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通力律师事务所

A Brief Analysis of the Measures for the Supervision and Administration of the Fundraising of Private Investment Funds (Consultation Paper) from the Perspective of Private Securities Investment Funds

By Yan Tao | Elaine Wang | Neil Zhao

On September 4, 2026, the China Securities Regulatory Commission ("**CSRC**") issued the *Measures for the Supervision and Administration of the Fundraising of Private Investment Funds (Consultation Paper)* (the "**Draft Fundraising Measures**") to solicit public opinions. Following the *Measures for the Supervision and Administration of the Information Disclosure of Private Investment Funds*, the Draft Fundraising Measures represent another specialized departmental regulation enacted under the *Regulations on the Supervision and Administration of Private Investment Funds* (the "**Private Fund Regulations**"). Upon its official implementation, the self-disciplinary framework of the Asset Management Association of China ("**AMAC**") is expected to be updated accordingly, including the *Administrative Measures for Fundraising Activities of Private Investment Funds* (the "**Administrative Measures for Fundraising Activities**"), the *Guidelines for the Filing of Private Investment Funds No. 1 – Private Securities Investment Funds*, the *Guidelines for the Filing of Private Investment Funds No. 2 – Private Equity and Venture Capital Funds*, the *Guidelines on Private Investment Fund Contracts*, and accompanying template documents such as the risk disclosure statement.

Neither the Draft Fundraising Measures nor its legislative explanation currently mentions transitional arrangements. If the official version provides no grace period, managers must comply with the new regime as of its effective date. Drawing on the business practices of private securities investment fund managers, this article analyzes the key highlights of the Draft Fundraising Measures.

I. Identification and Verification of Qualified Investors

The Draft Fundraising Measures refine the qualified investor criteria established by the prevailing *Interim Measures for the Supervision and Administration of Private Investment Funds* (the "**Interim Measures**") and the *Certain Provisions on Strengthening the Regulation of Private Investment Funds* (the "**Provisions on Strengthening Regulation**"). In addition to clarifying standard criteria regarding asset scale, income level, and investment experience, the Draft Fundraising Measures introduce heightened thresholds for private funds investing in specific asset classes based on fund types.

1. Specific Standards

Item	Current Rules	Draft Fundraising Measures	Key Changes
Natural Persons – Investment Experience	No explicit requirements	• Possessing at least 2 years of investment experience in securities, funds, futures, equities, etc., or serving as a senior manager in an institution specified in Article 6(1) (institutions lawfully established and regulated by financial regulatory authorities under the State Council) • Funds with primary assets (≥80% of fund assets) invested in equity of real estate project companies, single targets, offshore assets, OTC derivatives, etc. ("**Special Investment Target Funds**"): Must meet an investment experience requirement of at least 4 years	New requirement. For general private funds, the new requirement of at least 2 years of investment experience aligns with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* and rules applicable to private asset management schemes launched by securities companies, fund management companies and futures companies ("**PAM Schemes**"). Concurrently, a higher requirement of at least 4 years of investment experience is established for Special Investment Target Funds.
Natural Persons – Asset/Income	Financial assets of not less than RMB 3 million,	• Household financial assets of not less than RMB 5 million, OR household net	The standard basis is adjusted from individual to

Item	Current Rules	Draft Fundraising Measures	Key Changes
Standards	OR personal average annual income of not less than RMB 500,000 for the last 3 years	financial assets of not less than RMB 3 million, OR personal average annual income of not less than RMB 500,000 for the last 3 years • Special Investment Target Funds: Must simultaneously meet household financial assets of not less than RMB 10 million AND household net financial assets of not less than RMB 6 million	household[1]; the financial asset threshold is raised from RMB 3 million to RMB 5 million; a new household net financial asset benchmark is added, aligning with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* and rules applicable to the PAM Schemes. The income threshold remains unchanged at RMB 500,000. Heightened thresholds are added for Special Investment Target Funds.
Entities – Asset Standards	Entities with net assets of not less than RMB 10 million	Legal persons with net assets of not less than RMB 10 million at the end of the most recent year	No substantive change
Scope of Deemed Qualified	Pension funds, social charity funds;	Institutions lawfully established and regulated by financial regulatory authorities	Institutions lawfully established and regulated by financial

1 Household financial assets refer to all financial assets of all family members, including bank deposits, stocks, bonds, fund units, futures and derivatives interests, asset management products, etc. Household net financial assets refer to household financial assets minus all liabilities of all family members.

