The China Opportunity

China's maturing financial market is a sizeable and scalable business opportunity for UK Financial Services (FS) firms. The market is large, growing and opening at an accelerated pace, creating ever more opportunities which UK companies can address. Now is the opportune moment for UK firms to execute entry and expansion plans in China, and increase bilateral FS cooperation. The UK's strong, recognised and innovative FS value offering is entirely compatible with the needs of China's developing market.

In the past few years, cross-border investment schemes have all been expanded, with new ones introduced, while foreign market participants have been granted ever greater scope and flexibility in their onshore operations. Importantly, global firms are now moving to take advantage of the recent lifting of equity ownership caps in China. As of April 1st, most caps have been removed, allowing foreign firms to own 100% of brokers, asset managers (public and private funds), futures companies, insurers and pension companies. International groups are now also able to establish majority-foreign-owned bank wealth management units.

There is increasing appetite domestically for international exposure, both in terms of direct access to offshore markets and through offshore-focused products. Whilst there has been a marginal relaxation in outbound investment quotas, there are still tight controls on outbound flows.

Other opportunities for UK-China collaboration are also emerging:

- **Greater Bay Area:** An opportunity to access 120m new clients in the greater bay region, namely in insurance and wealth management
- **Belt & Road and third-market cooperation:** UK financial institutions will be able to find opportunities to cooperate with Chinese partners.
- **ESG:** China's growth and financial market transformation is also set to become more sustainable, which is congruous with the UK's leading position in Green Finance and ESG.
- **Fintech:** UK innovation in this area is widely recognised and in demand from the most tech-savvy market in the world.

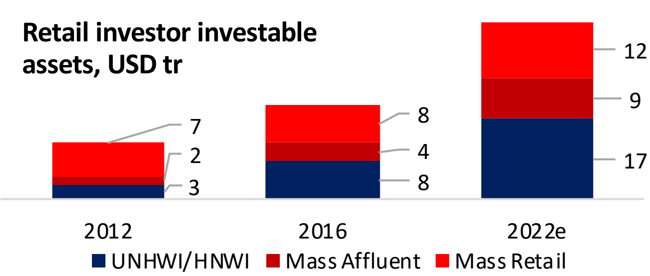
The increased pace of market change and domestic reform, whilst providing a broader opportunity set for global firms, also creates additional headaches in navigating domestic regulations. Regulators have become more open to interacting with global firms to support them as they seek to encourage more international players to enter the markets. Politics are also of key importance, with licence approvals and increased access to the domestic market becoming ever more dependent upon bilateral government relations.

An acronym glossary can be found at the end of this report, as well as all data sources for charts and statistics. Exchange rate used throughout is CNY1=USD0.14 (spot rate on 9th June 2020).

Chinese investor demand for financial services is increasing across all segments

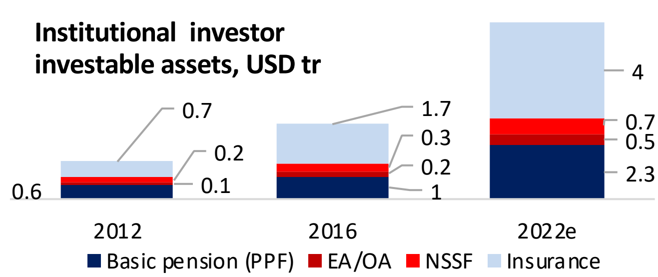
Retail investors

- This segment's investable assets are expected to grow to approx. **USD38tr in 2022 from** USD20tr in 2016 [1].
- Chinese individual investors are becoming increasingly sophisticated and have **growing demand for financial products and services**.
- **A new commercial pension system will drive growth** – in 2018 the mutual fund sector alone accumulated AUM of approx. USD1.9tr even without assets from defined contribution pension schemes [2].
- Retail investors are still extremely **return-driven** with little understanding of risk so education, distribution and servicing are all important, especially when offering new product types.



