

# **Report on the Development and Distribution of Foreign Collective Investment Schemes in Emerging Markets**



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## INTRODUCTION

The CIS management industry in emerging markets has been growing rapidly in the recent years. With the globalization in the worldwide fund industry, the cross-border distribution of collective investment schemes (hereinafter referred to as CIS) in emerging markets has also entered the fast lane. To better understand the situation of Foreign CIS<sup>1</sup> developments in emerging markets and to provide lessons and experiences for EMC member jurisdictions that are considering introducing foreign CIS, EMC WG5 proposed to conduct a survey on the development and distribution of foreign CIS in emerging markets and the mandate was approved by EMC Advisory Board in February 2008.

The objective of this survey is to probe the feasibility and regulation of foreign CIS in emerging markets. Specifically, it is intended to shed light on the following issues: Should foreign CIS be introduced into emerging markets? What are the main entry requirements for foreign CIS in emerging markets? How to regulate and monitor foreign CIS in emerging markets?

A comprehensive survey questionnaire on the development and distribution of foreign CIS in emerging markets was developed and then sent to members of IOSCO Emerging Markets Committee in June 2008. The questionnaire consists of two sections: Paper A and Paper B. The Paper A is designed for jurisdictions already permitting domestic distribution of foreign CIS, and it contains eight parts: market conditions when the first foreign CIS product was introduced; goals achieved by introducing foreign CIS; preconditions for authorizing foreign CIS; qualification requirements for the managers of foreign CIS; qualification requirements on foreign CIS; regulation for foreign CIS; status Quo of foreign CIS at the end of 2007; and impact of foreign CIS on Domestic CIS Industry. The Paper B is intended for jurisdictions where foreign CIS is NOT yet permitted, and it mainly addresses three issues: reasons for not permitting foreign CIS, major preconditions for permitting distribution of foreign CIS, and efforts being made for permitting distribution of foreign CIS. The actual questionnaire that was used to conduct the survey is included in this report as Attachment C.

As of April 30, 2009, 29 responses to the survey were received, among which 16 jurisdictions submitted the Paper A and 13 jurisdictions responded to the Paper B. The 16 Paper A respondents are Barbados, Bulgaria, Chile, Chinese Taipei, Czech Republic, Dubai, Korea, Hungary, Lithuania, Malaysia, Oman, Poland, Romania, Slovenia, South Africa, and Turkey. The 13 Paper B respondents include Argentina, Brazil, China, Colombia, Croatia, India, Israel, Morocco, Pakistan, Sri Lanka, Thailand, Tunisia, and Vietnam. Although these 29 jurisdictions represent only 35% of the EMC membership, most of the larger and more developed CIS markets in the EMC had participated in the survey. In addition, the respondents were drawn from all of the IOSCO Regional Committees, providing a well-represented pool for EMC members.

This report aims to summarize and conduct a preliminary analysis on the responses to Paper A and Paper B. It is noted that in some cases questions were not answered, or sometimes the answers given were not effective (due to misunderstanding of the questions) and thus could not be included in the analysis. As a result, totals or percentages do not always sum to an expected result. Both missed answers and irrelevant responses were marked as N/A in the survey report. A detailed statistical compilation for individual questions can be found in Attachment A and B.

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<sup>1</sup> Foreign CIS in this survey is defined as the fund distributed domestically while established or incorporated abroad.

## GENERAL FINDINGS

### **There is growing demand for foreign CIS in emerging markets**

Among the 29 jurisdictions participating in the survey, 16 have permitted foreign CIS distribution. In those jurisdictions not permitting foreign CIS, there is a growing demand from domestic investors for foreign CIS, as well as demand from foreign financial institutions for entering emerging markets.

**Most of jurisdictions introduced foreign CIS when their stock markets were around ten years old.** It implies that a solid development of domestic stock market is necessary before considering allowing foreign CIS into domestic markets.

**In terms of preconditions for foreign CIS entering emerging markets, an approval or registration requirement is applied in all responding jurisdictions,** and distribution of foreign CIS has to be conducted through the local sales channels. However, the majority of respondents did not take the IOSCO MOU or a bilateral MOU as preconditions for authorizing foreign CIS.

**Requirements on foreign fund managers are often low and the main restraints are on the product level.** Requirements on foreign CIS products mainly focus on product type and investment scope. Few jurisdictions had imposed restrictions on the years of establishment, the IPO size, and the distribution fee of the foreign CIS.

**Regulation on information disclosure for foreign CIS contains no major differences compared with domestic CIS.** In the majority of surveyed jurisdictions, the content requirements, format requirements, and disclosure frequency are quite similar compared with those for domestic CIS.

**In terms of distribution channels for foreign CIS, there are few differences compared with domestic CIS.** However, in terms of tax policies and distribution fees, the disparities are substantial.

**Foreign CIS has positive implications on the domestic CIS industry in emerging markets.**

Jurisdictions already permitting foreign CIS have basically achieved their preset goals with positive implications on domestic CIS industry.

**For jurisdictions NOT permitting foreign CIS yet, legal restriction is the direct and fundamental barrier.** To promote foreign CIS, besides relaxing the legal constraints, most jurisdictions reported that they would take into consideration convertibility of capital accounts, domestic investors' demand for foreign CIS and readiness of regulation for foreign CIS. The size and competitiveness of the domestic CIS industry were, relatively speaking, less important factors. Most of the responding jurisdictions indicate that they are making efforts to prepare for the introduction of foreign CIS in at least one of the following four areas: drafting regulations on foreign CIS, setting up professional regulatory teams, promoting the opening up of capital accounts and enhancing investor education on foreign CIS.

## **PAPER A – ANALYSIS**

As mentioned above, the Paper A is made up of eight parts. The analysis below thus corresponds to each part in the survey.

### **A1. Market Conditions When the First Foreign CIS Product Was Introduced**

Part I of Paper A is intended to map the timing and market conditions that prevailed when each jurisdiction first introduced a foreign CIS product. Part I included six questions: the year first foreign CIS was introduced, years since establishment of stock market, total market capitalization, number of domestic CIS managers and convertibility of capital accounts.

In regard to the timing of the introduction of the first foreign CIS, since a few of the 16 Paper A respondents only recently allowed foreign CIS to be distributed in their jurisdictions and no foreign CIS had been available at the time of our survey, only 14 jurisdictions provided answers to the first two questions. The survey results show that three jurisdictions introduced the first foreign CIS in the 1990s, among which Turkey is the earliest, doing so in 1997. An acceleration in the pace of the market opening up process to foreign CIS can be observed in emerging markets since 2000, as foreign CIS has been allowed in eleven more EMC jurisdictions who responded to our survey.

When comparing the years since establishment of a stock market, only three out of the 14 jurisdictions introduced foreign CIS when their stock markets were less than ten years old, while others waited until their stock markets were older.

As to the market conditions at the introduction of foreign CIS, the effective figures we collected from the survey highlight the huge range in terms of stock market capitalization, AUM of domestic CIS industry and number of domestic CIS managers between the various EMC jurisdictions that responded. This indicates that the level of development of the domestic CIS industry may be an influencing factor (if not a precondition) behind jurisdictions' decisions to permit the marketing of foreign CIS. It is a pity that some jurisdictions misunderstood the questions and provided the most recent market data rather than the figures in the year when the first foreign CIS was introduced. Further analysis will be made on these issues if revisions can be made by relevant jurisdictions later on.

