

# Your Bridge Between Europe and China: Luxembourg



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## The Association of the Luxembourg Fund Industry (ALFI)

The **Association of the Luxembourg Fund Industry (ALFI)**, the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents over a thousand Luxembourg-domiciled investment funds, asset management companies and a wide variety of service providers including depositary banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies.

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in more than 50 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its **mission** as to *lead industry efforts to make Luxembourg the most attractive international centre*.

Its main objectives are to:

- **Help members capitalise on industry trends**

ALFI's many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond, to identify threats and opportunities for the Luxembourg fund industry.

- **Shape regulation**

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg's competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision-making through relevant input for changes to the regulatory framework, implementation of European directives and regulation of new products or services.

- **Foster dedication to professional standards, integrity and quality**

Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organizing training at all levels, defining codes of conduct, transparency and good corporate governance, and supporting initiatives to combat money laundering.

- **Promote the investment fund industry**

ALFI actively promotes the Luxembourg investment fund industry, its products and its services. It represents the sector in economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry.

For more information, visit our website at [www.alfi.lu](http://www.alfi.lu)

## Contents

<b>I - QDII: Chinese institutional investors target foreign markets</b>	p. 6
- Background	
- Eligible investments	
<b>II - QFII: International institutional investors target the Chinese market</b>	p. 10
- Three types of special accounts	
- Permitted investment and investment restrictions	
- Application criteria	
- Application process	
<b>III. YOUR BRIDGE BETWEEN THE EUROPEAN AND CHINESE MARKETS: WHY LUXEMBOURG?</b>	p. 15
- UCITS: the most relevant structures for investment flows between China and Luxembourg	
- Key figures	
- A complete range of products and solutions	
<b>Appendices:</b>	
- A broad double-tax treaty network	p. 19
- Glossary	p. 22



# Your Bridge Between Europe and China: Luxembourg

China is changing: since April 2006, its Qualified Domestic Institutional Investors (“QDII”) programme has given domestic investors access to markets outside the country, opening new opportunities for investment funds.

At the same time, Qualified Foreign Institutional Investors (QFII) are offering access to securities markets in China, since they can invest in the country’s restricted renminbi-denominated A-share and domestic bond markets.

Both developments are creating attractive opportunities for Luxembourg, the number-one fund centre in Europe and world leader for cross-border fund distribution. The 2008 signature of a Memorandum of Understanding between regulators in Luxembourg and China took the process one step further, allowing Chinese institutionals to invest in Luxembourg’s regulated investment vehicles. Given its traditional strengths as a fund domicile, the Grand Duchy is a natural gateway for investment flows into and out of China.

This brochure reviews business opportunities between Luxembourg and China.

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## I - QDII: Chinese institutional investors target foreign markets

Since 2006, China has eased its investment regulations by introducing programmes such as the **Qualified Domestic Institutional Investors (QDII)** scheme. This allows domestic institutional investors to invest in foreign markets through QDIIs set up by **commercial banks, fund management institutions, insurance companies, securities companies and other asset management institutions** that have been **approved by the Chinese Securities Regulatory Commission (CSRC)**.

The QDII programme opens a new era, coming as it does after a long tradition of foreign-exchange controls that restricted overseas investment by domestic entities. Behind its launch was the Chinese authorities' desire to ease pressure on domestic asset prices by offering Chinese investors access to foreign markets, and by giving Chinese asset managers an opportunity to build up first-hand experience of international investment.

### **Chinese investors gain access to Luxembourg's regulated financial products**

In 2008, a Memorandum of Understanding was signed between Luxembourg's Commission de Surveillance du Secteur Financier (CSSF) and the China Banking Regulatory Commission (CBRC). It allows QDIIs to invest on behalf of their clients in financial products regulated by the Luxembourg Supervisory Authority. *(For an overview of "Regulated Investment Vehicles in Luxembourg", download ALFI's brochure at [www.alfi.lu](http://www.alfi.lu) >statements and publications>brochures)*

As financial players from a host of different countries vie to break into the Chinese market, the 2008 MoU positions Luxembourg as a gateway to China, clearing the way for Luxembourg fund management companies to reach investors from the booming Chinese fund industry.

The Chinese fund market is still young, with the first round of licenses for fund management companies (FMC) granted in 1998.

Creating a joint venture with a local partner is the preferred way of entering the Chinese market for foreign fund management companies (FMC). The first such joint venture was authorized in October 2002, and by June 2009, the CSRC had approved 33.

### **A) Background**

The genesis of the QDII programme can be found in a brief document issued by the People's Bank of China (PBOC) in April 2006. This sets out the framework for investments by commercial banks, insurance companies and fund managers.