Institutional investors

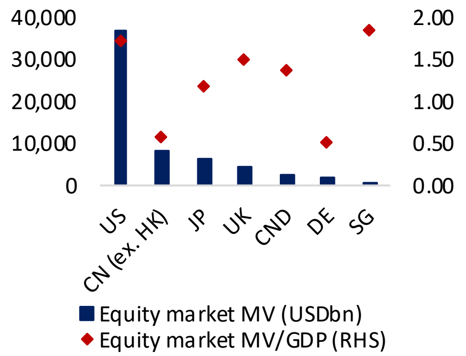
- Institutional assets are projected to grow to **USD7.5tr in 2022,** up from USD1.6tr in 2012, excluding CIC, which had assets of USD940.6bn at end-2018 [3], and SAFE.
- Some domestic institutions **lack the capability, and or capacity to invest internationally** and therefore seek external support. UK companies have the expertise to service such mandates and provide cooperation.
- Increased regulation and expansionist plans are **pushing institutions to allocate globally** – the UK is well-placed to capture Chinese institutional assets as they flow overseas as well as become a regional base for companies.
- Chinese institutions are **fee sensitive and demanding of servicing**, meaning partners may need to be onshore.



The China Opportunity

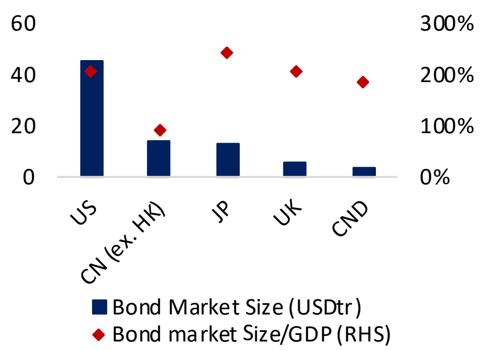
China's markets are set to continue growing and professionalising

China's stock market size/GDP lags peers [1]



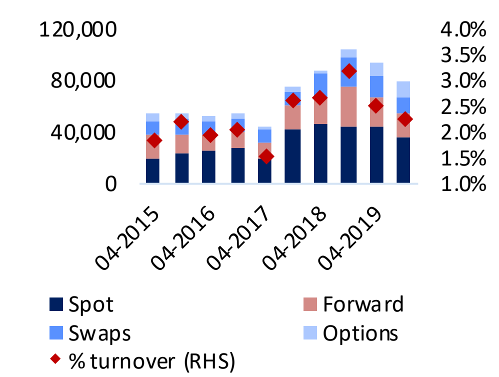
China Stock market value/GDP ratio is at 0.52, lower than most developed markets (>1).

China's bond market size/GDP also lags peers [2]



China's onshore bond market/GDP ratio is 96%, less than half that of Japan, the UK, and the US.

RMB trading in London & as a % of turnover, Apr 2015-Oct 2019 [3]



Average daily turnover of RMB trading was USD78.4bn, accounting for 2.26% of the market total.

Access to China's onshore equity and fixed-income markets, **both the world's second largest**, has historically been limited. Policy is now highly conducive to foreign access, with restrictions to foreign investment largely removed. This should lead to **global investors allocating more capital to China.**

Equity

- **Size:** The SSE and SZSE (the world's fourth- and eight-largest equity exchanges) are home to 3,850 companies and have a combined market cap of USD8.5tr, compared to USD37.1tr and USD4.2tr for the US and the UK respectively (end-Apr. 2020). China's market MV/GDP ratio lags peers, suggesting the market is at least only half its potential size.
- **Foreign participation** remains limited, with foreign ownership of mainland equities at just 2.7% of total market cap (USD213bn) vs 55% (USD2.1tr) & 41% (USD1.7tr) for UK and HK equities respectively (end-Oct.2019) [4]. Policy tailwinds such as the elimination of quota limits for QFII/RQFII will act as pull factors, while push factors include passive inflows from the increased weighting of A-shares by equity index providers MSCI and FTSE Russell.
- **Market opportunity:** China's equity markets are dominated by retail investors (86% of total trading volume vs 35% and 12% in HK, UK). This may cause market volatility, an opportunity for institutional investor outperformance, according to Schroders. Securities companies are under revenue pressure with brokerage business revenues having dropped 70% over a five-year period. According to KMPG, this is driving a transition to higher value-added services such as wealth management, which foreign companies already have first-mover advantage in [5].

Fixed-income

- **Size:** China's onshore fixed-income market is at USD13tr, making it the second largest in the world after the US (USD45tr), with close-third Japan being of similar market size [6]. Rates bonds on the China Interbank Bond Market (CIBM) account for 90% of the total market, with the remaining being the corporate-bond-heavy exchange market [7].
- **Foreign participation** in the onshore bond market has increased from 2.5% in 3Q19 (USD0.3tr) to 8.7% in 1Q20, reaching USD189bn in foreign holdings [8]. This still lags the global average of 38.5% [9]. Inclusion in bond indices from JP Morgan, Barclays-Bloomberg etc. should encourage further inflows.
- **Market opportunity:** For investors, Chinese government bonds offer a yield premium over other sovereign issues, with premium over the comparable US T-bonds ranging from 1.54ppts to 2.05ppts [10]. For underwriters, recent approval for underwriting licences, coupled with the large gap in bond market size/GDP ratio, suggests significant bond underwriting business potential.