It is worthwhile to point out that the convertibility of capital accounts is a significant factor for jurisdictions when considering when to open the domestic market to foreign CIS products. 10 out of 12 jurisdictions reported that their local currency was fully convertible under capital accounts at the time of introducing the first foreign CIS product.

Please refer to Table 1 for the summary of market conditions when the first foreign CIS was introduced.

**Table 1. Market Conditions When the First Foreign CIS Was Introduced**

	<b>Year of Introducing the First Foreign CIS</b>	<b>Years Since Establishment of Stock Market</b>	<b>Convertibility of Capital Accounts</b>
<b>Barbados</b>	N/A	N/A	N/A
<b>Bulgaria</b>	2002	17	Yes
<b>Chile</b>	2000	107	N/A
<b>Chinese Taipei</b>	2005	43	No
<b>Czech Republic</b>	2001	8	Yes
<b>Dubai</b>	2004	3	N/A
<b>Korea</b>	1998	42	N/A
<b>Hungary</b>	2002	11	Yes
<b>Lithuania</b>	2001	9	Yes
<b>Malaysia</b>	2008	32	Yes
<b>Oman</b>	N/A	N/A	No
<b>Poland</b>	2004	13	Yes
<b>Romania</b>	2007	13	Yes
<b>Slovenia</b>	2004	19	Yes
<b>South Africa</b>	1998	120	Yes
<b>Turkey</b>	1997	11	Yes

**A2. Goals Achieved by Introducing Foreign CIS**

Part II of the Paper A seeks to evaluate the goals achieved by introducing foreign CIS. Almost all of the jurisdictions already permitting the cross-border distribution of foreign CIS have achieved the three goals listed in the questionnaire. 15 (out of 16) jurisdictions reported that the goal of meeting domestic investors' demand for foreign CIS had been fully or basically achieved; 11(out of 11) jurisdictions indicated that introducing foreign CIS had expanded the application channels of their foreign exchange reserves; 15 jurisdictions (out of 16) said that foreign CIS had helped to meet the requirements of opening domestic markets to foreign financial institutions. Only one jurisdiction gave two negative answers to two of the three goals above, based on the fact that it is very difficult to evaluate the effects since the jurisdiction had only recently allowed the marketing of foreign CIS.

Please refer to Table 2 for the summary of goals achieved by introducing foreign CIS.

**Table 2. Goals Achieved by Introducing Foreign CIS**

<b>Goals</b>	<b>No. of Responses</b>		
	<b>Fully Achieved</b>	<b>Basically Achieved</b>	<b>Not Achieved</b>
Meeting domestic investor's demands for foreign CIS investment	7	8	1
Expanding the application channels of foreign exchange reserves	4	7	0
Meeting the requirements of opening domestic markets to foreign financial institutions	9	6	1

### A3. General Preconditions for Authorizing Foreign CIS

Part III of Paper A deals with the general preconditions for authorizing foreign CIS. Five general entry requirements for foreign CIS are listed in the questionnaire: signing up to the IOSCO MOU, signing of a bilateral MOU, approval by or registration with the host jurisdiction regulator, distribution through local sales channels, and other requirements.

With regard to MOU, the majority of respondents did not take the IOSCO MOU or a bilateral MOU as preconditions for authorizing foreign CIS. 11 out of 16 respondents did not have any MOU requirements, three jurisdictions waived the IOSCO MOU but insisted on having a bilateral MOU, and only two respondents required both the IOSCO MOU and a bilateral MOU arrangement with the home regulator of foreign CIS.

In terms of the approval or registration requirements, all 16 respondents required either approval, registration or both requirements for foreign CIS applying to be marketed in their jurisdictions. A foreign CIS requires registration in only four jurisdictions, but has to go through approval procedures in nine jurisdictions. Besides, three jurisdictions have set differentiated requirements on foreign CIS, e.g., in Bulgaria, CIS established within the European Union must register with the regulator, while the rest must be approved.

In the area of marketing and distribution, all respondents indicated that foreign CIS had to be conducted through the local sales channels.

Meanwhile, 13 out of a total of 15 jurisdictions reported that there are other general preconditions for authorizing foreign CIS in addition to the four requirements mentioned above.

Please see Table 3 for the summary of the preconditions for authorizing foreign CIS.

**Table 3.      Preconditions for Authorizing Foreign CIS**

<b>Preconditions</b>	<b>No. of Responses</b>	
	<b>Yes</b>	<b>No</b>
IOSCO MOU	2	14
Bilateral MOU	5	11
Approval or Registration	16	0
Distribution through local sales channel	16	0
Other conditions	14	2

### A4. Qualification Requirements for Foreign CIS Managers

Part IV of Paper A covers the qualification requirements set by EMC member jurisdictions for foreign CIS managers. Four requirements were examined: minimum years of establishment, minimum registered capital, minimum AUM, and requirement on the domestic financial institution to be co-responsible for the CIS. We received 15 effective responses for questions in this part.

In general, the requirements set by EMC jurisdictions on foreign CIS managers are not strict.

7 out of 15 jurisdictions had none of the above four requirements, 5 had one such requirement, 2 reported on two requirements, and only 1 jurisdiction had imposed three of the above four requirements on foreign CIS managers.

Regarding the minimum years of establishment of foreign CIS managers, 14 out of 15 jurisdictions have no requirement, while 1 jurisdiction required a 2-year establishment for foreign CIS managers.

Regarding the minimum registered capital of the foreign CIS manager, 12 jurisdictions have no requirements, while 3 set the minimum registered capital thresholds at USD 0.5 million, USD 0.67 million, or a comparative figure to net asset, respectively.

In terms of minimum AUM, 11 jurisdictions do not have any requirements on foreign CIS managers, and 4 have. However, the minimum AUM differed greatly in these four respondents, ranging from USD 1.33 million to USD 2 billion.

Last, 4 out of 15 jurisdictions reported that domestic financial institution have to be co-responsible for the foreign CIS distributed in their jurisdictions.

Please refer to Table 4 for the summary of the qualification requirements on foreign CIS.

**Table 4. Qualification Requirements for Foreign CIS Managers**

Requirements on Foreign CIS Managers	No. of Responses	
	Yes	No
Requirement on minimum years of establishment	1	14
Requirement on minimum registered capital	3	12
Requirement on minimum AUM	4	11
Requiring domestic financial institution to be co-responsible for CIS	4	11

#### A5. Qualification Requirements on Foreign CIS Products

Part V of Paper A seeks to examine the qualification requirements set by EMC member jurisdictions on foreign CIS products from six different aspects: registration/approval requirements, restrictions on product type, requirements on number of years of establishment, restrictions on type of assets of foreign CIS, restrictions on the CIS's minimum size in its home jurisdiction, and restrictions on the distribution expense ratios. All 16 Survey participants answered questions in this part.