The China Banking Regulatory Commission (CBRC) was the first regulator to issue comprehensive regulations implementing the QDII regime for commercial banks. The CBRC, together with the PBOC and the State Administration of Foreign Exchange (SAFE), published its Interim Administrative



Measures on Overseas Wealth Management by Commercial Banks on 17 April 2006. These were followed by a Circular on Relevant Issues Concerning Overseas Wealth Management by Commercial Banks on 21 June 2006. The Circular includes a clause prohibiting direct investment in equities and in structured products.

But the rise in the renminbi combined with the bullish domestic equity market and the restricted scope of investment by commercial banks' designated QDII made for limited enthusiasm for QDII products until May 2007, when a series of new regulations were issued to promote the QDII programme.

#### **Since May 2007**

For Chinese banks, QDII business really got off the ground in May 2007, when more than 350 products were launched by 14 domestic banks and four foreign banks established in China. After the onset of the global financial

crisis in the second half of 2008, no new bank QDII products were launched until January 2009, when a new bank QDII was approved by Chinese regulators.

At 31 December 2008, a total of 26 fund management companies were licensed to issue QDII products; at the same date, ten QDII funds were being marketed by those companies.

Most banks' QDII schemes replicate an index and invest in a single asset class, with a minority replicating a single international fund. Yet QDII products issued by fund managers show that they are investing on the Hong Kong market, in Chinese-related securities or in top performing foreign funds.

The global financial crisis has taken a toll, cutting the market share of these products significantly: at the end of 2008, assets under management amounted to RMB 51.7 billion, down 52% from 2007.

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## B) Eligible Investments

As things now stand, there are banks on one side, and fund managers and securities houses on the other, each regulated by different authorities issuing separate regulations for the same products.

- **CBRC Circular : QDIIs for commercial banks**

On May 10, 2007, the China Banking Regulatory Commission (CBRC) issued its Circular on Adjusting the Scope of Overseas Investment by Commercial Banks for Overseas Wealth Management Business for Clients, thus allowing onshore commercial banks to invest in offshore equity within certain limits. This significantly expanded the scope of investment authorized for commercial bank QDIIs.

The Circular states:

- Investments in equities and in structured products are allowed. However, investment in equities have to meet the following criteria:
  - Shares must be listed;
  - Investments in shares must exceed 50% of the net value of the total assets of the relevant wealth management product, and an investment in a single share should not exceed 5% of the net value of the total assets of the wealth management product;
  - The minimum investment in such products by a single client must not be less than RMB 300,000;
  - Each target client should have relevant investment experience in shares;

- The offshore investment manager must be approved/recognised by a regulatory authority that has entered into a Memorandum of Understanding on the Regulatory Cooperation for Overseas Wealth Management Business for Clients with CBRC; and
- The market on which the shares are listed must be under the regulatory supervision of a Recognised Regulator.

- Investment in public funds registered or recognised by a Recognised Regulator is approved but investing in hedge funds is prohibited.

- Investment in structured products issued by a financial institution rated A or above by an internationally recognised rating agency is allowed.

- The use of financial derivatives such as forwards and swaps for hedging purposes is allowed, but using them for speculation or leveraged trading is prohibited.

- **CSRC measures: QDIIs for fund managers and securities houses**

On 18 June 2007, the China Securities Regulatory Commission (CSRC) issued the Interim Measures for Overseas Securities Investment by Qualified Domestic Institutional Investors and its implementation notice, allowing qualified Chinese fund management companies and securities firms to invest in offshore financial markets.

The funds or collective schemes may invest in a wide range of financial products, including:

- bank deposits, certificates of deposit, banker's acceptances, bank drafts, commercial paper, repurchase agreements, treasury bills and other money-market instruments;
- government bonds, corporate bonds, convertible bonds, mortgage-backed securities, asset-backed securities, and securities issued by international financial organisations recognised by CSRC;
- common shares, preferential shares, GDRs, ADRs and REITs listed in countries that have signed memorandums of understanding with the CSRC for bilateral cooperation and supervision;
- public funds registered with securities regulators of countries that have signed memorandums of understanding with the CSRC for bilateral cooperation and supervision;
- structured products linked to, among others, fixed-income, equity, credit, commodity index and funds;
- OTC derivatives and exchange-traded derivatives traded on exchanges recognised by CSRC.

However, funds and collective schemes are prohibited from engaging in the following activities:

- a) purchase of real estate;
- b) purchase of real-estate mortgages;
- c) purchase of precious metals or certificates representing precious metals;
- d) physical purchase of commodities;
- e) cash borrowing other than temporarily for redemption or settlement;
- f) purchase of securities with borrowed money, other than investment in derivatives;
- g) short selling;
- h) securities underwriting; and
- i) other activities prohibited by CSRC.

Additional restrictions apply to investment in fund of funds, financial derivatives, securities lending and repurchase transactions.