FX

- London is the **global hub for FX trading** with global market share of 43% [11]. London was designated by China as an **offshore RMB trading centre in 2011**, and is now the worlds' largest offshore RMB FX transaction centre [12]. The Bank of England was also the first G7 central bank to establish a currency swap line with China in 2013 [13].
- In line with this, the **UK currently ranks first in the RMB FX business** with **34.28% share in global RMB spot transactions**, and comes in as the **second-largest offshore RMB economy by weight** with market share of 6.04% (by value) [14].

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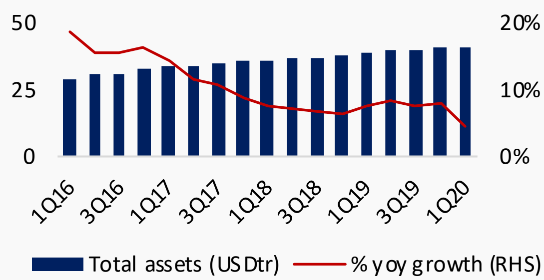
The China Opportunity: Banking & Capital Markets

STATE OF PLAY

Growth in bank assets, 1Q16-1Q20, USD tr [13]



Bank assets exhibited 10.4% CAGR between 1Q15-1Q20.

Banking

- Total assets of Chinese Commercial banks stood at **USD33.7tr at 1Q20** [1]. Assets for **foreign banks stood at USD0.5tr in 2017** (latest available data), or 1.3% that of their local competitors that year [2]. China has 152 domestic commercial banks and 41 foreign-owned banks [3].

Capital Markets

- The domestic securities industry is highly **competitive**, with 133 brokerages vying for USD50.84bn in net revenues in 2019 [4]. The overall pie has shrunk over the past five years. **Industry average net profit margin is at 34.87%** [5].
- There are currently **15 foreign-backed securities companies** in China, accounting for **6.4% of industry revenue** [6]. Foreign-backed securities companies' profitability is about 10ppts lower than the domestic industry average due to previous restrictions on business scope that have now been eased.
- **Shanghai-London Connect**, launched in 2019, is an equity cross-listing initiative with 2 active GDRs on the London end. There are currently 2 more in the pipeline.
- There has been continual Chinese activity in UK debt markets – **5 Green Bonds** from Chinese issuers in FY18 raised USD2.14bn; while USD715m-worth of **RMB-denominated debt** has been raised the UK so far in 2020, according to LSEG data.

IMMEDIATE OPPORTUNITIES

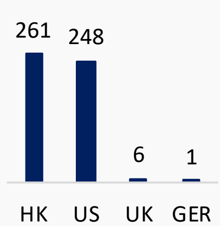
- Establishing or moving to an **100%-foreign-owned brokerage or futures company.** Firms can also take advantage of liberalisation of domestic brokerage licensing as foreign investment is increasingly welcomed.
- **Expansion of licensing** for existing entities. Groups already in-market can take advantage of regulatory easing to expand their existing service suite, such as applying for custody licences and a Type A bond underwriting licence.
- Use of the **London market for capital raising** by Chinese companies. London can take advantage of growing demand for capital raising from corporates and current trends in choice of listing destination.

LONG-TERM OPPORTUNITIES

- **Expansion of market connectivity:** Further work can be done to look at new ways to connect UK & Chinese markets
- **Expansion of access to Chinese securities:** Foreign brokers will be able to expand revenue streams through servicing increasing demand for Chinese securities.
- **Digital banking:** Digital technologies have been identified in China's 2016-2020 financial inclusion plan. Digital banking falls under this category, offering a comparatively low cost route to client acquisition compared to traditional banks with brick and mortar branches. Four digital banks are already licensed (WeBank, Mybank, AiBank, CITIC Bank) [7].

COMPETITIVE LANDSCAPE

No. of offshore-listed Chinese companies per region [9]



London is lagging in the race for Chinese offshore equity issues, with six direct listings or GDRs vs. >200 in the US and HK each. Contemporary global dynamics may change that.