The survey results show that requirements on foreign CIS products mainly focus on three areas: authorization requirement, restrictions on product type, and investment scope. 13 out of the 16 respondents reported that foreign CIS need to register with or be approved by the host regulator; 10 had set rules on the type of fund products; 7 have restrictions on the investment scope of foreign CIS products.

In contrast, few jurisdictions had imposed restrictions on the years of establishment, the IPO size, and the distribution fee of the foreign CIS. Only 2 jurisdictions required that foreign CIS must have been established for more than one year, while 1 jurisdiction had drawn up rules in regard to the minimum size of the fund.

None of the respondents have specific restrictions on the distribution expense ratio of foreign CIS, apart from requiring the expense be defined clearly.

Please refer to Table 5 for the summary of qualification requirements on foreign CIS.

**Table 5. Qualification Requirements on Foreign CIS**

Requirements on Products	No. of Responses	
	Yes	No
Restrictions on registration/approval	13	3
Restrictions on product type	10	6
Requirement on the fund's years of establishment	2	14
Restrictions on types of assets of Foreign CIS	7	9
Restrictions on the CIS's initial issuing size when it's issued in its home jurisdiction	1	15
Restrictions on the distribution expense ratios	1	15

#### A6. Regulations for Foreign CIS

For the purpose of understanding the regulation of foreign CIS in EMC member jurisdictions, part VI of Paper A asks respondents to answer questions on regulations on the distribution of foreign CIS, information disclosure and reporting requirements to domestic authorities.

##### *Regulations on Distribution*

In terms of distribution channels for foreign CIS, except for one jurisdiction, there are no differences compared with domestic CIS. However, in terms of tax policies and distribution fees, the disparities are substantial. 6 out of the 15 respondents said that the tax treatments for foreign CIS are different from that for domestic CIS products; and 9 out of 16 respondents reported that the requirements for foreign CIS's expenses and fees vary from that for domestic CIS.

Setting up a customer service center locally is a must for foreign CIS in half of surveyed jurisdictions. In some jurisdictions, foreign CIS managers are further required to appoint a local agent as a representative in the offering and sale of foreign CIS products.

Last, 15 out of 16 jurisdictions do NOT restrict the subscription for foreign CIS to qualified investors only.

Please see table 6 for the summary of regulation on the distribution of foreign CIS.

**Table 6. Regulations on Distribution**

Regulations on Distribution	No. of Responses	
	Yes	No
Are tax treatments the same as those for domestic products?	9	6
Are distribution channels the same as those for domestic products?	15	1
Are the requirements for the fund's expense and fees the same as those for domestic products?	7	9
Must Customer Service Centers be set up domestically by foreign managers?	8	8
Is the subscription for the Foreign CIS restricted to qualified investors?	1	15

*Regulation on Information Disclosure*

With regard to regulation on information disclosure for foreign CIS, in the majority of surveyed jurisdictions, the content requirements, format requirements, and disclosure frequency are quite similar compared with those for domestic CIS.

Please see Table 7 for the summary of regulation on the information disclosure for foreign CIS.

**Table 7. Regulations on Information Disclosure**

Information Disclosure Requirements	No. of Responses	
	Yes	No
Are content requirements the same as of domestic products?	11	5
Are format requirements the same as of domestic products?	10	6
Is disclosure frequency the same as of domestic products?	11	4

*Reporting Requirements to Domestic Authorities*

Except for one jurisdiction, 15 out of 16 jurisdictions require foreign CIS to report to host regulators. However, in most cases, such reporting requirements differed from those for domestic CIS products, and the reporting requirements for foreign CIS are generally less stringent in comparison to those for domestic funds.

Please see Table 8 for the summary of regulation on the reporting requirements for foreign CIS.

**Table 8. Reporting Requirements**

Reporting Requirements	No. of Responses	
	Yes	No
Are there reporting requirement to domestic authorities?	15	1
If yes, are the requirements the same as those of domestic products?	5	10

#### A7. Status Quo of Foreign CIS

Part VII of Paper A deals with the current developments of foreign CIS in emerging markets up to the end of 2007. The survey results illustrated considerable disparities between respondents in terms of the number of foreign CIS managers and the number of foreign CIS products operating in their jurisdictions, the total AUM of foreign CIS, and the ratio of AUM of foreign CIS over that of onshore products. The reasons for such disparities are beyond the scope of this report; however, it is evident that foreign CIS had achieved remarkable success in a few of EMC jurisdictions. As of Dec. 31, 2007, Chinese Taipei and South Africa played host to 65 and 66 foreign CIS managers respectively, ranking No.1 and No.2 among the 13 jurisdictions that responded to the questions. Czech Republic, Dubai and Hungary took the lead in regard to the number of foreign CIS products, with 1479, 1300 and 1200 products marketed in their jurisdictions respectively at the end of 2007. It is also noteworthy that the ratio of total AUM of offshore CIS over onshore products had reached 103% in Chinese Taipei and 82% in Czech Republic.

With regard to the distribution channel of foreign CIS, the answers provided by survey participants are quite similar. As we know from part C “General Conditions for Authorizing Foreign CIS”, all offshore CIS products have to be distributed through local sales channels in all 16 responding jurisdictions. To be specific, banks and securities firms are the dominate distribution channels for foreign CIS products, meanwhile, a certain amount of foreign CIS are distributed directly by the sales agent of foreign CIS managers or through independent financial advisors.

Please refer to Table 9 and 10 for the summary of current developments of foreign CIS in emerging markets.

**Table 9. Current Developments of Foreign CIS in Emerging Markets (end of 2007)**

	No. of Foreign Managers	No. of Foreign CIS	AUM of Foreign CIS(US \$mil)	Ratio of AUM of Foreign CIS to Domestic Products
Barbados	2	2	22.9	7%
Bulgaria	9	71	N/A	N/A
Chile	2	84	N/A	N/A
Chinese Taipei	65	781	69 135	102.97%
Czech Republic	37	1 479	7 909	81.6 %
Dubai	N/A	1300	N/A	N/A
Korea	13	493	8 373	2.70%
Hungary	34	1200	56 000	4.35%
Lithuania	58	164	551	31.24%
Malaysia	7	0	0	0
Oman	0	0	0	0
Poland	9	47	847	1.80%
Romania	2	14	0.37	0.95%
Slovenia	10	128	N/A	N/A
South Africa	66	378	15 963	25.30%
Turkey	0	60	77	0.34

**Table 10. Distribution Channels of Foreign CIS**

	Foreign CIS Distribution Channels					
	Bank	Securities Company	Insurance	Direct	IFA	Others
Barbados	√	√	√	√	√	√
Bulgaria	√	√		√		
Chile	√	√				√
Chinese Taipei	√	√				√
Czech Republic	√	√	√		√	√
Dubai	√	√		√	√	
Korea	√	√	√			
Hungary	√	√		√		
Lithuania	√	√				
Malaysia	√	√			√	
Oman	√	√				
Poland	√	√	√	√	√	
Romania	√	√		√		
Slovenia	√	√	√	√		
South Africa	√	√	√	√	√	√
Turkey	√	√				

#### A8. Impacts of Foreign CIS on Domestic Fund Management Industry

One of the major goals of this survey is to find out the impact of foreign CIS on domestic fund management industry. Survey participants were required to assess the impacts on foreign CIS on three aspects of the local fund management industry: the impact on product innovation, on competitiveness and on R&D capacity. According to the survey feedback, the great majority of respondents remained positive or neutral about the introduction of foreign CIS. In particular, 9 out of 16 jurisdictions believed that foreign CIS had a positive

impact on the product innovation of the domestic CIS industry. In addition, 7 out of 16 respondents indicated that foreign CIS had promoted the R&D capacity of the local CIS industry.