Item	Current Rules	Draft Fundraising Measures	Key Changes
Investors	investment plans lawfully established and filed with AMAC; private fund managers and their practitioners investing in funds managed by such managers; asset management products issued by institutions regulated by financial regulatory authorities under the State Council; QFII and RQFII	under the State Council and asset management products issued by them; private fund managers registered with AMAC; private funds filed with AMAC; pension funds, social charity funds; QFII and RQFII.	regulatory authorities under the State Council (including private fund managers) are expressly affirmed as deemed qualified investors. Practitioners are no longer automatically deemed qualified investors and must be governed by the employee co-investment policy pursuant to Article 9.
Minimum Investment Amount per Fund	Not less than RMB 1 million per fund; certain types of investors may be exempted	Not less than RMB 1 million per fund, with the initial paid-in capital contribution being not less than RMB 1 million; circumvention via short-term redemptions shortly after fund filing is prohibited	In principle, no exemptions apply. Discretion is granted to managers to set investment amounts solely for employee co-investments pursuant to Article 9.

2. Look-Through Verification Rules and the Obligation to “Identify Actual Investors”

Beyond the qualified investor criteria, Article 11 of the Draft Fundraising Measures preserves the look-through verification principles established in Article 13 of the Interim

Measures: where funds pooled from multiple investors through contracts, special legal entities, or other structures are invested, directly or indirectly, in a private fund, managers and distributors must look through to verify whether the ultimate investors qualify as qualified investors, counting the number of investors on a fully consolidated look-through basis. However, deemed qualified investors under Article 6 are exempt from look-through verification and consolidated headcounts. Critically, if the fund's investors include asset management products (including private funds), the Draft Fundraising Measures additionally obligate managers and distributors to take reasonable and necessary measures to identify their actual investors and ultimate sources of capital. Concurrently, investors are explicitly required to cooperate with look-through verifications and provide truthful documentation by the Draft Fundraising Measures.

Identifying actual investors and ultimate capital sources has been standard market practice in the PAM Scheme sector for years. The *Administrative Provisions on the Operation of Private Asset Management Schemes of Securities and Futures Business Institutions* provide that where an asset management scheme accepts investments from other asset management products, the number of investors in the overlying products is not consolidated, but it is required effectively identify the actual investors and ultimate capital sources. The specific implementation of this requirement in the PAM Scheme sector mainly entails:

(1) Where the investors include private banking wealth management products, trust schemes, or insurance asset management schemes, the manager shall submit an ultimate investor information sheet on a look-through basis;

(2) The information to be reported in the aforementioned ultimate investor information sheet includes the investor's name, identification type, identification number, and the number of units held in the overlying product, among others.

Whether the implementation of such requirement in the private fund sector will be aligned with the above-mentioned practices in the PAM Scheme sector remains to be clarified by the official version of the Draft Fundraising Measures and the supporting detailed rules of the AMAC.

3. Differentiated Standards and Employee Co-Investment

Article 9 of the Draft Fundraising Measures grants managers two flexible arrangements. First, a manager may establish differentiated qualified investor criteria based on the type, risk-return profile, liquidity, and other characteristics of the private fund, provided that such criteria shall not fall below the statutory baseline. Second, a manager may establish an employee co-investment management policy for the private funds it manages, and independently set the investment amounts based on the factors such as the specific private fund and the relevant employees, meaning that co-investing employees are not subject to the RMB 1 million minimum investment threshold under Article 8. However, co-investing employees are strictly limited to full-time practitioners within the manager who are engaged in investment, research, trading, or risk management functions, and whose household net financial assets are no less than RMB 1 million. Compared with the approach under the Interim Measures, which categorically treated “private fund managers and their practitioners investing in private funds managed by such managers” as qualified investors across the board, the new rules remove employee co-investment from the scope of “deemed qualified investors” and instead adjust it to be managed in accordance with internal policies.

