

## China opens up the securities investment fund management industry: the first in a journey of ten thousand steps?

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On 30 June 2016, the industry self-regulating body, the Asset Management Association of China published what, on the face of it, appeared to be a fairly innocuous document entitled Questions and Answers regarding the Registration and Filing of Private Funds (No. 10) (《私募投资基金备案问答》(十)) ("Q&A (No. 10)").

The importance of its contents only became clear later, when on the same day, the China Securities Regulatory Commission, the main securities regulator in China, confirmed the contents of Q&A (No. 10) in a press conference.

Q&A (No. 10) provides that foreign investors are permitted to establish a wholly foreign-owned enterprise ("WFOE") or a Sino-foreign equity joint venture engaging in private securities investment fund management. This development, within its limited scope, breaks through the long-standing restriction that the foreign shareholding in a securities investment fund manager must not exceed 49%.

This note provides a brief overview of China's securities investment fund management industry, the policies on foreign investment in such industry prior to and after the implementation of Q&A (No. 10), and outlines the procedures for setting up a private fund management WFOE.

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