Please see table 11 for the summary of impacts of foreign CIS on the domestic industry.

**Table 11. Summary of Impacts of Foreign CIS on Domestic CIS Industry**

<b>Impacts</b>	<b>Response</b>		
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>
On product innovation of domestic CIS Industry	9	6	1
On competitiveness of domestic CIS companies	8	6	2
On R&D capability of domestic CIS industry	7	8	1

## PAPER B ANALYSIS

### B1. Reasons for Limiting Foreign CIS

In Part I of Paper B, survey participants were asked to indicate the reasons why currently foreign CIS are still not permitted. The questionnaire numerated the following three reasons: legal restrictions, insufficient demands for foreign CIS and insufficient foreign requirements of opening up domestic markets.

Legal restrictions are the direct and fundamental reason for limiting foreign CIS, as 12 out of 13 respondents reported that legal restrictions for foreign CIS exist in their jurisdictions. Apart from legal restrictions, three jurisdictions listed insufficient demands for foreign CIS as a reason for limiting foreign CIS. In addition, two of the three jurisdictions also indicated that the interest from foreign fund operators in opening up the market were not strong.

Please see table 12 for the summary of reasons for limiting foreign CIS.

**Table 12. Reasons for Limiting Foreign CIS**

Reasons	No. of Responses	
	Yes	No
Legal restrictions	12	1
Insufficient domestic demand for foreign CIS	3	9
Insufficient foreign requirement of opening up domestic markets	2	10

### B2. Major Considerations for Allowing Distributions of Foreign CIS

In Part II of Paper B, survey participants were asked whether they would consider the following five factors before they decide to introduce foreign CIS in the future: convertibility of capital accounts, domestic investors' demand for foreign investments, size of domestic CIS industry, readiness of regulation for foreign CIS and readiness of domestic CIS managers for international competition.

11 out of 13 jurisdictions reported that they would take convertibility of capital accounts, domestic investors' demand for foreign CIS and readiness of regulation for foreign CIS into consideration. Comparatively speaking, size of domestic industry and the competitiveness of domestic CIS industry were less important factors, chosen by nine respondents.

**Table 13. Major Considerations for Allowing Distribution of Foreign CIS**

Considerations	No. of Responses	
	Yes	No
Convertibility of capital accounts	11	2
Domestic investors' demand for foreign investment	11	2
Size of domestic CIS industry	9	4
Readiness of regulations for foreign CIS	11	2
Readiness of domestic CIS managers for international competition	9	4

### **B3. Preparations for Introducing Foreign CIS**

Except for 3 jurisdictions, the rest of Paper B respondents (10) reported that they were making efforts to prepare for the introduction of foreign CIS in at least one of the following four areas: drafting regulations on foreign CIS, setting up professional regulatory teams, promoting the opening up of capital accounts and enhancing investor education on foreign CIS.

The preparation for introducing foreign CIS is under way in an orderly manner. Five jurisdictions were in the process of drafting regulations on foreign CIS, among which two were setting up professional regulatory teams for foreign CIS. For the rest who had not reached the implementation stage for the introduction of foreign CIS, the focus of their work is on the areas of promoting the opening up of capital accounts and educating investors on foreign CIS.

Please see table 14 for the summary of preparation measures for introducing foreign CIS.

**Table 14. Preparation Measures for Introducing Foreign CIS**

<b>Preparations</b>	<b>No. of Responses</b>	
	<b>Yes</b>	<b>No</b>
Drafting regulations on foreign CIS	5	8
Setting up professional supervisory teams for foreign CIS	2	11
Promoting the opening up of capital accounts	6	5
Enhancing investor education	8	5

## Attachment A1

<b>Market Conditions when the First Foreign CIS Was Introduced</b>						
	<b>Year of Introducing the First Foreign CIS</b>	<b>Years since the Establishment of Stock Market[1]</b>	<b>Stock Market Capitalization (US \$ billion)</b>	<b>AUM of Domestic CIS Industry (US \$ million)</b>	<b>No. of Domestic CIS Managers</b>	<b>Convertibility of Capital Accounts</b>
<b>Barbados</b>	N/A	1987	N/A	N/A	N/A	N/A
<b>Bulgaria</b>	2002	17	21.775 (2007)	684.659 (2007)	30	Yes
<b>Chile</b>	2000	107	72.83	5024.19	34	N/A
<b>Chinese Taipei</b>	2005	43	521.28	65 437.23	45	No
<b>Czech Republic</b>	2001	1993	12.3	N/A	N/A	Yes
<b>Dubai</b>	2004	3	N/A	N/A	10	N/A
<b>Korea</b>	1998	1956	1 051.8	314	51	N/A
<b>Hungary</b>	2002	1991	12.49 EUR bn	4.7EUR bn	21	Yes
<b>Lithuania</b>	2001	1992	6	0.5	1	Yes
<b>Malaysia</b>	2008	32	251.95 (2008)	52980 (2007)	65 (2007)	Yes
<b>Oman</b>	N/A	1989	N/A	N/A	2	No
<b>Poland</b>	2004	1991	142.2	18 413.2	19	Yes
<b>Romania</b>	2007	1994	35.326	490	24 (2008)	Yes
<b>Slovenia</b>	2004	19	25.67EUR bn (2007)	4 159EUR mn (2007)	14	Yes
<b>South Africa</b>	1998	1887	148.12	10.54	28	Yes
<b>Turkey</b>	1997	1986	61.4	976	3	Yes

[1] Due to different understandings of the survey question, some jurisdiction give a spot time, while others provide a phase time.

[2] We have only recently allowed Foreign CIS to be distributed in Malaysia. For the time being, it is restricted to only Islamic/Shariah-compliant Funds from Dubai International Financial Centre (DIFC) based on a Mutual Recognition for cross-border distribution of funds with Dubai Financial Services Authority (DFSA). As such, our experience dealing or regulating distribution of foreign funds is very limited.