*Compared to the QDII regime for commercial banks, CSRC's rules provide more flexibility in terms of product development, as indicated above. They allow a much wider range of investment, while seeking to control the risk by setting a high threshold on potential applicants and various investment ratios for different types of investment products. There are also provisions on the content of investor education materials, how to choose fund performance benchmarks, and detailed disclosure requirements. In addition, the rules include concepts such as fiduciary duty and best execution.*

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## II - QFII: International institutional investors target the Chinese market

The **Qualified Foreign Institutional Investor (QFII)** scheme allows foreign institutions to trade Chinese A-shares<sup>(1)</sup> and other financial instruments via special accounts opened at designated custodian banks<sup>(2)</sup>.

At the end of December 2008, 76 companies with a total approved quota of USD 12.86 billion had been granted a QFII license.

### A) Three types of special accounts

Under current regulations, QFII license holders can open three types of accounts:

#### 1. Named account

In this case, the account is opened in the QFII's name. Assets are not segregated and beneficial ownership lies with the QFII license holder.

#### 2. Nominee account

Here the account is opened in the name of the QFII to hold the QFII's underlying client's assets. QFIIs with nominee accounts must make quarterly disclosure statements to the CSRC and to the Shanghai and Shenzhen Stock Exchanges about their underlying clients' portfolio holding(s). Regarding beneficial ownership, the CSRC and other regulators have not stated explicitly that the assets must belong to the underlying clients named in the disclosure statement. However, the CSRC

and the CSDCC understand that by opening a Nominee account and making appropriate disclosures, the assets belong to the underlying clients instead of the QFII.

#### 3. China open-ended fund account (as described in the Chinese government's published draft proposal)

Here the account would be opened in the name of "QFII – Fund". According to SAFE, only publicly raised open-ended China funds with 70% of fund assets invested in Chinese securities markets and set up overseas would be eligible to open such accounts. Beneficial ownership of the account would be recognised as lying with the fund.

Compared to current practice, China open-ended funds would have **two main advantages** as compared to "regular" Named and Nominee accounts:

(1) A shares: companies incorporated in mainland China and traded on mainland A-share markets. A shares are quoted in renminbi, and currently only mainlanders and selected foreign institutional investors are allowed to trade them.

(2) Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, Bank of Communications, Citibank, HSBC, Standard Chartered Bank, Deutsche Bank, China Citic Bank, China Everbright Bank, China Merchant Bank, DBS Bank Hong Kong.



1. Calculation of the lock-up period is shorter and the starting point is earlier

The lock-up period for investment capital would be three months for QFIs promoted by insurance institutions, mutual funds, pension funds, charity funds and endowment funds, as well as China open-ended funds licensed as QFIs. This compares with a lock-up period of one year for other QFIs. Furthermore, the lock-up period for China open-ended funds would start from the date when the QFI remits more than USD 20 million or an equivalent amount in other currency. The lock-up period for other QFIs would start from the date when they remit the full amount of the principal.

2. Remittance and repatriation

For China open-ended funds, once the lock-up period is over, and based on subscriptions and redemptions, QFIs can manage the remittance and repatriation for the following month, i.e., monthly remittance and repatriation would be allowed. If the amount does not exceed USD 50 million, QFIs may repatriate the money after filing a written application and issuing a certificate of investment profit or loss to the office of SAFE where the custodian is located. In other words, there would be no need for approval from SAFE. If the repatriation amount exceeds USD 50 million, QFI must first file an application and issue a certificate of investment profit or loss to the office of SAFE where the custodian is located, and then wait for SAFE approval.

One of the main advantages of getting A-share exposure is that it grants access to a much broader choice of securities than that available on the Hong Kong Stock Exchange.

	Listed in Hong Kong	Listed on the A-share market
Telecom	3	1
Insurance	3	0
Oil & Petroleum	5	60
Banking	1	10
Food & Beverage	2	46
Pharmaceuticals	2	114
Real Estate	8	79
Retailing	2	76
Tourism	1	23
Machinery & Equipment	4	122
Auto	5	46
Highways	5	20
IPPs	4	52
Airports	2	4
Airlines	3	6

## B) Permitted investment and investment restrictions:

The QFII may invest in the following financial instruments:

Shares, treasury bonds and convertible bonds listed on the Chinese stock exchanges, closed-ended and open-ended funds, warrants and equity index futures.

However the following restrictions apply to foreign investors:

- shares held by a QFII: a given listed company must not exceed 10% of the company's total outstanding shares
- the total of A shares held by all QFIIs in any given listed company must not exceed 20% of the company's total outstanding shares.



