

Guidelines for the Registration and Clearing of the Distribution of Mainland's Mutually Recognized Funds in Hong Kong (for Interim Implementation)

Disclaimer: For the avoidance of doubt, if there is any conflict in the meaning between the English version and the Chinese version, the Chinese version shall prevail.

Chapter I General Provisions

Article 1 The Guidelines are formulated pursuant to the Securities Investment Fund Law of the People's Republic of China, the Circular of The Hong Kong Securities and Futures Commission on Mutual Recognition of Funds between Mainland and Hong Kong and other pertinent laws and regulations and relevant provisions of China Securities Depository and Clearing Company Limited ("CSDC"), for the purpose of supporting the distribution of mainland's mutually recognized funds in Hong Kong and regulating the operation of related registration and clearing business.

Article 2 The Guidelines apply to the unit registration, distribution data flow and other services rendered by CSDC for the distribution of mainland's mutually recognized funds in Hong Kong through CSDC's open-end fund transfer agent business system ("TA system"). The issues not covered herein shall be governed by other relevant provisions of CSDC.

Chapter II Service Provision and Data Flow

Article 3 Before a mainland's mutually recognized fund is offered to the public in Hong Kong, the distributors in Hong Kong designated by the mainland manager must first apply to the designated agency by the China Securities Regulatory Commission for a distributor's code. The mainland manager and Hong Kong distributors shall go through the formalities for joining the TA system according to relevant procedures and requirements of CSDC. Besides, the mainland manager shall sign an agreement with CSDC; the Hong Kong distributors shall sign an agreement with CSDC's authorized subsidiary in Hong Kong.

Article 4 The Hong Kong distributors shall directly or indirectly access CSDC's TA system. In case of indirect access, CSDC will regard the business data of mutually recognized fund delivered by relevant indirect transmission entity as the valid business data of the Hong Kong distributors, and provide relevant services based on such data. Delivering the business data of Hong Kong's mutually recognized fund to the relevant indirect transmission entity by CSDC shall be deemed that the data have

been successfully delivered to the Hong Kong distributors.

Article 5 The mainland manager and the Hong Kong distributors shall be liable for the authenticity and legality of the data delivered. CSDC does not examine the authenticity or legality of the data received and transmitted, nor does it assume any liability associated therewith.

Chapter III Account Business

Article 6 When a mainland's mutually recognized fund is sold in Hong Kong, its agent in Hong Kong ("Hong Kong agent"), the Hong Kong distributors or any other eligible entity may serve as the fund's holder in Hong Kong ("Hong Kong holder") pursuant to relevant laws and regulations.

Article 7 The mainland manager shall independently examine the Hong Kong holder's account opening application materials, including but not limited to the materials concerning the investor eligibility and performance of anti-money laundering obligations of the Hong Kong holder pursuant to relevant laws and regulations of Hong Kong, and shall ensure the eligibility of the Hong Kong holder and the authenticity, accuracy and completeness of such materials as the identity certificates of the Hong Kong holder. CSDC does not assume any liability for examination of the Hong Kong holder's materials.

Article 8 CSDC opens open-end fund accounts for the Hong Kong holder recognized by the mainland manager in accordance with relevant business rules, which can be respectively used to record the fund units for which dividends are distributed in cash, and the fund units for which dividends are in the form of reinvestments.

Article 9 CSDC shall not be liable for providing any account information, detailed units or other data of actual investors in Hong Kong to mainland managers or other entities.

Chapter IV Daily Business Handling

Article 10 The mainland manager shall determine, on its own, the opening status of the mutually recognized fund on the next common working day, and send it to CSDC. A trading application submitted by the Hong Kong distributors at a non-working day of the mainland will be handled by CSDC on the next common working day.

Article 11 Where the mainland manager needs to proportionally or partly confirm purchase and redemption applications, it shall communicate and reach an agreement with related Hong Kong distributors in advance.