## Attachment A2

<b>Goals Achieved by Introduction of Foreign CIS</b>									
	<b>Meeting Domestic Investors' Demands for Foreign CIS Investment</b>			<b>Expanding the Application Channels of Foreign Exchange Reserves</b>			<b>Meeting Market Opening up Requirements from Foreign Financial Institutions</b>		
	<b>Fully Achieved</b>	<b>Basically Achieved</b>	<b>Not Achieved</b>	<b>Fully Achieved</b>	<b>Basically Achieved</b>	<b>Not Achieved</b>	<b>Fully Achieved</b>	<b>Basically Achieved</b>	<b>Not Achieved</b>
<b>Barbados</b>		√					√		
<b>Bulgaria</b>	√						√		
<b>Chile</b>		√						√	
<b>Chinese Taipei</b>		√			√			√	
<b>Czech Republic</b>	√			√			√		
<b>Dubai</b>	√						√		
<b>Korea</b>		√			√			√	
<b>Hungary</b>		√		√			√		
<b>Lithuania</b>		√			√			√	
<b>Malaysia</b>			√						√
<b>Oman</b>	√			√			√		
<b>Poland</b>		√			√			√	
<b>Romania</b>	√				√		√		
<b>Slovenia</b>		√			√		√		
<b>South Africa</b>	√				√		√		
<b>Turkey</b>	√			√				√	

## Attachment A3

Preconditions for Authorizing Foreign CIS											
	IOSCO Memorandum		Bilateral Memorandum		Approval by or Registered with Host Jurisdiction			Distribution through Local Sales Channels		Other Preconditions	
	Yes	No	Yes	No	Approval	Registration	Neither	Yes	No	Yes	No
Barbados		√		√		√		√		√[1]	
Bulgaria		√		√	√	√[2]		√			√
Chile		√		√		√		√		√	
Chinese Taipei		√		√	√			√		√[3]	
Czech Republic		√	√		√			√		√[4]	
Dubai		√[15]		√[16]	√	√		√		√[5]	
Korea		√		√	√			√		√[6]	
Hungary		√		√	√			√			√
Lithuania		√		√	√			√		√[7]	
Malaysia		√[17]	√		√			√		√[8]	
Oman		√		√	√			√		√[9]	
Poland	√		√			√		√		√[10]	
Romania		√	√			√		√		√[11]	
Slovenia		√		√	√	√		√		√[12]	
South Africa		√		√	√			√		√[13]	
Turkey	√		√		√			√		√[14]	

[1] 1.Agent appointed; 2.From an approved jurisdiction; 3.Registered with CAIPO; 4.not suspended from opening in that jurisdiction..

[2] For CIS, established within the European Union.

[3] An offshore fund manager or an institution appointed by the offshore fund manager shall appoint a single master agent to represent it in the offering and sale of its funds in Taiwan

[4] Comparability of level of investor protection in host state with that in the Czech Republic; contract with bank on fulfillment of duties pursuant to the Act. 43/2 of the Act on Collective Investment (ACI)

[5] Prospectus Disclosure including various statements such as a warning that the Fund is not subject to any form of regulation or approval by the DFSA.

[6] Has to fulfill the requirements of its home country, etc.

[7] In accordance with the provisions of Article 102 of the Law on Collective Investment Undertakings of the Republic of Lithuania public distribution in Lithuania of investment units (shares) by a foreign collective investment undertaking shall be authorized only subject to the submission, in addition to other mandatory documents, of the certificate issued by the foreign supervisory authority to the effect that the requirements of Directive 85/611/EEC, as last amended, are complied with, i.e., only the units (shares) of a collective investment undertaking complying with the requirements of the Directive may be publicly offered and distributed in Lithuania. In case of a failure to submit such document the foreign collective investment undertaking shall be prohibited from distributing its investment units (shares) in the Republic of Lithuania.

[8] Only recognized fund from recognized jurisdiction; Only Shariah-compliant funds allowed; Reporting to regulator by local sales channels; Local sales channels must be “Authorized Person”.

[9] Details can be found in the Rules for Distribution on Non-Omani securities.

[10] Legal procedures laid down in the domestic regulation.

[11] UCITS from Member States that proposes to market its units in Romania shall previously inform CNVM of its intention and submit some documents, according to the specific rules for marketing in Romania the units of UCITS from other Member States. The marketing of foreign CIS from non – Member States on the territory of Romania shall be carried out only where C.N.V.M. has concluded a cooperation

agreement with the competent authority of the home state of that foreign CIS and provided that a branch is established in Romania.

[12] According to The investment funds and management companies act (articles from 47 to 51) a management company must provide general data on management company, give information about planned business operation, give a detailed description of the method of ensuring adequate capacities, funds and business relations, enclose abstract of the prospectus and prospectus, annual report and statement of the authority competent for supervising the provision of services of a management company (the last one in case of EU Member State)

[13] Foreign CIS must be from a jurisdiction with a regulatory environment at least the same standard as that of South Africa. Foreign CIS may not offer products locally which are more risky than what local CIS's may offer.

[14] At least three years must have been passed since fund begun to operate and the current value of the units to be sold at the date of application should not be less than the amount determined as a minimum in the regulations of the Board for mutual funds in Turkey. At least 80% of the fund's portfolio should be invested in the assets other than the capital market instruments issued by the issuers resident in Turkey and in Turkish public debt instruments.

[15] However, compliance by Foreign Jurisdiction with IOSCO principles relevant. Adequate arrangement should be in place for cooperation between the Regulator of the Foreign CIS & the DFSA

[16] However, adequate arrangement should be in place for cooperation between the regulator of the foreign CIS & the DFSA

[17] However, we are currently reviewing the possibility of including this as a precondition.

#### Attachment A4

Qualification Requirements for the Managers of Foreign CIS								
	Requirement on Minimum Years of Establishment		Requirement on Minimum Registered Capital		Requirement on Minimum AUM		Requiring Domestic Financial Institutions to be Co-responsible for Foreign CIS	
	Yes	No	Yes	No	Yes	No	Yes	No
Barbados		√	√ (US \$ 0.5 mil.)			√		√
Bulgaria		√		√		√	√	
Chile		√		√		√		√
Chinese Taipei	√ (2 years)			√	√ (US \$ 2000 mil.)			√
Czech Republic		√		√		√		√
Dubai [1]								
Korea		√	√[2]		√ (US \$ 1000 mil.)			√
Hungary		√	√ (US \$ 0.67mil.)		√ (US \$ 1.33 mil.)		√	
Lithuania		√		√		√		√
Malaysia		√		√		√		√
Oman		√		√	√ (US \$ 5.2 mil.)			√
Poland		√		√		√		√
Romania		√		√		√		√
Slovenia		√		√		√		√
South Africa[3]		√		√		√	√	
Turkey		√		√		√	√	

[1] Dubai did not answer this part

[2] Net assets shall not be less than paid-in capital.

[3] The first three qualification requirements are set by the home regulator, therefore the answers are assumed as "No".