### C) Application criteria

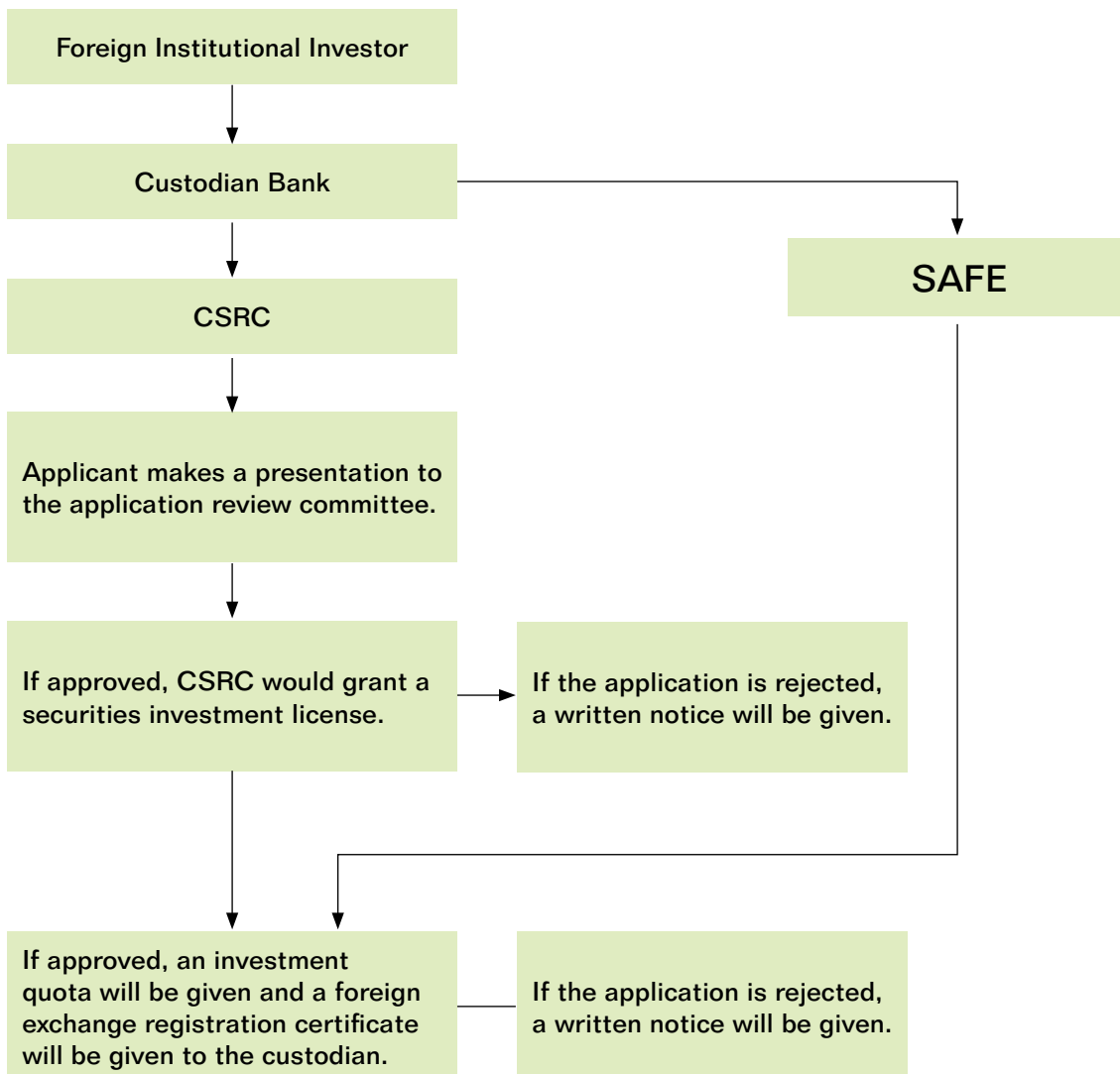
The following criteria must be met by foreign institutions interested in qualifying for the QFII scheme:

- For commercial banks: have securities assets under management of at least USD 10 billion, and rank among the top 100 banks in the world;
- For fund management companies: hold a minimum of 5 years of operations and have securities assets under management totalling at least USD 5 billion;
- For securities companies: hold a minimum of 30 years of operations, have minimum paid-in capital of USD 1 billion, and securities assets under management of at least USD 5 billion;
- For insurance companies: hold a minimum of 5 years of operations and have securities assets under management totalling at least USD 5 billion;
- For other companies, such as pension funds: hold a minimum of 5 years of operations and have securities assets under management totalling at least USD 5 billion.

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## D) Application process

First, the foreign institutional investor selects a Chinese custodian bank among the 13 currently available. This custodian then acts on its behalf to file the QFII license application to the CSRC and, once the approval is granted, to obtain an approved investment quota from the SAFE. Subsequently, the custodian opens securities accounts, a RMB special settlement account, and foreign exchange accounts.



