

**Regulatory  
Developments**

**RQFII pilot further expands to France**

On March 26, the “Joint Statement of the French Republic and the People's Republic of China” declared an “allocate RMB80 billion qualified foreign institutional investors (RQFII) quota to France.” In order to implement the above results, China Securities Regulatory Commission (CSRC) announced on June 20 that the French financial institutions may apply for RQFII qualifications and conduct business in line with related RQFII pilot regulations.

RQFII pilot system introduced by the end of 2011, opening up new channels for foreign investors to invest RMB funds into domestic capital markets. RQFII pilot is operating smoothly, playing a positive role in promoting the development of offshore RMB market and expanding the opening-up of capital markets. Currently, RQFII pilot has expanded to Hong Kong, London, Singapore and France, with a total investment quota of RMB480 billion. As of the end of May, more than 78 foreign institutions had been granted with RQFII qualifications with total approved quota amounting to about RMB240 billion.

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**CSRC formulates and publishes “Guidance on Employee Stock Option Plan (ESOP) Pilot in Listed Companies”**

China Securities Regulatory Commission (CSRC), with the approval of the State Council, worked out and published the “Guidance on Employee Stock Option Plan (ESOP) Pilot in Listed Companies” (Guidance), launching ESOP pilot among listed companies.

ESOP is an effective way for enterprises to encourage their employees to hold shares of the company. The Guidance explicitly states that listed companies can implement ESOP based on the wishes of employees, so that employees can obtain the company's shares by legal means and hold them on a long-term basis; equity gains will be allocated to employees as agreed. To implement ESOP, the relevant funds can come from employee salaries or other legitimate ways of fund raising, and the required shares of the Company can be obtained through legitimate ways such as repurchasing shares, buying directly from the secondary market, subscribing to non-public offering of shares, shareholders' voluntary donation, etc

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