## Attachment A5

Qualification Requirements on Foreign CIS Product						
	Restrictions on Registration or Approval	Restrictions on Type of CIS	Requirement on the Years of Establishment	Restrictions on Types of Assets of Foreign CIS	Restrictions on the CIS's IPO Size at Its Home Jurisdiction	Restrictions on the Distribution Expense Ratios
Barbados	YES [1]	YES [2]	NO	NO	NO	NO
Bulgaria	YES [3]	NO	NO	NO	NO	NO
Chile	YES	YES	NO	NO	NO	NO
Chinese Taipei	YES [4]	NO	YES [5]	YES [6]	NO	NO
Czech Republic	NO	YES [7]	NO	YES [8]	NO	NO
Dubai	YES [9]	YES [10]	NO	YES [11]	NO	NO
Korea	YES [12]	YES [13]	NO	NO	NO	YES [14]
Hungary	NO	YES [15]	NO	YES [16]	YES [17]	NO
Lithuania	NO	NO	NO	NO	NO	NO
Malaysia	YES [18]	YES [19]	NO	NO	NO	NO
Oman	YES [20]	YES [21]	NO	NO	NO	NO
Poland	YES [22]	NO	NO	YES [23]	NO	NO
Romania	YES [24]	NO	NO	NO	NO	NO
Slovenia	YES [25]	NO	NO	NO	NO	NO
South Africa	YES [26]	YES [27]	NO	YES [28]	NO	NO
Turkey	YES (not specified)	YES (not specified)	YES [29]	YES [30]	NO	NO

[1] Non-approved jurisdictions

[2] In jurisdiction-only those approved by Minister

[3] Foreign CIS are obliged to publish a prospectus, which should be in accordance with chapter 6 and 7 of the Law on Public Offering of Securities and should be approved by the Bulgarian Financial Supervision Commission.

[4] An offshore fund manager or an institution appointed by the offshore fund manager shall appoint a single master agent to represent it in the offering and sale of its funds in Taiwan.

The total value of the offshore fund's positions in derivatives for enhance the investment efficiency may not exceed 40 percent of the fund's net asset value; the total value of the offshore fund's open short positions in derivatives for hedge may not exceed the total market value of the corresponding securities required to be held by the offshore fund;

1. The offshore fund may not invest in gold, spot commodities, and real estate;
2. The offshore fund's investment value in securities traded in Mainland China securities market must not exceed 10% of the current NAV;
3. The percentage of the investment in any individual offshore fund that is contributed by Taiwan investors may not exceed 90% of the fund's net asset value;
4. The investment portfolio of the offshore fund may not make Taiwan securities markets its primary investment area; the total value for such investment shall not exceed 70% of the fund's net asset value.
5. The offshore fund may not be denominated in New Taiwan Dollars or Renminbi;
6. The offshore fund must have been established for one full year;
7. The offshore fund has been approved by the competent authority of its place of registration to be offered to the public.

With special-case approval from the FSC or where an offshore fund's place of registration is recognized and publicly announced by Taiwan, an offshore fund may be exempted from the restrictions of subparagraphs 1 and 7 of the preceding paragraph.

- [5] One year
- [6] Restriction of offshore fund in China market:  
The offshore fund's investment value in securities traded in Mainland China securities market must not exceed 10% of the current NAV.
- Restriction of offshore fund in Taiwan market:  
The investment portfolio of the offshore fund may not make Taiwan securities markets its primary investment area; the total value for such investment shall not exceed 70% of the fund's net asset value.
- [7] According to Art. 43/2/c of the ACI the foreign fund must repurchase securities that it has issued on request of a unit certificate holder under conditions that are not less favorable than the conditions specified in Section 12 of the ACI, or it ensures that the price of the securities, that it has issued, on the regulated market does not significantly differ from their current value.
- [8] Level of investor protection (in particular investment policy and investment rules) must be comparable with level of investor protection given by the regulation for similar domestic funds in the Czech Republic
- [9] Designated funds & non-designated funds
- [10] As above
- [11] Property funds
- [12] Domestic laws are applied
- [13] Domestic laws are applied (global standards)
- [14] Expense shall be defined clearly, not higher than int'l standards (no specific ratio %)
- [15] Public open-ended
- [16] Act CXX of 2001 on Capital Market 285.1
- [17] 1.33 million USD
- [18] Only Shariah-compliant funds allowed
- [19] Hedge funds are not allowed
- [20] Details can be found in Rules for Distribution of Non-Omani securities
- [21] Securities
- [22] Approval required
- [23] Investment Policy AS UCITS Funds
- [24] UCITS from Member States are only registered with CNVM; in the case of UCITS from Non-Member States and non-UCITS the procedure is similar to an authorization, being verified a more complex documentation.
- [25] Different for NCITS and non-NCITS
- [26] Foreign CIS must be from a jurisdiction with regulatory environment of at least the same standard as South Africa
- [27] Foreign CIS may not market product which is more risky than those offered by local CIS.
- [28] Foreign CIS may not market product which is more risky than those offered by local CIS.
- [29] 3 years
- [30] 1. At least 80% of the fund's portfolio should be invested in the assets other than the capital market instruments issued by the issuers resident in Turkey and in Turkish public debt instruments
2. The portfolio value invested in securities of a single corporation should not be more than 10% of the portfolio value (Capital market instruments issued by the government are excluded)
3. The fund should not have more than 9% of the voting rights or of capital in any corporation
4. The principles that the fund is subject to for lending of assets and borrowing should be consistent with the legislation that the mutual funds in Turkey are subject to.

## Attachment A6

<b>Regulations for foreign CIS</b>										
	<b>Regulations on Distribution</b>					<b>Regulations on Information Disclosure</b>			<b>Reporting Requirements to Domestic Authorities</b>	
	<b>Same Tax Treatments</b>	<b>Same Distribution Channels</b>	<b>Same Expense and Fees</b>	<b>Domestic Customer Service Centers</b>	<b>Subscription Restriction</b>	<b>Same Content Requirements</b>	<b>Same Format Requirements</b>	<b>Same Disclosure Frequency</b>	<b>Existence of reporting Requirements</b>	<b>Same Reporting Requirements</b>
<b>Barbados</b>	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES
<b>Bulgaria</b>	YES	YES	NO	YES	NO	YES	YES	YES	YES	NO [1]
<b>Chile</b>	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO
<b>Chinese Taipei</b>	NO	YES	NO	NO	NO	NO [2]	NO [3]	NO[4]	YES	NO [5]
<b>Czech Republic</b>	YES	YES	YES	NO	NO	YES	YES	YES	YES	NO [6]
<b>Dubai</b>	YES	YES	NO	NO [7]	NO	NO [8]	NO [9]	NO[10]	YES	NO [11]
<b>Korea</b>	NO	YES	NO	YES [12]	NO	YES	YES	YES	YES	YES
<b>Hungary</b>	YES	YES	YES	NO	NO	YES	YES	YES	YES	YES
<b>Lithuania</b>	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES
<b>Malaysia</b>	YES	YES	NO	NO	NO	YES	YES	YES	YES	NO [13]
<b>Oman</b>	NO	YES	NO	NO	YES	NO	NO	N/A	YES	NO
<b>Poland</b>	N/A	YES	YES	YES [14]	NO	YES	YES	YES	YES	NO [15]
<b>Romania</b>	YES [16]	YES	NO [17]	NO	NO [18]	NO [19]	NO [20]	NO [21]	YES [22]	NO [23]
<b>Slovenia</b>	YES	YES	YES	YES	NO	YES	NO [24]	YES	YES	NO [25]
<b>South Africa</b>	NO	YES	NO	YES	NO	YES	YES	YES	NO	N/A
<b>Turkey</b>	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES

[1] The reports are in accordance with the legislative framework in the home country of the foreign CIS.

[2] The offshore funds and onshore funds should comply with the “Regulations Governing Offshore Funds “and “Regulations Governing Information to be Published in Prospect uses by Securities Investment Trust Enterprises Offering Securities Investment Trust Funds” respectively.