Accordingly, where employees purchase private funds, they must still satisfy qualified investor requirements, with the investment amount in principle not less than RMB 1 million; only co-investing employees who meet the aforementioned qualifying conditions may have their investment amounts determined independently by the manager. This adjustment represents a relatively significant change in this regulatory revision, carrying a substantial impact on market practice. If the official version is promulgated, whether existing funds’ employee co-investments will be required to be brought up to code to meet the new standards (especially when making additional subscriptions) warrants continuous attention.

II. Management of Fundraising Activities

In addition to the identification of qualified investors, the Draft Fundraising Measures systematically regulate the entire process of fundraising activities, imposing more stringent requirements across several aspects.

1. Entrusted Fundraising

Article 12 of the Draft Fundraising Measures adheres to the “direct fundraising + entrusted fundraising” framework established by the Interim Measures. It clarifies that a manager shall either raise funds independently or entrust distributors that comply with the requirements of the CSRC (institutions holding fund distribution business qualification) to raise funds. Crucially, the statutory responsibilities of the manager are not relieved by virtue of such entrustment. Compared with current rules, the primary changes under the new rules are reflected in two dimensions:

(1) End-to-End Oversight of Entrusted Institutions. Article 32 requires managers to formulate and improve policies concerning the admission criteria and procedures for entrusted institutions, and to conduct due diligence and ongoing supervision regarding their qualifications, professional service capabilities, and risk management policies. Where an entrusted institution is found to have violated laws or regulations, the manager shall replace it in a timely manner and report such violations to the local branch of the CSRC at the place where the entrusted institution is registered. This chain of obligations (comprising “admission due diligence + ongoing supervision + timely replacement + regulatory reporting”) enhances the manager’s continuous management requirements over its distribution channels. Furthermore, where a manager entrusts a distributor that is affiliated with the manager, its shareholder(s), partner(s), or actual controller, the manager must additionally establish a conflicts of interest isolation mechanism and make special risk disclosures to investors. For managers within a group that also has licensed distributors, institutional arrangements must be established in alignment with the group structure to address this requirement.

(2) Prohibition on Disguised Entrustment. Article 34 explicitly stipulates that managers must not entrust or disguisedly entrust via executing intermediary agreements or other means any entity or individual that lacks private fund distribution business qualification to raise capital, nor provide or disguisedly provide fundraising documents (such as prospectus) for use by third parties with whom no entrustment relationship exists. This provision constitutes an expansion and elaboration of the Provisions on Strengthening Regulation, strictly prohibiting grey-market practices where third-party entities or individuals conduct *de facto* fundraising under the guise of “introduction fees”, “consulting service fees”, or “labor fees” which has also been a key focus of recent regulatory inspections and managers’ self-checks.

Moreover, this requirement aligns with the provisions under the *Guidelines for the Operation of Private Securities Investment Funds*, which prohibit private fund managers from providing performance data (such as fund NAV) to entities lacking a fund distribution entrustment relationship. Building upon this, the Draft Fundraising Measures further broaden the scope of prohibited disclosures from mere performance information to core fundraising materials, including prospectus.

2. Prohibited Fundraising Conduct

Article 15 of the Draft Fundraising Measures substantially adheres to the existing prohibitions already codified in current rules, such as guaranteeing principal and returns, false or misleading marketing, and soliciting funds from non-specific targets. Furthermore, building upon the restriction under the Provisions on Strengthening Regulation against "conducting misleading marketing and promotional activities by using registration and filing, custody by financial institutions, or government funding as credit enhancements", it now explicitly prohibits "conducting marketing and promotional activities under the name of the private fund custodian". In addition, the Draft Fundraising Measures reiterate the mandate of the Provisions on Strengthening Regulation, prohibiting private fund managers from establishing, or establishing in a disguised manner, subsidiaries or branches for the purpose of carrying out fundraising business activities.