Current overview of UK companies in the market by platform:

Banking:
- **HSBC** – Branch network
- **SCB** – Branch network & custody licence
- **Barclays** – single branch

Brokerage:
- **HSBC** Qianhai Securities (51% foreign-owned)

London as a centre for capital raising:
- SH-LDN Stock Connect – 2 GDRs, 2 potential issuances in the pipeline.
- Bond issues – 117 Dim Sum bonds listed on the LSE. 5 Green Bonds from Chinese issuers since FY18, raising USD2.14bn [8].

Applications in process post regulatory changes, all countries:

Banking operations:
- **HSBC, Deutsche (DE) & Citi (US)** – Custody licence applications submitted
- **Deutsche (DE) & BNP (FR)** – Type A bond underwriting licence approved.
- **UBS (CH)** – Aiming to establish an onshore digital bank
- **HSBC** – aims to expand onshore wealth management operations

Brokerage and futures:
- **UBS (CH), Nomura (JP), Morgan Stanley (US), JP Morgan (US) & Goldman Sachs (US)** – Approved to move to or establish 51%-/fully-owned brokerages.
- **JP Morgan (US) & UBS (CH) –** Approved ownership of of an onshore futures company in 2020 & 2016 respectively.

Market connectivity:
- **Japan-China ETF Connect –** Launched in 2019
- **CEINEX (DE-CN)** – Launched 2015

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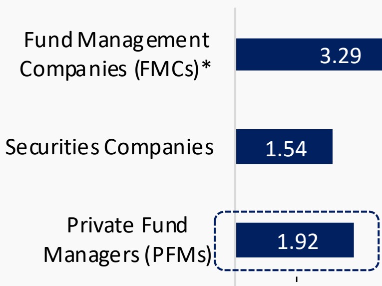
The China Opportunity : Asset Management & Pensions

STATE OF PLAY

China's fund market assets under management by platform, Dec 2019, USD tr



The majority of this is PE/VC funds with AUM of USD1.4tr. Private securities investment funds had AUM of USD350bn.

**includes public mutual funds, segregated accounts and subsidiary AUM*

Size: By end-2019, total assets under management (AUM) of publicly-offered fund management companies (FMCs) and their subsidiaries, securities companies, futures companies, and private fund management institutions (PFMs) was approx. **USD7.3tr**[1]. Of that, **mutual fund AUM was USD2.1tr** (GBP1.7tr)[1]. It is estimated that China's fund industry AUM will hit **USD12tr by 2027** [2]and, in a base case, onshore market share for foreign managers will be 10% by 2023 [3].

The three business models for global asset managers in/with China are summarised below:

On-on

The key opportunity for UK asset managers now lies onshore in China. The market has recently opened, **removing equity ownership caps** to allow foreign asset managers to set up either majority-owned or **fully-owned entities** in China to manage money domestically (WFOE FMCs, WFOE PFMs, BWMUs). Targeting Chinese assets will increasingly be conducted from such onshore entities.

On-off

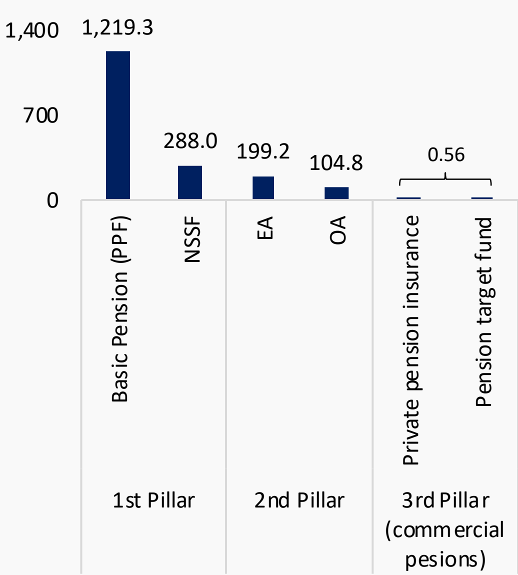
Many UK managers are targeting outbound investment from Chinese investors, both wholesale and institutional. The latter, mainly in the form of **mandates** from China's SWFs, state pension manager (NCSSF) and large insurers, is currently the bigger opportunity as China's institutions increasingly look to diversify abroad. This also includes **QDII, QDLP, QDIE** etc. investment schemes.

