理人登记指引第 2 号—股东、合伙人、实际控制人(征求意见稿), "**Guidelines No.2**") reiterate the requirements on authentic capital contribution, clear shareholding structure, not engaging in business having conflict with private fund business by relevant entities, and enhance the requirements for shareholder and actual controller from the following perspectives:

1. Corporate Governance and Financial Conditions

The Registration and Filing Measures requires that the shareholder(s) and actual controller of a PFM shall have a sound internal governance structure and good financial conditions, and be capable to continuously make capital replenishment to the PFM based on its business operation needs.

2. Professional Experience and Competence

The Registration and Filing Measures emphasizes that the controlling shareholder and the actual controller of a PFM shall have relevant experience in operating, managing related industries or engaging in asset management, investment business, and the relevant experience shall not be less than 5 years. As such, the controlling shareholder and the actual controller must have asset management or investment experience.

Additionally, due to the diversity of a natural person's work experience, the Guidelines No.2 provides detailed requirements on the professional experience and competence of a natural person being the actual controller, so as to facilitate the judgement on eligibility of such natural person. For details, please refer to our analysis in Item 5 below.

3. Rules on How to Identify Actual Controller

The Registration and Filing Measures and the Guidelines No.2 set forth comprehensive provisions on how to identify the actual controller as well as the eligibility requirements and liabilities of the actual controller.

Article 11 and Article 12 of the Guidelines No.2 stipulate the principles of identifying the actual controller of a company-type PFM and a partnership-type PFM respectively. For a company-type PFM, in general, the actual controller should be the absolute controlling shareholder (i.e., the shareholder holding more than 50% equity interest) or the entity which is not the absolute controlling shareholder but is able to control the company through the acting-in-concert agreement, deciding more than half of the board members or other ways. For a partnership-type PFM, the executive partner will be generally regarded as the actual controller.

On top of the general principles, Article 15 of the Guidelines No.2 provides special rules on the identification of the actual controller of a foreign-owned PFM. In substance, the rules under the Q&A (10) issued by AMAC in June 2016 should still be followed, i.e., to trace to the financial institution regulated by an offshore financial regulator that has signed the memorandum of understanding with CSRC. The Q&A (10) also requires that the controlling shareholder of a foreign-owned PFM should be a financial institution regulated by an offshore financial regulator that has signed a memorandum of understanding with CSRC. That is to say, in most cases, the controlling shareholder and the actual controller of a foreign-owned PFM are the same entity.

AMAC imposes a hard requirement that the actual controller of a PFM must be determined if possible. The Guidelines No.2 clearly stipulates that, a PFM shall not be deemed to have no actual controller without reasonable grounds. Even if the shareholding of the company is dispersed and it is not workable to determine the actual controller in accordance with Article 11 of the Guidelines No.2, the largest shareholder or, one or more shareholders jointly designated by all shareholders need to assume the responsibilities ascribed to the actual controller. Where there is any joint control arrangement, the parties jointly exerting controlling powers will be identified as joint actual controllers of the PFM.

4. Stability of Actual Control Relationship

For the purpose of avoiding adverse impact on smooth operation of a PFM due to instability of its controlling structure, the Registration and Filing Measures requires that, within 3 years from the AMAC registration date of a PFM, the controlling shareholder shall not transfer its equity interest in the PFM and the actual controller shall not transfer its controlling power over the PFM. To our knowledge, some PFM are planning to launch employee stock ownership plans. Whether it complies with the forgoing provisions still begs further discussion in case the controlling shareholder only transfers a small portion of its equity interest to the employee ownership vehicle while its controlling position remains unchanged.

Besides, the Registration and Filing Measures further requires that, the AUM of a PFM in the preceding year must be no less than RMB30 million if the actual controller of the PFM is to be changed.

5. Special Requirements for Natural Person Being Actual Controller

Aiming to ensure duties performance by the actual controller, the Registration and Filing Measures requires the natural person who is the actual controller of a PFM to act as the legal representative or SMP of the PFM, except as otherwise provided.