With respect to the subject entities, Article 15 of the Draft Fundraising Measures extends the scope of prohibited conduct to include the manager's shareholder(s), partner(s), actual controller, and other related parties. Furthermore, Articles 37, 38, 40, and 41 configure corresponding supervisory and administrative measures as well as penalties, thereby imposing direct, binding constraints on related parties.

3. Marketing via Internet Platform

Articles 16 and 18 of the Draft Fundraising Measures establish the overarching framework of "publicly permissible branding, privately targeted products". Article 16 echoes the scope of permissible public marketing set forth in the Administrative Measures for Fundraising Activities, namely, the manager's brand, development strategies, investment strategies, practitioner profiles, and fundraising channels, while strictly prohibiting the public promotion of product information of private funds. Article 18 prohibits marketing private funds to non-specific targets via internet platforms. It only permits promotional activities directed toward investors who have successfully passed suitability assessments via self-operated internet platforms (i.e., websites, mobile internet applications, mini-programs,

self-media accounts, etc., that the manager or distributor can independently operate with full data access permissions). Furthermore, prior to any such promotion, a four-step specified target verification procedure must be completed: (i) the investor submits genuine identity information, which is then verified and confirmed; (ii) the investor reviews and proactively commits to meeting the qualified investor criteria; (iii) the investor completes a due diligence questionnaire on risk identification and risk tolerance capabilities; and (iv) the investor's risk identification and risk tolerance capabilities are assessed and confirmed.
On April 21, 2026, eight regulatory authorities including the People's Bank of China, jointly promulgated the *Measures for the Administration of Online Marketing of Financial Products* (effective September 30, 2026), Article 36 of which explicitly mandates that private fund managers conducting online marketing of financial products shall do so by reference to the relevant provisions of these Measures. The *Measures for the Administration of Online Marketing of Financial Products* provide that organizations or individuals other than financial institutions and third-party internet platforms shall not conduct, or conduct in a disguised manner, online marketing of financial products, and explicitly prohibit conducting online marketing for privately-raised products via third-party internet platforms. This echoes the prohibition against disguised entrusted fundraising under Article 34 of the Draft Fundraising Measures, thereby severing the channel through which unlicensed entities generate customer traffic online.

4. Investor Suitability Management

Article 17 of the Draft Fundraising Measures requires managers and distributors to establish and improve assessment mechanisms for investors' risk identification and risk tolerance capabilities, and to specify requirements such as assessment frequency and validity period management. Assessment methods include questionnaires and investment knowledge tests, and the scope of assessment covers investors' sources of funds, assets and liabilities, investment knowledge, investment experience, risk appetite, integrity status, and other pertinent information. Three notable changes warrant close attention:

(1) The rule on the validity period of assessment results (not to exceed 3 years) explicitly set out in Article 18 of the Administrative Measures for Fundraising Activities does not appear in the Draft Fundraising Measures. Instead, the new rules mandate that managers establish internal mechanisms to specify the assessment frequency and validity period management.

(2) Article 17 of the Draft Fundraising Measures provides that the number of assessments conducted on the same investor within a single day shall not exceed twice. This requirement first appeared in the rules governing distribution business of commercial banks. The *Detailed Rules for the Implementation of Investor Suitability Management for Publicly Offered Securities Investment Funds* promulgated in June 2026 established an identical standard for the public fund sector (no more than twice per single day, no more than eight times cumulatively within twelve months, and a validity period of twelve months for assessment results). The Draft Fundraising Measures extend the limitation on daily assessments to the private fund fundraising stage, but have not yet incorporated ancillary requirements such as the twelve-month cumulative cap or a fixed validity period for assessment results.

(3) Under existing rules, Article 32 of the Administrative Measures for Fundraising Activities clearly provides that deemed qualified investors may be exempt from procedures such as questionnaires and assessments. Similarly, under the *Measures for the Suitability Management of Securities and Futures Investors* and the *Guidelines for the Implementation of Investor Suitability Management by Fundraising Institutions (Trial)*, risk assessments apply only to ordinary investors, while professional investors in principle do not require assessment. Article 17 of the Draft Fundraising Measures does not provide a similar exemption. Based on a literal reading, before promoting private funds to professional investors such as financial institutions, private fund managers, asset management products, and private funds, managers must also perform assessment procedures. Following the official enactment of the new rules, how the aforementioned uniform assessment requirement under the Draft Fundraising Measures will align with the bifurcated regime between ordinary investors and professional investors established by prevailing suitability rules warrants close observation.