Off-on

The inbound investment business is the longest-established mode of China business and continues to be encouraged by Chinese regulators. With **global portfolios severely underweight China**, just as index providers are readjusting to incorporate China, the race is on to build China capabilities: UK managers can sell China exposure & expertise to a global audience.

STATE OF PLAY

China's pension assets by pillar, 2018, USD bn



- **Size:** Pension assets are expected to grow to c.**USD 6.2tr in 2025**, up from **USD1.8tr in 2018.** This would equate to **47% of GDP** [4].
- **Reform & Opening:** With pension funds expected to **run dry by 2035***[5], China is **reforming** its pension system at an increasingly-accelerated pace, creating new opportunities across all three pillars.
  - **Pillar 1** is over-burdened and, as provincial pension funds are rolled over to NCSSF management, capacity will become a serious issue, resulting in billions in **mandate opportunities**.
  - As tax incentives and/or auto-enrollment schemes are introduced for **Pillar 2 & 3**, experienced UK pension providers, insurers and asset managers will be well-placed to capitalise.
  - Although a limited **pilot scheme** for **Pillar 3** was only launched in 2018, this scheme is set to be expanded nationwide and be opened to FMC participation and, potentially, BMWUs in future.
  - At the same time, **target-date funds** and similar products are embryonic in China's fund market so there is also great scope for growth there.
- **Cooperation potential:** There is huge potential for the UK and China to work together on pensions, especially **workplace pensions, risk management, auto-enrollment, commercial pensions, product design, tax incentives, investment and sustainability**. The best way for firms to target this will be via an onshore pension or fund management company, the latter of which UK managers can now own 100%.

**the cumulative balance of the basic pension insurance fund for urban enterprise employees will be 0 in 2035, including government subsidies and in a no-further-reform scenario. Without subsidies, the balance was 0 in 2019.*

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The China Opportunity : Asset Management & Pensions

IMMEDIATE OPPORTUNITIES

- **Relaxation of caps on foreign equity ownership for onshore AM entities:** UK managers can now own **100% of onshore FMCs, private fund companies and Pension companies**. Managers can also establish majority-foreign-owned **Bank Wealth Management Units.**
- **Expansion of onshore and offshore product** suite to take advantage of global demand for exposure to the domestic equity and fixed income markets. With some groups projecting flows of over USD400bn into the Chinese markets in the coming years, this is a sizeable opportunity.
- There are specific **product gaps** onshore that UK firms with the correct expertise could fill such as global funds, **ESG** funds, **multi-asset** funds, **passive** funds, **smart beta** and other **hedge** strategies.

LONG-TERM OPPORTUNITIES

- Development of **China's pension system:** Any expansion of the **Pillar 3** and opening up of **EA licensing** will create opportunities for managers with experience in managing long-term funds especially with a sustainable investment slant. This will include both assets invested domestically and internationally.
- **Increased connectivity** between the UK and Chinese fund markets: The UK can look to at ways to establish cross-border programmes to link the two markets. This would have the primary benefit of helping to drive investment into funds managed in the UK and create the secondary benefit of increasing UK trading volumes.
- **Relaxation of capital account restrictions**: Any relaxation of outbound investor flows will create huge opportunity for managers, whether through domestically manufacturing offshore-focused funds or through mandates from domestic institutions.

COMPETITIVE LANDSCAPE

Current overview of UK companies in the market by platform:

Fund management JVs: (Domestic : UK shareholding)
- BOCOM **Schroders** JV – 51:49 shareholding
- CITIC-**Prudential** – 51:49 shareholding
- **HSBC** Jintrust – 51:49 shareholding

WFOE PFMS:
- **Man Group**
- **Winton**
- **Eastspring**
- **Aberdeen Standard Investments**
- **Schroders**
- **Marshall Wace**

WFOEs:
- **Baillie Gifford**

Pension Insurance company:
- Heng An **Standard Life** – received approval to establish a pensions company under their JV Insurance company in 2019.

Applications approved or in process post regulatory changes, all countries:

100%-owned Fund Management Company
- **BlackRock (US)** – Application accepted April 1st
- **Neuberger Berman (US)** – Application accepted April 1st
- **Fidelity International (US)** – Application accepted May 19th

Majority-foreign-owned FMCs
- **Hang Seng (HK)** – Approved to establish a 70%-owned FMC in 2017

JV Bank Wealth Management Unit:
- **Amundi (FR)** JV with BoC – Application approved Dec 2019
- **Blackrock (US), Temasek (SGP)** & CCB – Intention to form a JV

Chinese Pension companies:
- China Life **AMP (AU)** – In 2015 AMP bought a 19.99% stake in this firm and remain the only foreign company with a stake in a domestic pensions company (also hold 15% in China Life AM).