[3] The offshore funds and onshore funds should comply with the “Regulations Governing Offshore Funds “and “Regulations Governing Information to be Published in Prospect uses by Securities Investment Trust Enterprises Offering Securities Investment Trust Funds” respectively.

[4] A master agent shall produce an annual financial report for the offshore funds and immediately publish it together with a Chinese language summary thereof. Otherwise, the securities investment trust enterprise should disclose the relevant information for onshore funds weekly, monthly, quarterly semiyearly and yearly.

[5] The offshore funds and onshore funds should comply with the “Regulations Governing Offshore Funds “and “Regulations Governing Securities Investment Trust Enterprises” respectively.

[6] Reporting requirements for foreign CIS are reduced in terms of frequency and scope.

[7] But person responsible for advising/arranging must be resident in jurisdiction.

[8] We do not review or approve foreign fund prospectuses. We require further statements to be disclosed in the prospect of Foreign CIS (see CIR Rules 3.4.1 to 3.4.5)

[9] We do not review or approve foreign fund prospectuses. We require further statements to be disclosed in the prospect of Foreign CIS (see CIR Rules 3.4.1 to 3.4.5)

[10] We do not review or approve foreign fund prospectuses. We require further statements to be disclosed in the prospect of Foreign CIS (see CIR Rules 3.4.1 to 3.4.5)

[11] Must be annual report if foreign. Periodic Reports only apply to Domestic Funds-annual and interim reports.

[12] Shall have domestic agent

[13] Domestic CIS are required to report on a wider area than a foreign CIS.

[14] Representative of a fund should be set up

[15] The reporting requirements scope is narrower for foreign funds than domestic funds.

[16] It is established by the Conventions on avoiding the double taxation, if they are.

[17] There are no requirements regarding the fund's expenses and fees.

[18] There are CIS for both qualified investors and retail investors.

[19] UCITS of Member States marketing their units in Romania shall not disclose periodical reports on their portfolios net value and the net value of each portfolio.

[20] The annual and semiannual reports shall be drawn up accordingly to the format required by the competent authority of the foreign CIS.

[21] UCITS of Member States marketing their units in Romania shall not disclose periodical reports on their portfolios net value and the net value of each portfolio.

[22] In case of the UCITS from Member States, they submit the semi-annual and annual reports for statistic purposes.

[23] UCITS of Member States marketing their units in Romania shall not report to CNVM periodical reports on their portfolios net value and the net value of each portfolio.

[24] There are different requirements for UCITS funds and non-UCITS funds.

[25] There are different requirements for EU branches and for EU funds operating directly.

## Attachment A7

Status Quo of Foreign CIS (up to the end of 2007)										
	No. of Foreign Managers	No. of Foreign CIS	AUM of Foreign CIS(US \$mil)	Ratio of AUM of Foreign CIS to Domestic Products	Foreign CIS Distribution Channels					
					Bank	Securities Company	Insurance	Direct	IFA	Others
Barbados	2	2	22.9	7%	√	√	√	√	√	√ [1]
Bulgaria	9	71	N/A [2]	N/A [3]	√	√		√		
Chile	2	84	N/A	N/A	√	√				√
Chinese Taipei	65	781	69 135	102.97%	√	√				√ [4]
Czech Republic	37	1 479	7 909	81.6 %	√	√	√		√	√
Dubai	N/A [5]	1300	N/A	N/A	√	√		√ [6]	√	
Korea	13	493	8 373	2.70%	√	√	√			
Hungary	34	1200	56 000	4.35%	√	√		√		
Lithuania	58	164	551	31.24%	√	√				
Malaysia	7	0	0	0	√	√			√	
Oman	0	0	0	0	√	√				
Poland	9	47	847	1.80%	√	√	√	√	√	
Romania	2	14	0.37	0.95%	√	√		√		
Slovenia	10	128	N/A	N/A	√	√	√	√		
South Africa	66	378	15 963	25.30%	√	√	√	√	√	√ [6]
Turkey	0	60	77	0.34	√	√				

[1] Licensed Market Actor and Fund's Agent.

[2] The information disclosed by the foreign CIS is in the format required by the home supervisory authority.

[3] The information disclosed by the foreign CIS is in the format required by the home supervisory authority.

[4] Securities investment consulting enterprises, securities investment trust enterprise, trust enterprise.

[5] Only by representatives in the jurisdiction

[6] Managers of local CIS

Attachment A8

Impacts of Foreign CIS on Domestic CIS Industry									
	On product innovation of domestic CIS industry			On competitiveness of domestic CIS companies			On capability of domestic CIS Investment		
	Positive	Neutral	Negative	Positive	Neutral	Negative	Positive	Neutral	Negative
Barbados		√			√			√	
Bulgaria	√			√			√		
Chile		√		√				√	
Chinese Taipei		√			√			√	
Czech Republic	√				√			√	
Dubai	√					√		√	
Korea	√			√			√		
Hungary		√			√			√	
Lithuania	√			√			√		
Malaysia	√			√			√		
Oman		√			√			√	
Poland		√			√			√	
Romania	√			√			√		
Slovenia	√			√			√		
South Africa			√			√			√
Turkey	√			√			√		

## Attachment B1

Reasons for NOT Permitting Foreign CIS						
	Legal Restrictions		Insufficient Demand		Insufficient Foreign Requirements	
	Yes	No	Yes	No	Yes	No
Argentina	√			√		√
Brazil	√			√		√
China	√			√		√
Colombia	√					
Croatia	√		√		√	
India	√			√		√
Israel	√			√		√
Morocco	√			√		√
Pakistan	√		√			√
Sri Lanka	√			√		√
Thailand	√			√		√
Tunisia	√		√		√	
Vietnam		√		√		√

## Attachment B2

Major Considerations for Permitting Foreign CIS										
	Convertibility of Capital Accounts		Investor Demand for Foreign CIS		Size of Domestic CIS Industry		Readiness of Regulation		Readiness of Domestic Operators	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Argentina	√			√		√	√			√
Brazil	√		√		√			√	√	
China	√		√		√		√		√	
Colombia	√		√		√		√		√	
Croatia	√		√		√		√			√
India	√		√			√	√			√
Israel		√	√			√	√		√	
Morocco	√		√			√	√		√	
Pakistan	√		√		√		√		√	
Sri Lanka	√		√		√		√			√
Thailand	√		√		√		√		√	
Tunisia	√		√		√		√		√	
Vietnam		√	√		√		√		√	

Attachment B3

Efforts Being Made for Permitting Foreign CIS								
	Drafting Regulations on Foreign CIS		Setting Up Regulatory Teams for Foreign CIS		Promoting the Opening-up of Capital Accounts		Enhancing Investor Education	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Argentina</b>	√			√		√		√
<b>Brazil</b>		√		√	√			√
<b>China</b>		√		√	√		√	
<b>Colombia</b>		√		√		√		√
<b>Croatia</b>	√			√	√		√	
<b>India</b>		√		√				√
<b>Israel</b>	√		√			√	√	
<b>Morocco</b>		√		√		√		√
<b>Pakistan</b>		√		√		√	√	
<b>Sri Lanka</b>		√		√			√	
<b>Thailand</b>	√			√	√		√	
<b>Tunisia</b>		√		√	√		√	
<b>Vietnam</b>	√		√		√		√	

## Attachment C

# Survey on the Development & Distribution of Foreign Collective Investment Schemes (CIS) in Emerging Markets

The CIS asset management industry is facing great future development prospects in emerging markets with the rapid development in distribution of foreign CIS.