### III. YOUR BRIDGE BETWEEN THE EUROPEAN AND CHINESE MARKETS: WHY LUXEMBOURG ?

- The Memorandum of Understanding signed between Luxembourg and China's regulators makes Luxembourg one of the few financial centres to have such an agreement.<sup>(1)</sup> Thanks to this agreement, QDIIs are able to invest directly in Luxembourg financial products, including investment funds domiciled in Luxembourg.
- Luxembourg is actively building relationships with Asian markets, and has concluded 11 treaties to avoid double taxation with various Asian countries or regions (including the People's Republic of China, Japan, Indonesia, Malaysia, South Korea, Mongolia, Thailand, Singapore, Vietnam, India and the Hong Kong Special Administrative Region). For more information, see appendix p. 19.



#### Luxembourg offers investors:

- A strong tradition of investor protection
- A stable democracy and strong economy: Luxembourg is a founding member of the European Union
- A knowledgeable and responsive regulator
- Proactive legislation: a close working relationship between the business community, the government, and legislators underpins the Grand Duchy's innovative legal framework
- A tradition of financial expertise across all related professions
- A unique concentration of investment fund industry experts in all aspects of product development, administration and distribution
- Extensive experience in technical investment fund solutions, including multiple share classes and pooling
- Fund lawyers, audit firms and tax advisors experienced in cross-border registrations of both UCITS and non-UCITS funds

(1) At 21 January 2009, the website of the CSRC ([www.csrc.gov.cn](http://www.csrc.gov.cn)) listed 38 countries, and the CBRC listed 31 ([www.cbrc.gov.cn](http://www.cbrc.gov.cn)), which had signed an MOU; Luxembourg is listed on both websites. As a consequence, Luxembourg-domiciled UCITS funds are eligible for QDII portfolios promoted by banks, fund managers and securities firms in China.

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## A) UCITS: the most relevant structures for investment flows between China and Luxembourg

UCITS and other regulated investment vehicles play a significant role in the development of QDII, since Chinese banks and fund managers are hesitant to invest directly on foreign markets. The reason is simple: funds are an easy way to invest in the global market, tapping into experienced asset management specialists in worldwide markets without having to set up a complex back office to handle administrative tasks.

UCITS is the acronym for “Undertaking for Collective Investment in Transferable Securities”. It refers to European Directive 85/611/EEC dated 20 December 1985, which set up a single regulatory regime across the European Union for open-ended funds investing in transferable securities such as shares and bonds, with a view to defining high levels of investor protection. This Directive regulates the organisation, management and oversight of such funds, and imposes rules concerning diversification, liquidity and use of leverage.

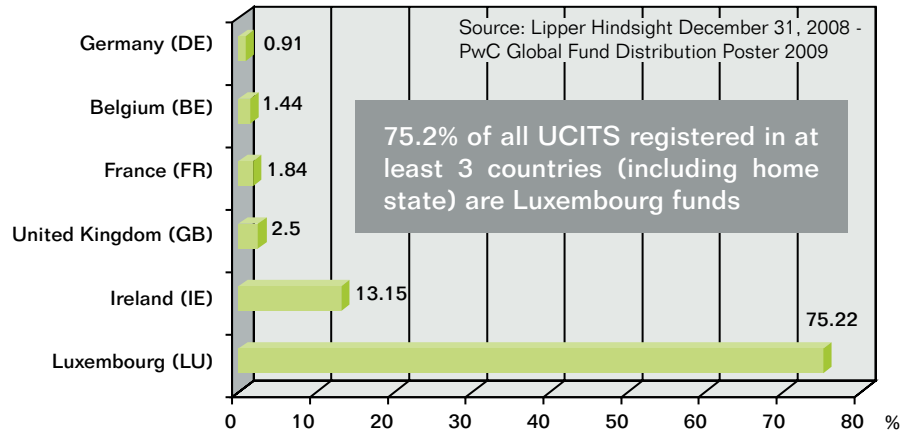
UCITS may be set up in an “umbrella” structure whereby various sub-funds are created to operate as distinct entities. Accordingly, a UCITS may have several sub-funds, each of which may pursue different policies and attract different investors. UCITS may take a contractual (“FCP”) or a corporate (“SICAV”) form. Investment funds that fulfil the requirements of the UCITS Directive can be freely marketed, under the European passport, throughout the European Union.



Although UCITS were initially intended only to ease the marketing of funds across the European Union, the UCITS brand is now recognized as the sole truly globally distributed investment fund product. As a result, an increasing number of asset managers are establishing UCITS funds with a clearly defined global distribution strategy.