Article 19 of the Draft Fundraising Measures reiterates the prohibition against mismatches: managers and distributors may only promote private funds that match the risk identification and risk tolerance capabilities of investors who have successfully passed suitability assessments, and shall not promote to investors, or mislead investors into subscribing for, private funds that exceed their risk identification and risk tolerance capabilities.

5. Risk Disclosure

The Draft Fundraising Measures require comprehensive, truthful, and accurate disclosure of risks associated with private funds to investors, drawing a distinction between general risk disclosures and special risk disclosures.

Article 22 of the Draft Fundraising Measures sets forth eight circumstances triggering mandatory special risk disclosures, including where: the primary fund assets are invested in a single target; related-party transactions are involved; investments are made indirectly into underlying assets; the primary fund assets are invested in offshore assets; the primary fund assets are invested in OTC derivatives; and investments involve restricted-liquidity assets, among others. Under the provisions of the Draft Fundraising Measures, for such circumstances, it is not only required to disclose the risks in a prominent position within the risk disclosure statement, but fundraising personnel must also provide explanatory clarifications to investors and obtain their item-by-item sign-offs. This imposes heightened requirements on the professional competence, communication caliber, and compliance audit trail management of fundraising personnel. Fundraising personnel cannot treat special risk disclosures as mere procedural formalities; instead, they must profoundly understand the specific risks inherent in underlying assets, explain them fully to investors in plain and accurate language, and substantively fulfill their explanation obligations under the principle of “sellers bearing due diligence”.

For QDLP funds adopting master-feeder structure and primarily investing in offshore assets, both circumstances “investing indirectly into underlying assets” and “primary fund assets invested in offshore assets” will be triggered simultaneously, warranting special attention.

6. Qualified Investor Confirmation Procedures

Article 23 of the Draft Fundraising Measures reinforces the qualified investor verification obligations of fundraising institutions. It mandates that managers and distributors conduct a comprehensive review of investors’ asset sizes, income levels, and sources of funds by verifying reasonable and necessary documentation, such as bank statements, asset certificates, tax filings, social security records, credit reports, or audit reports, so as to confirm whether the investors satisfy the qualified investor criteria.

The Administrative Measures for Fundraising Activities only provided a principled requirement for investors to submit necessary asset certificates or income statements. The new rules, for the first time, explicitly enumerate verification channels and impose an obligation to ascertain investors’ sources of funds. Where an investor refuses to provide materials or fails to provide them as required, such that the manager cannot confirm whether the investor satisfies the qualified investor criteria, the manager shall not raise funds from nor provide services to such investor. Evidently, verification obligations have been substantially tightened under the new regime. For instance, with respect to institutional investors, managers are advised to obtain audit reports and other equivalent documentation to verify their financial standing to the greatest extent practicable; as for how sources of funds ought to be verified, this remains to be observed in market practice.

Article 24 of the Draft Fundraising Measures further incorporates an investor commitment letter into the qualified investor confirmation procedures: Investors are required to execute a commitment letter to facilitate the completion of the qualified investor confirmation. The representations and commitments include: truthfully providing documentation evidencing the satisfaction of the qualified investor criteria; truthfully representing their asset and income status; investing under their genuine identities with legally owned funds (free of any illegal pooling of third-party funds, non-compliant use of borrowed capital or other non-proprietary funds, or tunneling of interests); the absence of any nominee holding arrangements (whether appointing nominees or acting as a nominee for third parties); and acknowledging the fund’s risk-return characteristics and risk rating, with the willingness and capacity to bear the corresponding investment risks independently.