The Guidelines No.2 provides detailed requirements on the professional experience and competence of a natural person being the actual controller. To take the PFM as an example, if its actual controller is a natural person, the actual controller must have more than 5 years of asset management, investment related experience as described in the table below:

No.	Employer	Position
1	Financial institutions	Engaging in asset management business, or serving as SMP
2	Governmental authorities, public institutions	Engaging in senior economy management related work
3	Enterprises or listed companies funded and controlled by the government and its authorized institutions	Engaging in securities and futures investment management related work, or holding positions in business management
4	PFM	Engaging in securities and futures investment management related work, or serving as SMP
5	Other relevant work experience recognized by CSRC and AMAC	

(Table 1)

IV. Expansion of the Scope of Related Parties

The Guidelines No.2 refines the scope of related parties of a PFM, with an aim to implement effective management of related-party transactions from the beginning, prevent improper transfer of benefits and avoid risk contagion from the related parties engaging in business having conflict with private fund business. On the basis of the existing rules on disclosure of related parties (i.e., financial institutions, PFM, investment companies, institutions engaging in business having conflict with private fund business, investment consulting enterprises and financial service enterprises), the scope of related parties is expanded pursuant to the substance over form principle with the following entities included:

1. Listed companies, companies listed on the National Equities Exchange and Quotations controlled by the same controlling shareholder/actual controller;

2. Other legal persons or unincorporated organizations that have special relationship with the PFM and may affect its interests;

3. Relevant parties that may *de facto* have connected relationship with the PFM due to personnel, equity interest, agreement, business cooperation related factors should be disclosed based on the substance over form principle.

Furthermore, the Guidelines No.2 refines the scope of subsidiaries to be disclosed, requiring a PFM to disclose subsidiaries (excluding financial institutions and listed companies) in which it holds 30% or more equity interest (while the applicable threshold for the time being is 20%).

V. Enhanced Eligibility and Stability Requirements on Personnel

PFM raise funds from investors and carry out investment management activities, which require a higher level of professional competence, management experience and diligence for their practitioners. The Registration and Filing Measures and the accompanying *Guidelines for Registration of PFM No.3 – Legal Representative, Senior Management Personnel, Executive Partners and Their Appointed Representatives (Consultation Paper)* (私募基金管理人登记指引第 3 号—法定代表人、高级管理人员、执行事务合伙人及其委派代表(征求意见稿), "**Guidelines No.3**") clarify the requirements for a PFM's personnel deployment from the aspects of staff number, professional experience and competence, dual-hatting restrictions, staffing stability, etc. In particular, SMP are imposed with stringent eligibility requirements.

1. Clarification on the Scope of SMP

The Registration and Filing Measures defines the SMP of a PFM as general manager, deputy general manager, chief investment officer ("**CIO**"), chief compliance and risk control officer ("**CCO**"), other personnel actually performing the aforesaid duties, SMP defined under the articles of association, as well as relevant personnel in a partnership who assume the aforesaid operation management, risk control and compliance duties. In comparison with the current definition of SMP implemented by AMAC, the legal representative is removed from the scope of SMP. Such adjustment is reasonable. On one hand, it is compatible with the definition of SMP under the *PRC Company Law*. On the other hand, the *PRC Company Law* requires that the legal representative of a company should be either the chairman of the board/the executive director (if there is no board of directors) or the general manager. If the chairman of the board/the executive director serves as the legal representative while he or she takes no business management role in the PFM, it is not appropriate to consider him or her as SMP. It is worth noting that, the Registration and Filing Measures and the Guidelines No.3 still set out eligibility requirements for the legal representative given his or her vital position to act on behalf of the company.

Due to the importance of investment capability of a PFM, the CIO is explicitly included in the scope of SMP by the Registration and Filing Measures. The substance of this requirement is that a PFM shall have an SMP to take charge of investment functions, but it should not take it for granted that there must be a dedicated CIO. To have the general manager or deputy general manager concurrently oversee the investment functions should be fine, provided that the general manager or deputy general manager meets the eligibility requirements applicable to the CIO.