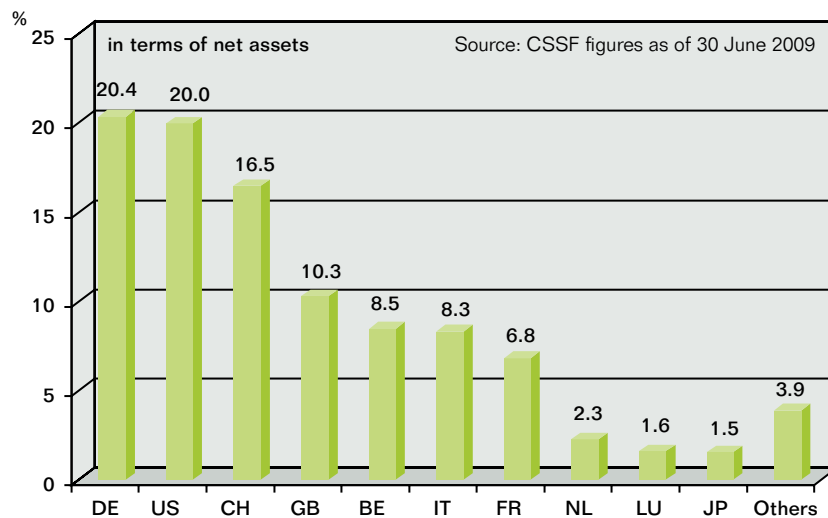
A growing number of countries in Asia and Latin America have accepted UCITS as providing a stable, high quality, well-regulated investment product with significant levels of investor protection. And Luxembourg has successfully positioned itself as the global leader for cross-border distribution of investment funds, with the result that today more than 75% of UCITS funds distributed internationally are based in Luxembourg.

### The main UCITS exporting countries in Europe



Since the creation of a single market for investment funds (UCITS) in 1985, Luxembourg has specialised in the domiciliation, administration and cross-border distribution of collective investment schemes (CIS) that comply with UCITS legislation. Luxembourg is the leading centre for cross-border distribution of investment funds, with 75% of the European market. At 31 June 2009, net assets under management in Luxembourg amounted to €1,631.256 billion in 12,172 fund units.

### Origin of Luxembourg Fund Promoters



Companies from all over the world use Luxembourg as their gateway to Europe and the rest of the world. The two countries with the largest market share of assets under management in Luxembourg are Germany and the USA.

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## B) A complete range of products and solutions

UCITS are savings vehicles targeting retail investors and offering the highest possible protection of investors. Other asset classes that fall outside the scope of UCITS include funds for investment in Private Equity & Venture Capital, Hedge Funds, Real Estate and other alternative assets.

Still, other types of investment vehicles can be of interest to Chinese professionals making business in Europe or willing to invest abroad. These include so-called special investment funds (SIF) and investment companies specialising in risk capital (SICAR).

For more details on UCITS, SICARs, SIFs, securitisation vehicles and SOPARFIs, please refer to our brochures on “Luxembourg Regulated Investment Vehicles” and “Luxembourg Private Equity Investment Vehicles” which can be downloaded from our website ([www.alfi.lu](http://www.alfi.lu) > statements and publications > brochures).

Alternative investment funds are discussed in our “Luxembourg Hedge Funds” brochure, and our “Practical Guide” gives details on how to set up a bank, a family wealth-management company (SPF), a specialised investment fund (SIF), a SICAR, and more.

## A broad double-tax treaty network

Luxembourg has an extensive double-tax treaty network spanning the world's major economies, including the United States, Canada, Brazil, European countries, South Africa, the United Arab Emirates, Russia and a number of Asian countries (with several treaties pending). To build a strong relationship with Asian markets, Luxembourg has already concluded 11 treaties to avoid double taxation with various Asian countries or regions (including the People's Republic of China, Japan, Indonesia, Malaysia, South Korea, Mongolia, Thailand, Singapore, Vietnam, India, and the Hong Kong Special

Administrative Region). For many investors, a wide-reaching double-tax treaty network is a positive factor when selecting an overseas jurisdiction to perform foreign investments.

As their name implies, the aim of double-tax treaties is to avoid double taxation and to encourage international trade, as well as flows of capital and labour between the contracting jurisdictions. The aim is also to provide certainty in taxation, combat tax avoidance and tax evasion, and eliminate possible discriminatory taxation.

To illustrate some tax incentives offered by the double-tax treaties, we have outlined below withholding tax rates on dividends, interest and royalties, as per treaties currently in force between Luxembourg and Asia:

Luxembourg Treaties Rates (%)			
Jurisdiction	Dividends	Royalties	Interest
China	5/10	10	0/10
Hong Kong	0/10	3	0
India	10	10	0/10
Indonesia	10/15	10/12.5	0/10
Japan	5/15	10	10
South Korea	10/15	10/15	0/10
Malaysia	0/5/10	8	0/10
Mongolia	0/5/15	5	0/10
Singapore	0/5/10	10	0/10
Thailand	5/15	15	10/15
Vietnam	5/10/15	10	10

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Under certain conditions, investments in such Asian jurisdictions could be performed by minimizing or avoiding tax costs on the return on such investments, e.g. withholding tax on dividends, interest and, possibly, capital gains.