Pension Insurance company:
- Heng An **Standard Life** – Preparing to manage pension assets domestically.

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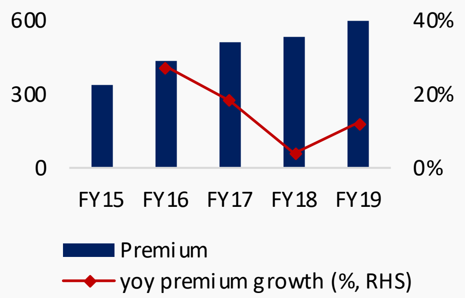
The China Opportunity: Insurance

STATE OF PLAY

Insurance premia & premium growth, 2015-2019, USD bn



Premia grew over 12% in 2019 to reach USD597bn. The CAGR of gross written premium was 17.2% 2013-2018 (when measured in CNY) [2].

Size: Chinese insurance companies' assets hit **USD2.6tr in 2018**, increasing 9.45% YoY[1].

Change & opportunity:

- Anbang's collapse was a lynchpin that sped the introduction of considerable **regulatory upgrades**. The regulator seems ready to grant **new licences** to foreign firms.
- Chinese firms are still relatively **underweight in the London insurance market** and, aside from current JVs.
- There exists a large and **growing pool of insurance capital that has a considerable unmet need for diversification and better risk management**. Any increase in hedging tools, such as the new ability to access bond futures, will make both performance and liability matching an easier task for many mainland insurers.
- Global markets offer Chinese insurers a much wider range of potential investment targets and instruments, however, **the insurers lack experience and capacity overseas – creating opportunity for UK companies.**

UK's strength in insurance: The UK is the natural home of insurance and an ideal business partner. **London is the fourth-largest insurance market in world**, and home to the unique **Lloyd's of London** market, creating a USD43bn market share.

The UK's established insurers and reinsurers have the size, expertise and speciality to enter the China market. Furthermore, **opening measures** now permit foreign companies to establish **100%-owned** life and health insurers as of January 1st, 2020. Notably, this is a profitable market to enter: 60% of life insurers reported profitable results in 2018[3].

IMMEDIATE OPPORTUNITIES

- UK insurers can now set up a majority- or **100%-owned life or health insurance company** in China and caps have been increased for insurance asset management JVs and P&C firms.
- **The Hong Kong insurance market is opening for cross-border insurance product sale and servicing across** the GBA.
- **Third-country cooperation**, collaborating on insurance and reinsurance along the Belt & Road: UK companies able to offer specialist lines of insurance and reinsurance in China and along the BRI including political risk, climate risk, maritime & aviation, credit risk etc. will be in a strong position.

LONG-TERM OPPORTUNITIES

- The domestic market is opening up and expanding to new **speciality insurance lines.**
- UK-China **strategic cooperation in product design, risk management systems, technology to support back office systems and around ESG and sustainable investment.**
- Of non-life insurance, **credit and surety, engineering, liability and agriculture insurance** have the largest potential for growth onshore pending stronger risk management (the UK also has strong risk management expertise).

COMPETITIVE LANDSCAPE

Current overview of UK companies in the market by platform.

Insurance JVs: (Domestic : UK shareholding)
- **Aviva**-COFCO JV – 50:50 shareholding
- CITIC-**Prudential** – 50:50 shareholding
- **HSBC Life China** – 50:50 shareholding
- Heng An **Standard Life** - 50:50 shareholding

Pension insurance company
- Heng An **Standard Life**- 50:50 shareholding

Insurance Rep office:
- **Pacific Life Re**

Lloyd's of London has a China platform (Beijing, Shanghai)

Applications in process post regulatory changes. All countries.