2. Enhancement on Eligibility Requirements for Legal Representative and SMP

According to the Registration and Filing Measures and the Guidelines No.3, the legal representative and SMP of a PFM must have relevant work experience in securities, funds, futures investment management business, the relevant work experience shall not be less than 5 years, and must have any one type of the following working experience:

No.	Employer	Position	CIO *(Note: For CIO, he or she must have work experience in the institution(s) under Type 1 or Type 3)*	Legal Representative and Other SMP
1	Financial institutions	Serving as portfolio managers, etc., or holding senior management positions or equivalent positions	√	√
2	Enterprises or listed companies funded and controlled by the government and its authorized institutions	Engaging in securities and futures investment management related work, or holding positions in business management	×	√
3	PFM	Engaging in securities and futures investment, or serving as SMP	√	√
4	Governmental authorities, public	Engaging in securities and futures investment management related work, or	×	√

	institutions	serving as SMP		
5	Law firms, business entities, listed companies	Engaging in securities and futures investment related compliance, risk control, legal affairs, etc.	×	√
6	Other work experience stipulated by CSRC and AMAC			

(Table 2)

(1) Special Requirements for CCO

Considering the CCO's role to oversee the compliance of the PFM's business operation, the Registration and Filing Measures and the Guidelines No.3 require that the CCO shall have work experience in law, accounting, supervision or audit of investment related practice, or work experience in compliance, risk control, supervision or self-disciplinary management in the asset management industry, and the relevant work experience shall not be less than 3 years. Meanwhile, the CCO shall have any of the following work experience:

(a) Compliance, risk control related work experience in the asset management institutions;

(b) Law, accounting, supervision or audit related work experience related to asset management industry;

(c) Work experience in CSRC or its local branch, or self-disciplinary associations of asset management industry;

(d) Other conditions stipulated by CSRC and AMAC.

(2) Requirement on the Track Record of CIO

According to the Registration and Filing Measures and the Guidelines No.3, the CIO shall have more than 5 years of relevant work experience, and provide support documents showing the track record of securities and futures products that he or she managed as a portfolio manager or other roles in charge of investment decision-making for more than two consecutive years in the last five years, with the AUM of a single product being not less than RMB20 million. The current standards on the CIO's track record are raised in the aspects of timeliness, continuity, AUM, etc.

3. Improvement of the Dual-hatting Rules Applicable to Legal Representative and SMP

AMAC has put forward certain requirements governing dual-hatting of SMP in the self-disciplinary rules released in the past years. The Registration and Filing Measures and the Guidelines No.3 also cover the dual-hatting related issues, which reiterate the requirements such as justifiable grounds are necessary for dual-hatting arrangement of legal representative and SMP, dual-hatting with non-affiliated private fund management institution or institution engaging in business having conflict with private fund business is not allowed, and make the following illustrations for clarity:

(1) What constitutes "dual-hatting" is well defined. Dual-hatting refers to the establishment of direct labor relations, labor service relations, labor dispatch relations and other forms of working relations by the practitioners of a PFM with two or more institutions at the same time within a certain period, regardless of whether they get remuneration or not.

(2) The legal representative and SMP serving in the invested companies or serving as directors or supervisors in other companies will not constitute dual hatting. We understand that, in practice, private equity fund managers usually appoint personnel to serve in the enterprises invested by private equity funds. Since such arrangements are mainly for the purpose of performing investment supervision functions, rather than actually participating in management, they should be excluded from the circumstances of dual hatting. Under the local QDLP pilot program, the full sharing of personnel between a PFM and its wholly-owned QDLP subsidiary is generally permissible. This practice has existed for years, but whether it would still be workable under the Registration and Filing Measures is to be tested.

(3) The CCO shall not engage in investment management business of the PFM, shall not concurrently hold positions that conflict with his or her compliance and risk control responsibilities, and shall not serve as the general manager, executive director or chairman of the board. Moreover, it is explicitly stated that the CCO shall not concurrently hold positions in other third-party institutions (however, for collectivized PFM, the exemptions given by AMAC (if any) shall prevail).

(4) In accordance with the Registration and Filing Measures and the Guidelines No.3, it is no longer required that the SMP under dual-hatting arrangement shall be no more than 1/2 of the total number of SMP of the PFM.