Article 12 CSDC rounds the amount of fund units in the fund account of the Hong Kong holder to the second decimal place and the net asset value ("NAV") of unit fund to the fourth decimal place.

Article 13 The mainland manager shall determine at its own discretion whether to suspend the distribution of mainland's mutually recognized fund in Hong Kong according to relevant regulatory rules.

Chapter V Fund Purchase

Article 14 The purchase fee of the mainland's mutually recognized fund can be set by the mainland manager through fee parameters or by the Hong Kong distributors through trading application declaration. CSDC calculates relevant purchase fee according to the fee (which can be zero) declared by the Hong Kong distributors. If the Hong Kong distributors does not declare relevant fee, CSDC may calculate the purchase fee according to the fee set by the mainland manager.

Article 15 When a mainland's mutually recognized fund is sold in Hong Kong, the purchase procedures are as follows (T day is a common working day):

- i. Before 20:00 of T-1 day, the mainland manager sends the fund market data (including NAV on T-1 day and opening status on T day) to CSDC. CSDC will not accept the market data of mutually recognized fund sent by the mainland manager on a non-common working day.
- ii. Before 8:00 of T day, CSDC sends the fund market data received on T-1 day to the Hong Kong distributors.
- iii. Before 19:30 of T day, the Hong Kong distributors sends the purchase application on T day to CSDC.
- iv. From 20:00 of T day, CSDC shall examine the format of purchase application data after receiving a purchase application from the Hong Kong distributors on T day, generate acknowledgement data and send them to the Hong Kong distributors. The fund distributors shall examine the acknowledgement data in time, and notify CSDC of any data error, omission or other abnormalities.
- v. From 20:00 of T day, after CSDC collects the application data of all distributors of the mainland's mutually recognized fund on T day, it will handle the purchase transactions based on the NAV of the fund, generate the data subject to confirmation, and send them to the mainland manager.
- vi. Before 11:00 of the next working day of T day on the mainland, the mainland manager shall return the confirmed data to CSDC.
- vii. Before 15:00 of the next working day of T day on the mainland, CSDC credits Hong Kong holders' accounts based on the confirmed data returned by the mainland

manager, and sends an activity report both to the Hong Kong distributors and the mainland manager.

viii. On T+N common working day (N stands for purchase clearing period, and $N \geq 1$), the Hong Kong distributors and the mainland manager shall complete cash payment on their own.

Chapter VI Fund Redemption

Article 16 The redemption fee of the mainland's mutually recognized fund shall be set by the mainland manager through fee parameters. CSDC may calculate the redemption fee according to the fee set by the mainland manager. The redemption fee declared by the Hong Kong distributors is invalid.

Article 17 When a mainland's mutually recognized fund is sold in Hong Kong, the redemption procedures are as follows (T day is a common working day):

i. Before 20:00 of T-1 day, the mainland manager sends the fund market data (including NAV on T-1 day and opening status on T day) to CSDC. CSDC will not accept the market data of mutually recognized fund sent by the mainland manager on a non-common working day.

ii. Before 8:00 of T day, CSDC sends the fund market data received on T-1 day to the Hong Kong distributors.

iii. Before 19:30 of T day, the Hong Kong distributors sends the redemption application on T day to CSDC.

iv. From 20:00 of T day, CSDC shall examine the format of redemption application data after receiving a redemption application from the Hong Kong distributors on T day, generate acknowledgement data and send them to the Hong Kong distributors. The fund distributors shall examine the acknowledgement data in time, and notify CSDC of any data error, omission or other abnormalities.

v. From 20:00 of T day, after CSDC collects the application data of all distributors of the mainland's mutually recognized fund on T day, it will handle the redemption transactions based on the NAV of the fund, generate the data subject to confirmation, and send them to the mainland manager.

vi. Before 11:00 of the next working day of T day on the mainland, the mainland manager shall return the confirmed data to CSDC. In case of huge redemption, if the mainland manager needs to partly confirm the huge redemption applications, it shall communicate and reach an agreement with related distributors in advance. The part not confirmed shall not be deferred.

vii. Before 15:00 of the next working day of T day on the mainland, CSDC credits Hong Kong holders' accounts based on the confirmed data returned by the mainland

manager, and sends the data of return on related business to the Hong Kong distributors and the mainland manager.

viii. On T+N common working day (N stands for redemption clearing period, and $N \geq 1$), the Hong Kong distributors and the mainland manager shall complete fund clearing on their own.