100%-owned Insurance companies
- **HSBC** – In discussions to buy out their domestic partner
- **Allianz (DE)** – Nov 2019 approved to set up an insurance holding company
- **AXA (FR)** – Dec 2019 approved to buy out their P&C domestic partner
- **AIA (HK)** – Approved to convert Shanghai branch to a wholly-owned life insurance subsidiary in June 2020

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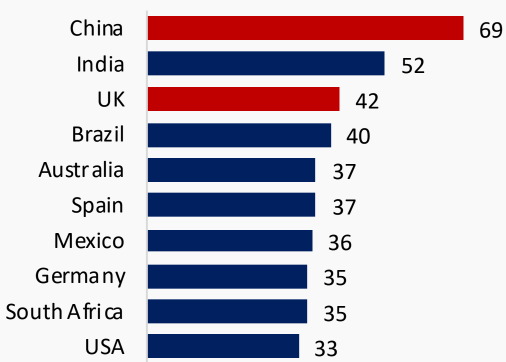
The China Opportunity: FinTech

STATE OF PLAY

Share of digitally-active populous who are Fintech users, by country, top ten (2017, %)



Among the top-20 countries, of the digitally-active population, the average proportion of Fintech users was 33%. Both China and UK's proportion is much higher showing their leading positions in Fintech and also the strong demand especially in the China market for Fintech solutions.

Revenue from the Chinese FinTech industry should reach **USD64bn** in 2020[1]. China has a large, digitally-savvy, yet financially-underserved population. By end-June 2018, China had **1.3 billion mobile internet users** with YoY growth rate of 14.5%. The number of mobile internet users in China is greater than the population of Europe (741 million)[2].

The Chinese FinTech market has an **annual growth rate of 44%** [3] and a **high demand for innovative financial tech**. We are seeing particularly strong demand for services and partnerships in the following areas:

- **Financial inclusion:** There remains a gap between the demands of SMEs (and others) for access to funding and related services. FinTech is helping to bridge this gap.
- **Regulatory technology**: The rapid development of the industry locally and increasing systemic importance of FinTech in China has led to greater regulatory oversight of the industry to rein in risk and strengthen consumer protection. Demand is predominantly in the following areas: regulatory reporting, fraud prevention, identity verification, regulatory compliance, cybersecurity, anti-money laundering, risk analysis and management & transaction monitoring, amongst others.
- **Electronic Payments**: It is expected that the e-payment industry will continue to grow at an annual rate of more than 50% over the coming years[4].
- **Market infrastructure**: In particular, areas of interest include: Trading/wealth management platforms, blockchain, big data analysis, quantum computing etc., and other infrastructure around cross-border FX trading.
- **Open banking:** Chinese firms and regulators started exploring this in 2018, there is now increasing regulation around third-party partnerships, and data storage & use.

IMMEDIATE OPPORTUNITIES

- Provision of **market infrastructure systems & services** to Chinese institutions: As the Chinese markets continue to open up and connect with global ones, there is huge demand to provide new platforms to connect the domestic and international markets.
- **Cross-border payments & trade financing:** As exports and imports between China and the rest of the world grow, there is increasing demand for payment transfer & FX services along with access to trade financing to support importers and exporters.
- **RegTech** there is growing demand from Chinese companies and infrastructure for platforms that can provide compliance or risk management services.

LONG-TERM OPPORTUNITIES

- **Development of domestic trading and wealth management platforms:** there seems to be growing demand particularly from Chinese banks and brokers to develop their onshore trading and wealth management platforms and they are looking to international companies to build these systems.
- Provision of **individual credit rating** services: As China continues to develop its domestic credit rating system, there will be clear opportunities for foreign groups to participate.
- **Digital banking services:** There is an ever-growing shift towards online and digital banking services in China, presenting potential opportunities for global digital banks to partner with local banks or launch domestic services.

COMPETITIVE LANDSCAPE

Most active UK FinTechs currently in the China market:

- **Refinitiv**
- **FNZ**
- **Experian**
- **XTX**
- **KX (First Derivatives)**
- **R5FX**
- **Greensill**
- **Quod Financial**
- **Multipass**
- **Redington**
- **Oaknorth**
- **Currency Cloud**

Applications in process post regulatory changes, all countries:

Cross-border payments

- **Paypal (US)** – Licence approved for a 70%-owned JV in Sept 2019

Opportunities also exist in **individual credit rating** and **capital markets trading infrastructure**

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The China Opportunity: Appendix

Sources: P1: Introduction

[1] Oliver Wyman https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2018/march/Global_Asset_Managers_In_China_Riding_The_Waves_Of_Reform.pdf
[2] Z-Ben Advisors
[3] CIC annual report http://www.china-inv.cn/chinainven/Media/2017-07/1000564.shtml
Chart data: AMAC, WIND, CBIRC, CSRC, CTA, NCSSF, MoHRSS, Forbes, Credit Suisse, World Bank, Oliver Wyman

