

Irish Financial Services  
Regulatory Authority signs  
Memorandum of  
Understanding with China

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## Irish Financial Services Regulatory Authority signs Memorandum of Understanding with China

In Beijing, on October 23, 2008 the Taoiseach, Brian Cowen presided over the signing of a Memorandum of Understanding (“MoU”) between the Irish Financial Services Regulatory Authority (the “Financial Regulator”), the China Securities Regulation commission (the “CSRC”) and China Banking Regulatory Commission (“CBRC”).

The CSRC is the state agency responsible for the supervision and regulation of national securities and futures markets in the Peoples Republic of China (“PRC”). The CBRC is the state agency that supervises deposit-taking financial institutions ensuring the stability of operations and helping avoid excessive financial risk.

The purpose of the MoU is to protect investors and promote the development of the securities and futures markets by providing a framework for co-operation, increased mutual understanding and the exchange of information, to the extent permitted by the laws and regulations in force in Ireland and the PRC, and the availability of respective resources of both regulatory authorities.

The direct result of the signing of the MoU is that Chinese Qualified Domestic Institutional Investors (“QDII”) shall now be able to invest on behalf of their clients in Irish domiciled investment funds, regulated by the Financial Regulator.

## Qualified Domestic Institutional Investors

The QDII scheme permits Chinese domiciled investors to invest in foreign securities markets via certain fund management institutions, insurance companies, securities

companies and other asset management institutions which have been approved by the CSRC as QDII's. The QDII scheme, introduced in June 2006, allows Chinese domiciled institutions and residents to invest with Chinese commercial banks, as QDIIs, and for these entities to then invest in overseas financial products.

At the time of the original launch of the scheme, any investment by such as QDII was restricted to fixed-income and money market products. The scope of the QDII scheme was widened in May 2007 and QDII's may now invest in equity products. The stocks or investment funds in which a QDII invests must be listed on a stock exchange or regulated by a financial regulator that has signed a MoU with the CSRC and CBRC.

The MoU made between the Financial Regulator, the CSRC and CBRC now makes it possible for QDII collective investment schemes to invest into Irish regulated funds.

This should result in Ireland, which has already earned a reputation amongst asset managers globally as one of the leading jurisdictions in which to establish a regulated fund, becoming even more attractive, due to the fact that a fund established in Ireland will now be able to raise capital from PRC domiciled investors.

The signing of the MoU by the Financial Regulator, the CSRU and CBRC should result in increased levels of protection for investors in both Ireland and the PRC by providing a framework for co-operation, increased mutual understanding, the exchange of information.

**October 24, 2008**

## Contact Us

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