7. Execution of Fund Contract

Article 26 of the Draft Fundraising Measures sets forth explicit behavioral requirements regarding the execution of fund contract:

(1) Managers and distributors shall comprehensively and fully explain the principal terms of the fund contract to investors;

(2) Where any inconsistency exists between the terms of the fund contract and marketing materials, the manager shall identify each item individually and require the investor to confirm each by signature on an item-by-item basis;

(3) Managers shall ensure that the final fund contract texts executed by each investor are consistent. Consequently, the market practice of implementing differentiated arrangements for individual investors via supplemental agreements or other means will be restricted;

(4) It is expressly prohibited to collect investment funds from investors prior to the execution of the fund contract.

8. Management of Dedicated Fundraising and Settlement Account

Article 27 of the Draft Fundraising Measures clarifies for the first time that fund unit transfers must also be conducted through a dedicated fundraising and settlement account. Previously, this regulatory stance was primarily observed in AMAC disciplinary action cases, where unit transfer payments (whether collected and paid via the manager's account, or transferred directly between investors) constituted non-compliant fund transfers.

Meanwhile, the Draft Fundraising Measures narrows the scope of supervisory institutions down to commercial banks and securities companies that have obtained fund distribution business qualification; China Securities Depository and Clearing Co., Ltd, which was expressly included under the Administrative Measures for Fundraising Activities, has been excluded.

9. Ancillary Audit Trail Arrangements

Article 29 of the Draft Fundraising Measures mandates that where funds are raised from natural persons, fundraising institutions must establish and improve audit trail arrangements throughout the fundraising process, make audio or video recordings of key interactions such as risk disclosures and fund contract execution, and implement sound mechanisms for follow-up confirmation and investment cooling-off period.

(1) Audio-Video Recording ("**Dual Recording**") Requirements: Under current rules, dual-recording requirements are primarily governed by the *Measures for the Suitability Management of Securities and Futures Investors* and targeted at on-site notifications and warnings given to ordinary investors; where sales are conducted through off-site channels such as the internet, institutions are required to improve audit trail arrangements and obtain electronic confirmations from investors. The new rules expand the dual-recording obligation to general fundraising scenarios involving natural persons, eliminating the distinction between ordinary investors and professional investors. Furthermore, the dual-recording stages are explicitly defined to cover key fundraising milestones, such as risk disclosures and the execution of fund contract, rather than being confined solely to the notification and warning stages under the *Measures for the Suitability Management of Securities and Futures Investors*.

(2) Follow-up Confirmations: When AMAC promulgated the Administrative Measures for Fundraising Activities in 2016, it specified in the promulgation circular that “AMAC encourages fundraising institutions to implement the follow-up confirmation mechanism pursuant to Articles 30 and 31 of these Measures; the official implementation date will be notified separately after evaluating the corresponding implementation outcomes”. Ever since, no official implementation date has been promulgated, leading a considerable number of managers not to enforce the follow-up confirmation mechanism in actual practice. The new rules explicitly demand the establishment and improvement of follow-up confirmation mechanism, shifting the follow-up regime from “encouraged practice” to a mandatory obligation.

Additionally, Paragraph 2 of Article 29 of the Draft Fundraising Measures introduces an exemption: for high-threshold natural persons investing in the Special Investment Target Funds, the audio-video recording, follow-up confirmation, or cooling-off period arrangements may be exempted upon special risk disclosures duly signed and confirmed by the investor.

III. Impact on Fund Documents

1. Fund Contract

Article 25 of the Draft Fundraising Measures sets forth the mandatory provisions of fund contracts, which are largely consistent with existing regulatory requirements and market practices. However, it is noteworthy that Article 25 explicitly mandates that a fund contract must state in a prominent position: “investment in private funds involves risks; investors should fully understand relevant investment information, make rational investment decisions based on their own risk tolerance capacities, and bear the investment risks on their own”, or words to a similar effect. This requirement underscores that investors must prudently select and invest in private funds in accordance with their risk tolerance capacities, thereby embodying the regulatory principle of “sellers must exercise due diligence; buyers bear their own risks”. In current market practice, most private fund managers set out similar language in the chapters concerning investor representations and warranties or risk disclosures. Going forward, how to implement the requirement of “stating in a prominent position” through the arrangement of contractual clauses or typographic layout and presentation will await further guidance from AMAC or the development of industry practice standards.