Readers should note that a double-tax treaty does not create any additional taxation in comparison with domestic tax law. Thus, even if the double tax agreement sets a withholding tax of 10% maximum on interest payments to a Chinese resident investor (as illustrated in the above table), no withholding tax applies

in Luxembourg on interest payments made to Chinese resident investors under Luxembourg domestic tax law.

Nor are double tax treaty benefits exclusively reserved to fully taxable companies in Luxembourg. The tax authorities have confirmed that even SICAV funds are eligible for treaty protection under certain conditions. Treaties with the following Asian countries are applicable to Luxembourg SICAV/F: China, Indonesia, South Korea, Malaysia, Singapore, Thailand, Vietnam, etc.

### **Luxembourg – Hong Kong, a natural gateway for Chinese investors**

The way the Double Tax Agreement (DTA) was negotiated and concluded by both jurisdictions again highlighted the bridge between Hong Kong and Luxembourg as a preferred channel for Chinese investments in Europe, combining as it does two favourable tax regimes.

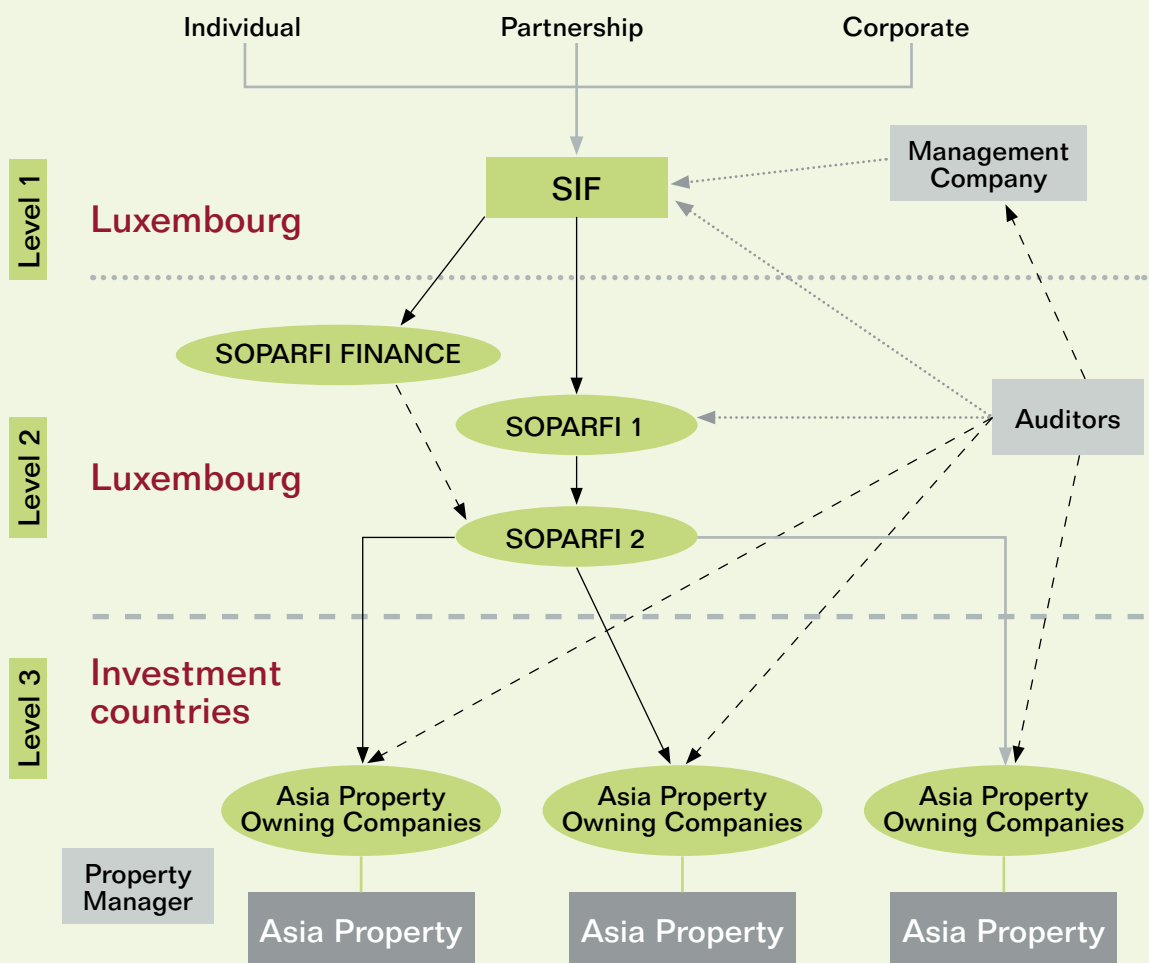
Hong Kong has always played a predominant role as a window on the Chinese market. Yet today, Hong Kong has only five DTAs (with Belgium, China, Luxembourg, Vietnam and Thailand). If Hong Kong companies do business or make investments overseas, they are thus potentially subject to significant tax

costs. Such costs would typically take the form of withholding tax on interest, dividends, royalties, capital gains, etc. Since Hong Kong has adopted a favourable territorial tax system, such taxes can generally not be recovered in Hong Kong, which may lead to final tax costs for investors.