4. Refinement of Stability Requirements for Legal Representative and SMP

Stability requirements on legal representative and SMP have appeared in a number of self-disciplinary rules of AMAC. The Registration and Filing Measures, the Guidelines No.1 and the Guidelines No.3 further refine the stability requirements, including:

(1) Mandatory ownership scheme for the legal representative and the CIO

The legal representative and CIO shall both hold a certain percentage of the equity interests of the PFM, and their total capital contribution should be no less than 20% of the paid-in capital of the PFM or no less than 20% of the minimum paid-in capital (i.e. RMB2 million). The following institutions are exempted from this requirement:

(a) PFM controlled by commercial banks, securities companies, fund management companies, futures companies, trust companies, insurance companies and other financial institutions;

(b) PFM funded and controlled by the government and its authorized institutions;

(c) PFM of which the total foreign shareholding is not less than 25%; and

(d) Other PFM that meet the requirements.

(2) Emphasis on no change of legal representative or SMP before the completion of the filing of the first private fund.

(3) Initiative of the performance of duties for vacant SMP position

After the departure of an SMP, the PFM shall, in accordance with the articles of association, appoint the eligible personnel of the PFM to perform the duties in place of the leaving SMP, and shall appoint a new SMP who meets the requirements for the intended post within 6 months.

(4) Reiteration of prohibiting fake employment arrangements

If an SMP have worked for three or more employers within two years or have provided the same supporting documents for track record to two or more PFM within two years, his or her relevant experience and supporting documents for track record will not be recognized in principle.

5. Requirements for Staff

The requirements remain unchanged in the Registration and Filing Measures that a PFM should be staffed with no less than 5 full-time employees (both SMP and non-SMP can be counted), and dual-hatting arrangement of general staff is not allowed. On top of that, the Guidelines No.1 defines the full-time employees and expands the scope of full-time employees as appropriate. The full-time employees not only include regular employees who sign labor contracts with the PFM and get paid the social insurances, but also the employees who are foreigners signing labor contracts or service contracts, retired persons, and SMP appointed by state organs, public institutions, enterprises funded and controlled by the government and its authorized institutions.

VI. Introduction of Negative List Management

In the recently released self-discipline rules, AMAC has been strengthening the requirement on verifying legal and regulatory compliance, credit information of relevant subjects. Based on the risk prevention principle, the negative list concerning legal and regulatory compliance, credit information of relevant subjects is introduced in the Registration and Filing Measures. It means that relevant subjects that have serious violations of laws and regulations, negative credit records described in the negative list will be ineligible to serve as the major shareholder (i.e., the shareholder holding more than 25% equity interest), controlling shareholder, actual controller, directors, supervisors and SMP of a PFM.

VII. Clarification on the Requirements for PFM Constituting "Collectivization"

It constitutes the so-called "collectivization" situation if there are two or more PFM within a group (i.e. two or more PFM are controlled by the same controlling shareholder/actual controller). For the avoidance of the problem that multiple PFM within the same group are prone to homogenization competition and irrational expansion, CSRC has put forward the regulatory requirements governing collectivized PFM in the *Certain Provisions on Strengthening the Regulation of Private Investment Funds* (关于加强私募投资基金监管的若干规定). The Registration and Filing Measures further clarifies the management requirements, including:

1. The rationality and necessity must be justified for the same controlling shareholder/actual controller to set up multiple PFM;

2. The business scope of each PFM under the same controlling shareholder/actual controller should be reasonably distinguished, reasonable and effective internal control policies should be

duly formulated in respect of segregation of business risk, avoidance of horizontal competition, management of related-party transactions and prevention of conflicts of interest;

3. The same controlling shareholder/actual controller should establish an ongoing compliance and risk management system, and strengthen the supervision and inspection on each PFM.

In addition, to reflect the classification management principle, the Registration and Filing Measures empowers AMAC to implement differentiated self-disciplinary management against each PFM within the same group according to their business development, investment management capability, internal governance situation, compliance and risk control level. For example, it leaves room for AMAC to give exemptions to collectivized PFM on the compliance with the requirements listed in the Registration and Filing Measures, such as “the number of full-time employees shall not be less than 5”, “the CCO shall not hold concurrent position”, “the general staff shall not hold concurrent position”. Such possible relaxation as granted by AMAC might leave some room for the reasonable sharing of personnel between PFM and QDLP within the same group.