Sources: P2: Market overview

Chart [1] WFE, IMF
WFE (https://focus.world-exchanges.org/issue/may-2020/market-statistics)
IMF
(https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/weorept.aspx?sy=2015&ey=2019&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=60&pr1.y=6&c=156%2C924%2C576%2C134%2C158%2C112%2C111&s=NGDPD&grp=0&a=)
Chart [2] HKEX, SIFMA, IMF
HKEX (https://www.hkexgroup.com/-/media/HKEX-Group-Site/Ir/IR-Pack/2020Q1/20200520-IR-Pack,-d-,new,-d-,w.pdf)
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The China Opportunity: Appendix (contd.) & Glossary

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Acronym	Full	Explanation
AMAC	Asset Management Association of China	Industry association for asset managers, quasi-regulator for PFMs
BRI	Belt & Road Initiative	A China government policy involving investment in third countries designated to be within the 'one belt one road' region
BWMU	Bank Wealth Management Unit	An entity, usually a wholly-owned or JV subsidiary of a bank, which conducts wealth management business
CBIRC	China Banking & Insurance Regulatory Commission	A regulator
CIC	China Investment Corporation	One of China's SWFs, composed of CIC International, CIC Capital and Central Huijin
CSRC	China Securities Regulatory Commission	A regulator
EA/OA	Enterprise/Occupational Annuities	Workplace pension annuity schemes, Pillar 2 of the pension system in China
ETF	Exchange-traded Fund	A fund type
FMC	Fund Management Company	A company that has a licence to conduct fund management business
GBA	Greater Bay Area	An area including Hong Kong, Shenzhen, Guangdong, Macau and the surrounding areas
GBP	Great British Pound	A currency
GDR	Global Depository Receipt	A type of bank certificate that represents shares in a foreign company, used in the UK-China Stock Connect
HNWI	High-net-worth investor	Assets of RMB6m or above (~USD1m or above) in investable assets
JV	Joint Venture	An entity with mixed equity ownership
LSEG	London Stock Exchange Group	A British-based stock exchange and financial information company
MoHRSS	Ministry of Human Resources & Social Security	A Chinese government department
NCSSF	National Council for Social Security Fund	China's central pension reserve fund manager
NSSF	National Social Security Fund	China's central pension reserve fund
PFM	Private Fund Manager	An entity with a lincese to conduct private fund business in China
PPF	Provincial Pension Fund	The pension pots managed separately by each province in China, now being transferred to management by NCSSF, part of Pillar 1
QDIE	Qualified Domestic Investment Enterprise	A Shenzhen-based cross-border investment scheme which allows onshore entities to invest overseas into a wide variety of asset classes, still relatively small in size
QDII	Qualified Domestic Institutional Investor	A national cross-border investment scheme which involves qualified domestic entities (Banks, Insurers, Trusts and Asset Managers) which can apply for a licence and quota, allowing them to invest into certain assets overseas (denominated in USD)
QDLP	Qualified Domestic Limited Partner	A Shanghai-based cross-border investment scheme allowing global entities with a WFOE in Shanghai to apply for a licence and quota to raise Chinese onshore assets to invest overseas
QFII	Qualified Foreign Institutional Investor	A cross-border scheme which allows offshore entities to invest into Chinese onshore assets, requiring a licence & quota (denominated in USD)
QFLP	Qualified Foreign Limited Partner	A national cross-border scheme which allows offshore designated limited partner entities to invest into Chinese onshore assets, requiring a licence & quota (denominated in USD)
RMB	Renminbi	A currency (also referred to as CNY onshore and CNH offshore)
RQFII	Renminbi Qualified Foreign Institutional Investor	A cross-border investment scheme which allows offshore entities to invest into Chinese onshore assets, requiring a licence & quota (denominated in RMB)
SAFE	State Administration for Foreign Exchange	A SWF of China
SSE	Shanghai Stock Exchange	China's leading equity exchange
SWF	Sovereign Wealth Fund	China's SWFs are CIC, SAFE, NCSSF
TDF	Target-date fund	A fund type for long-term retirement financing purposes
UNHWI	Ultra high-net-worth investor	People with investable assets of at least USD30 million and above
USD	Unites States Dollar	A currency
WFOE	Wholly-foreign-owned-entity	A legal entity type in China, owned 100% by a non-domestic company
YoY	Year-on-Year	A time period