2. Market Materials

The Draft Fundraising Measures consolidate and harmonize the requirements regarding marketing materials that were previously scattered across various AMAC self-disciplinary rules, stipulating that marketing materials must include: basic information on the private fund manager and the private fund; the profiles of portfolio managers responsible for investment management, senior management personnel, and other key personnel playing critical roles in the investment management of the private fund; subscription arrangements for the private fund; the risk-return profile, profit distribution, and risk-bearing arrangements of the private fund; the risk rating of the private fund as well as the applicable rating criteria and methodology; a summary of the fund contract, among other contents. Meanwhile, the Draft Fundraising Measures establish differentiated arrangements tailored to different types of funds. At the operational level, the following key points warrant particular attention:

(1) Risk rating criteria and methodology should be explicitly disclosed to external parties

In past market practice, marketing materials typically disclosed only the ultimate risk rating results of the fund, while the specific rating criteria and methodologies were often retained solely within the manager's internal policies. Pursuant to the Draft Fundraising Measures, however, the rating criteria and methodologies themselves must also be expressly set forth in marketing materials. It is recommended that private fund managers review and sort out their existing internal risk rating policies. If current provisions are relatively principled or broad, managers may need to formulate more tailored, transparent, and explainable rating criteria and methodologies by taking into account dimensions such as the fund's specific investment strategies, scope of underlying assets, and liquidity profile.

(2) Over-simplification of marketing material contents should be avoided

In past practice, some private fund managers, seeking to streamline length, might play down or omit details such as the specific subscription procedures and the core terms of the fund contract in marketing materials. The explicit requirements under the Draft Fundraising Measures regarding mandatory elements (such as subscription arrangements and summaries of fund contracts) signify that the information disclosure function of marketing materials has been further reinforced. When preparing marketing materials in the future, managers should strictly check them against the statutorily mandated elements to avoid compliance deficiencies arising from the omission of critical information.

Managers must also attach great importance to the substantive consistency between marketing materials and fund contract terms. In addition, it is recommended to continuously monitor whether AMAC will further release standard templates or practical guidelines for marketing materials such as prospectus, so that timely benchmarking and adjustments can be made.

3. Risk Disclosure Statement

Articles 21 and 22 of the Draft Fundraising Measures clarify the mandatory contents of the risk disclosure statement. It should also be noted that the eight categories of special risk disclosure scenarios must be placed in a prominent position within the risk disclosure statement.

It is recommended to continuously monitor whether AMAC will issue updated template for the risk disclosure statement.

4. Investor Commitment Letter

For the first time at the level of departmental rules, the Draft Fundraising Measures establish the investor commitment letter as one of the statutory fundraising documents, stipulating that "investors shall execute a commitment letter to facilitate the completion of qualified investor confirmation", and setting forth the mandatory contents of such commitment letter.

It is recommended to continuously monitor whether AMAC will release standard template for the investor commitment letter. Meanwhile, it is also advisable to review, supplement, and refine the investor representations and warranties section in fund contract by referencing these new requirements.

5. Distribution Agreement

In practice, the allocation of rights, obligations, and liabilities between managers and distributors has always been a subject of controversy, particularly regarding the exchange of investor materials, dispute resolution, and liability assumption. Article 13 of the Draft Fundraising Measures specifies the mandatory contents of distribution agreements, primarily including: primary duties in entrusted fundraising; retention and transfer of investors' identification materials and transaction records; settlement of funds; provision and inquiry of information; and arrangements for resolving investor disputes. Currently, the provisions on the above matters in distribution agreements on the market are generally relatively broad, and there is particularly a lack of operational arrangements for the retention and transfer of investors' identification materials and transaction records, as well as dispute resolution mechanisms. Looking ahead, private fund managers should take the opportunity of the Draft Fundraising Measures to comprehensively review and refine distribution agreements, with a focus on establishing a clear and actionable closed-loop mechanism for rights, obligations, and liabilities regarding the handover and archiving standards for suitability materials, the division of work in dispute handling, and recourse mechanisms, so as to avoid unassigned liabilities and passive disadvantages in subsequent burden of proof.