By conducting this survey and sharing updated information of foreign CIS, we would like to look into the following issues so as to provide valuable reference for developing and distributing foreign CIS funds in emerging markets:

- The current status quo of foreign CIS in emerging markets;
- The possibility and necessity of introducing foreign CIS into domestic markets;
- Possible issues that may occur when foreign CIS are distributed domestically.

The term 'foreign CIS' in this questionnaire means that the fund is distributed domestically, while established or constituted abroad.

Please kindly fill out the questionnaire based on your current situation.

**If necessary, please provide supplementary material to clarify specific issues.**

Thank you for your cooperation.

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**Please fill out the following information:**

**Jurisdiction:** \_\_\_\_\_

**Contact Information:**

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Institution: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

**Please send back your answers to the secretaries of WG5**

**Ms. Chunmeng XU**  
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Is domestic distribution of foreign CIS permitted in your jurisdiction?

A. Yes  . B. No  . .

If yes, please answer Paper A questions.

If no, please answer Paper B questions.

**Paper A (for jurisdictions where distribution of foreign CIS is permitted)**

**I. Market Conditions When the First Foreign CIS Product Was Introduced in Your Jurisdiction**

Market conditions	Response
The year first foreign CIS product was introduced	_____
Years of establishment of stock market	_____ Year(s)
Total market capitalization of stock market	US\$ _____ billion
Total AUM of domestic CIS industry	US\$ _____ million
Total number of domestic CIS managers	_____
Convertibility of capital accounts?	<input type="checkbox"/> Yes <input type="checkbox"/> No

**II. Goals Achieved by Introduction of Foreign CIS**

Goals	Response		
Meeting domestic investor's demands for foreign CIS investment	<input type="checkbox"/> Fully	<input type="checkbox"/> Basically Achieved	<input type="checkbox"/> Not Achieved
Expanding the application channels of foreign exchange reserves	<input type="checkbox"/> Fully	<input type="checkbox"/> Basically Achieved	<input type="checkbox"/> Not Achieved
Meeting the requirements of opening domestic markets to foreign financial institutions	<input type="checkbox"/> Fully	<input type="checkbox"/> Basically Achieved	<input type="checkbox"/> Not Achieved

**III. Preconditions for Authorizing Foreign CIS**

Preconditions	Response		
Sign up of IOSCO Memorandum?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Sign up of a bilateral memorandum?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Approval by or registered with regulator required?	<input type="checkbox"/> Approval	<input type="checkbox"/> Registration	<input type="checkbox"/> Neither
Distribution of the fund has to be conducted by a local sales channel?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Other preconditions	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
If yes, please specify:	_____		

**IV. Qualification Requirements for the Managers of Foreign CIS**

Requirement	Response	
Requirement on minimum years of establishment?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, please indicate:	_____ Year(s)	

Requirement on minimum registered capital?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate:	US\$ _____ million
Requirement on minimum AUM?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate:	US\$ _____ million
Requirement on the domestic financial institution appointed to be co-responsible for the CIS?	<input type="checkbox"/> Yes <input type="checkbox"/> No

#### V. Qualification Requirements on the Type of Foreign CIS

Qualifications	Response
Restrictions on registration/approval?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate.	_____
Restrictions on type?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate.	_____
Requirement on the fund's years of establishment?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate	_____ Year(s)
Restrictions on types of assets of foreign CIS?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate.	_____
Restrictions on the CIS's initial issuing size when it's issued in its home jurisdiction?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate.	US\$ _____ million
Restrictions on the distribution expense ratios?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please indicate.	_____ %

#### VI. Regulations for foreign CIS

##### 1. Regulations on Distribution

Regulations on Distribution	Response
Are tax treatments the same as those for domestic products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are distribution channels the same as those for domestic products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are the requirements for the fund's expenses and fees the same as those for domestic products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Must Customer Service Centers be set up domestically by foreign managers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the subscription restricted to qualified investors?	<input type="checkbox"/> Yes <input type="checkbox"/> No

##### 2. Regulations on Information Disclosure

Supervising Measures	Response
Are content requirements the same as of domestic products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If not, please specify.	_____
Are format requirements the same as of domestic products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If not, please specify.	_____

Is disclosure frequency the same as of domestic products?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If not, please specify.		

### 3. Reporting Requirements to Domestic Authorities

Supervising Measures	Response	
Are there reporting requirements to domestic authorities?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, are the requirement same as those of domestic CIS?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If not, please specify.		

### VII. Status Quo of Foreign CIS (Up to the end of 2007)

General information	Response
Number of foreign managers	_____
Number of foreign CIS	_____
Total AUM of foreign CIS	US\$ _____ million
Ratio of total AUM of foreign CIS over domestic products	_____ %
Please list the channels allowed in your jurisdiction for distributing foreign CIS.	<input type="checkbox"/> Bank <input type="checkbox"/> Securities company <input type="checkbox"/> Insurance company <input type="checkbox"/> Direct distribution (By foreign CIS managers) <input type="checkbox"/> Independent financial advisor <input type="checkbox"/> Others (Please indicate 'others': _____)

### VIII. Impacts of Foreign CIS on Domestic CIS Industry

Impacts	Response		
On product innovation of domestic CIS industry	<input type="checkbox"/> Positive	<input type="checkbox"/> Neutral	<input type="checkbox"/> Negative
On competitiveness of domestic CIS companies	<input type="checkbox"/> Positive	<input type="checkbox"/> Neutral	<input type="checkbox"/> Negative
On capability of domestic CIS Investment	<input type="checkbox"/> Positive	<input type="checkbox"/> Neutral	<input type="checkbox"/> Negative

### IX. Other issues

Should you have any suggestions or additional experience you would like to share with us, please comment here.

**Paper B (for jurisdictions where distribution of foreign CIS is NOT permitted)**

**I. Reasons for Foreign CIS Not Permitted in Your Jurisdiction**

Reasons	Response	
Legal restrictions exist	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Insufficient domestic demand for foreign CIS investment	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Insufficient foreign requirement of opening up domestic markets	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**II. Key Considerations on Market Conditions for Permitting Distribution of Foreign CIS**

Market conditions	Response	
Convertibility of capital accounts	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Domestic investors' demand for foreign investment	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Size of domestic CIS industry	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Readiness of regulations for foreign CIS	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Readiness for domestic CIS operators in term of competitiveness	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**III. Preparations & Efforts Being Made for Permitting Distribution of Foreign CIS**

Preparations & Efforts	Response	
Drafting regulations on foreign CIS	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Setting up professional supervisory teams for foreign CIS	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Promoting the opening up of capital accounts	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Enhancing investor education	<input type="checkbox"/> Yes	<input type="checkbox"/> No