Chapter VII Dividend Distribution

Article 18 The Hong Kong holder shall use different CSDC open-end fund accounts (used to record the fund units for which dividends are distributed in cash or the fund units for which dividends are reinvested) to declare transactions, according to the dividend distribution methods selected by investors.

Article 19 When a mainland's mutually recognized fund is sold in Hong Kong, the dividend distribution procedures are as follows:

- i. After the mainland manager determines the record date, dividend distribution date and dividend reinvestment date, it shall inform the Hong Kong agent and the Hong Kong distributors of these dates in time.
- ii. Before the record date, the mainland manager shall inform CSDC of the fund dividend distribution plan, and CSDC will then deal with the fund's dividend allocation based on the plan.
- iii. On the record date, CSDC registers the rights and interests in the fund. The fund units registered in the fund account on the record date are entitled to the rights and interests. NAV of the fund units sent by the mainland manager to CSDC on the record date shall be the ex-rights NAV.
- iv. On the dividend reinvestment date, CSDC handles dividend reinvestment, registers the fund units resulting from reinvested dividends in the fund account, and sends data report to the Hong Kong distributors.
- v. On the dividend distribution date, CSDC distributes cash dividends, and sends relevant business data to the Hong Kong distributors. The mainland manager and the Hong Kong distributors shall complete cash dividend payment on their own.
- vi. The mainland manager may also initiate dividend distribution on its own, directly generates cash dividends or dividend reinvestment confirmation data and sends them to CSDC. CSDC will then handle the distribution of cash dividends or the registration of fund units resulting from dividends.

Chapter VIII Supplementary Provisions

Article 20 For the purpose of the Guidelines, unless otherwise specially stated, dates refer to the common working days of Chinese Mainland and Hong Kong. Common working days shall be the calendar days published by CSDC.

Article 21 When a mainland's mutually recognized fund using CSDC's TA system offers a share class targeting Hong Kong market, CSDC charges TA service fee according to the current fee schedule, based on the aggregate amount of the fund's units of all share classes both in mainland and Hong Kong.

When a mainland's mutually recognized fund out of CSDC's TA system intends to offers a share class targeting Hong Kong market by using CSDC's TA system, it shall be deemed as a new product issued by the mainland manager through the TA system of CSDC. CSDC will charge TA service fee on it based on the current fee schedule.

Article 22 When the Hong Kong distributors directly or indirectly accesses the TA system of CSDC via a sub-TA, relevant provisions hereof applicable to the Hong Kong distributors shall also apply to the sub-TA.

Article 23 The participant shall use simplified Chinese or speak Mandarin when handling relevant business in the Guidelines.

Article 24 Due to the differences between rules of Chinese Mainland and Hong Kong, when the mainland's mutually recognized fund is sold in Hong Kong, the following services and products are not available for the time being: IPO, share conversion, custody transfer, change of dividend distribution methods, designated redemption and mandatory redemption, freezing and non-trade transfer and other OTC services provided by TA, account balance adjustment and other services initiated by TA, and money market fund, back-end load fund, etc.

Freezing, judicial withholding or transfer, non-trade transfer and other OTC services relating to the mainland's mutually recognized fund units held by actual investors in Hong Kong shall be handled at the relevant Hong Kong distributors.

Article 25 The Guidelines shall be interpreted and revised by CSDC.

Article 26 The Guidelines shall come into effect on the date of promulgation.