VIII. Optimization of the Rules on Suspending and Terminating the Handling of PFM Registration Applications

With the objective to effectively conduct self-disciplinary management and better manage the industry expectations, the Registration and Filing Measures specifies the circumstances under which AMAC will suspend or terminate the handling of PFM registration applications. In particular, the termination circumstances covered therein include the applicant’s failure to correct the registration materials within **6 months** since AMAC returns back its application, or the applicant’s failure to make explanation, supplement or revision per AMAC’s feedbacks. As such, the applicants should deal with AMAC’s comments and feedbacks in a timely manner, so as to avoid the risk of its application being declined.

IX. Refinement of the Information Reporting Requirements

Apart from the conditions for PFM registration, the Registration and Filing Measures and the implementation guidelines also refine the information reporting requirements after registration with AMAC, which are worthy of attention for registered PFM.

1. Optimization on the Procedures for Changing Registration Information of PFM

To change any registration information, a PFM must undergo the required procedures with AMAC in a timely manner. The Registration and Filing Measures distinguishes the change of basic registration information and the change of material registration information, imposing different requirements on each of them. Please refer to the table below for details:

	Type of Information	Timeline	Whether the legal opinion is required or not?
Change of Basic Registration Information	Name, business scope, capital, registered address, office address and other basic information	Within 10 working days	×
	Shareholder, related-party		
	Legal representative, SMP		
Change of Material Registration Information	Controlling shareholder	Within 30 working days	√ For change of actual controller, a legal opinion is required, which should opine on whether all the requirements for PFM registration are still satisfied after the change. AMAC will take it as a new registration application to review.
	Actual controller		

(Table 3)

As could be seen from the above Table 3, the legal opinion for change of legal representative by a PFM is no longer required, which has been moved to the scope of basic registration information.

2. Refinement on Annual Reporting and Ad Hoc Reporting Events

The Registration and Filing Measures requires a PFM to submit its annual financial report, annual business operation report audited by a qualified accounting firm in each fiscal year. It is worth noting that the annual business operation report is a newly required document, the specific content to be covered therein still begs further interpretations.

A PFM shall report the material events to AMAC within 10 working days upon the occurrence. The Registration and Filing Measures lists such material events in detail.

X. Refinement of Self-disciplinary Measures

The Registration and Filing Measures sets forth the liabilities related provisions in a separate chapter. In case of any breach of laws and regulations or the Registration and Filing Measures by a PFM and its shareholder(s), actual controller, AMAC may impose self-disciplinary measures or disciplinary punishments against relevant parties and the persons directly accountable for the breach depending on the severity of the case.

Moreover, in order to optimize the exit mechanism of PFM, the Registration and Filing Measures divides the deregistration of PFM into two types, i.e. deregistration due to business operation reasons and deregistration per AMAC's self-disciplinary measures. The latter refers to the circumstance where AMAC cancels the registration of a PFM as a result of its suspected material violation of laws or regulations. The controlling shareholder, actual controller, legal representative, responsible SMP and directly accountable person of the PFM deregistered by AMAC due to law or regulation breach will be included in the negative list maintained by AMAC.

If you would like to know more information about the subjects covered in this publication, please contact:

Sandra Lu
+86 21 3135 8776
Sandra.lu@llinkslaw.com

Lily Luo
+86 21 3135 8732
lily.luo@llinkslaw.com

Yan Tao
+86 21 3135 8755
yan.tao@llinkslaw.com

SHANGHAI	BEIJING	SHENZHEN
19F, ONE LUJIAZUI 68 Yin Cheng Road Middle Shanghai 200120 P.R.China T: +86 21 3135 8666 F: +86 21 3135 8600	30F, Central Tower, China Overseas Plaza, 8 Guanghuadongli, Chaoyang District Beijing 100020 P.R.China T: +86 10 5081 3888 F: +86 10 5081 3866	18F, China Resources Tower 2666 Keyuan South Road, Nanshan District Shenzhen 518063 P.R.China T: +86 755 3391 7666 F: +86 755 3391 7668

HONG KONG	LONDON
Room 3201, 32/F, Alexandra House 18 Chater Road Central, Hong Kong T: +852 2592 1978 F: +852 2868 0883	1/F, 3 More London Riverside London SE1 2RE United Kingdom T: +44 (0)20 3283 4337 D: +44 (0)20 3283 4323

www.llinkslaw.com

Wechat: LlinksLaw

WE LINK LOCAL LEGAL INTELLIGENCE WITH THE WORLD