IV. Compliance Management and Internal Control Requirements

In addition to regulating the fundraising process, the Draft Fundraising Measures also set forth more systematic and stringent requirements for the compliance management and internal control of private fund managers, comprehensively strengthening full-process internal control constraints in the following aspects:

1. Strengthening Institutional Framework and Personnel Arrangements

The Draft Fundraising Measures comprehensively strengthen the institutional framework and personnel duty performance standards throughout the fundraising process:

(1) Compliance, Risk Control, and Financial Management: Private fund managers shall establish and improve compliance, risk control, and financial management policies for fundraising regarding investor due diligence, retention of investors' identification materials and transaction records, fund transfers, and other aspects; designate senior management personnel dedicated to such responsibilities; and equip themselves with practitioners possessing corresponding professional knowledge and skills.

(2) Personnel Assessment and Accountability Mechanisms: Private fund managers shall establish policies for the training, assessment, record archiving, regular inspection, supervisory accountability, and complaint handling of fundraising practitioners, standardize practitioners' duty performance, take investor complaints, misleading sales, and other non-compliant practices as key assessment indicators, and not assess fundraising practitioners using sales performance as the sole assessment and incentive metric.

(3) Distributor Onboarding and Ongoing Management: Where a private fund manager entrusts a distributor to conduct fundraising, it shall establish and improve policies concerning the onboarding criteria and procedures for entrusted institutions, and conduct due diligence and ongoing management regarding the qualifications, professional service capabilities, and risk management policies of such entrusted institutions.

2. Strengthening Compliance and Risk Control Management Requirements

Article 31 of the Draft Fundraising Measures requires private fund managers to designate dedicated compliance and risk control personnel to review, supervise, and inspect the operation of the fundraising business, conduct compliance reviews of internal fundraising policies, marketing materials such as brand publicity, and fundraising documents, issue compliance review opinions, and archive them for future inspection. Meanwhile, it strictly establishes the requirements for the independence and effectiveness of compliance and risk control personnel in performing their duties, expressly providing that they shall not concurrently serve as senior management personnel in charge of fundraising or as fundraising practitioners.

The Draft Fundraising Measures reinforce the constraints of compliance and risk control over fundraising activities at the rule level, preventing fundraising irregularities through personnel segregation and substantive review. Private fund managers need to review their internal governance structures accordingly to ensure the independent setup of compliance and risk control positions and the clear division of powers and responsibilities, and to establish and improve compliance and risk control reviews throughout the entire fundraising process.

3. Requirements on Management of Internet-Based Fundraising Activities

Article 35 of the Draft Fundraising Measures stipulates that where private fund managers conduct fundraising through their self-operated internet platforms, they shall establish and improve institutional mechanisms for logging and archiving the fundraising process, adopt technical measures to record and archive the entire process of fundraising activities, including targeted investor verification, suitability management, promotional activities, risk disclosures, and the execution of fund contracts, ensure that relevant activities are traceable, and strengthen the authorization management and compliance review of practitioners conducting fundraising activities via self-operated internet platforms.

4. Record Retention Requirements

Article 36 of the Draft Fundraising Measures explicitly requires private fund managers and distributors to compile and properly preserve investor due diligence materials, investors' identification materials, transaction records, and other relevant documents for a retention period of not less than 20 years from the date when liquidation of the private fund is completed. Compared with the 10-year retention period currently prescribed in Article 11 of the Administrative Measures for Fundraising Activities, the archiving duration requirement has been significantly increased.

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

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

Elaine Wang
+86 21 3135 8752
elaine.wang@llinkslaw.com

Neil Zhao
+86 21 6043 3937
neil.zhao@llinkslaw.com

SHANGHAI

19F, ONE LUJIAZUI
68 Yin Cheng Road Middle
Shanghai 200120 P.R.China
T: +86 21 3135 8666
F: +86 21 3135 8600

BEIJING

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

SHENZHEN

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

Room 3201, 32/F, Alexandra House
18 Chater Road
Central, Hong Kong
T: +852 2592 1978
F: +852 2868 0883

LONDON

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

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