It is possible to reduce such costs by using Luxembourg investment vehicles, provided certain conditions are met. The DTA between Luxembourg and Hong Kong allows flexible and tax-efficient returns on profits and cash to Hong Kong investors.

Example of fund structure

We have illustrated below an example of fund structuring for pan-Asian real-estate investments made by institutional investors using a combination of Luxembourg SIF and SOPARFIs to make investments in Asia.



## Glossary

<b>1915 Companies Law</b>	Law dated 10 August 1915 on commercial companies, as amended.
<b>1991 Institutional Funds Law</b>	Law dated 19 July 1991 concerning undertakings for collective investment whose securities are not intended to be placed with the public.
<b>1993 Banking Law</b>	Law of 5 April 1993 on the financial sector, as amended.
<b>2002 Annual Accounts Law</b>	Law of 19 December 2002 on the annual accounts of companies, as amended.
<b>2002 UCI Law</b>	Law dated 20 December 2002 concerning undertakings for collective investment, as amended.
<b>A shares:</b>	Companies incorporated in mainland China and traded on the mainland A-share markets. A shares are quoted in renminbi, and currently only mainlanders and selected foreign institutional investors are allowed to trade them.
<b>AuM</b>	Assets under Management
<b>B shares</b>	Companies incorporated in mainland China and traded in the mainland B-share markets (Shanghai and Shenzhen). B shares are quoted in foreign currencies. Initially, only foreigners were allowed to trade in them, but since March 2001, mainlanders have been authorized to trade B shares as well. However, they must use legal foreign-currency accounts to do this.
<b>CBRC</b>	China Banking Regulatory Commission
<b>CSRC</b>	China Securities Regulatory Commission
<b>CSSF</b>	Commission de Surveillance du Secteur Financier, the Luxembourg supervisory authority for the financial sector.
<b>FCP</b>	<i>Fonds commun de placement</i> , an unincorporated co-ownership of assets.
<b>DTA</b>	A Double Taxation Agreement (DTA) eliminates double taxation of income earned in one Contracting State by a resident of the other.
<b>DTT</b>	Double Taxation Treaty
<b>Institutional investor</b>	Undertakings and organisations that manage a sizeable number of funds and assets. The term covers credit institutions and other financial sector professionals, insurance and re-insurance undertakings, welfare institutions and pension funds, industrial and financial groups, and structures put in place by these entities to manage substantial funds and assets.
<b>H shares</b>	Companies incorporated in mainland China and listed on the Hong Kong Stock Exchange and other foreign stock exchanges.

<b>Professional investor</b>	A professional investor as defined within the meaning of Appendix II to Directive 2004/39 on markets in financial instruments (MiFID).
<b>PD Prospectus</b>	Prospectus compliant with the Prospectus Directive.
<b>Prospectus Directive</b>	Council Directive 2003/71/EC on prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market.
<b>PFS</b>	Refers to a Luxembourg professional in finance
<b>QDII</b>	Qualified Domestic Institutional Investor
<b>QFII</b>	Qualified Foreign Institutional Investor
<b>SAFE</b>	State Administration of Foreign Exchange
<b>Securitisation Law</b>	Luxembourg Law dated 22 March 2004 on securitisation, as amended.
<b>SICAR</b>	<i>Société d'investissement en capital à risque</i> (investment company in risk capital).
<b>SICAR Law</b>	Luxembourg Law dated 15 June 2004 on the investment company in risk capital, as amended 14 October 2008
<b>SIF</b>	A specialised investment fund.
<b>SIF Law</b>	Luxembourg Law dated 13 February 2007 on specialised investment funds.
<b>SOPARFI</b>	<i>Société de participations financières</i>
<b>SPF</b>	<i>Société de gestion de patrimoine familial</i> , a family wealth management company, the successor regime to the holding company regime dated 31 July 1929, as amended; it will be phased out in 2010.
<b>SPF Law</b>	Luxembourg Law of 11 May 2007 on family wealth management companies, as amended.
<b>UCI</b>	Undertaking for collective investment.
<b>UCITS</b>	Undertaking for collective investment in transferable securities
<b>VAT</b>	Value-added tax.

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