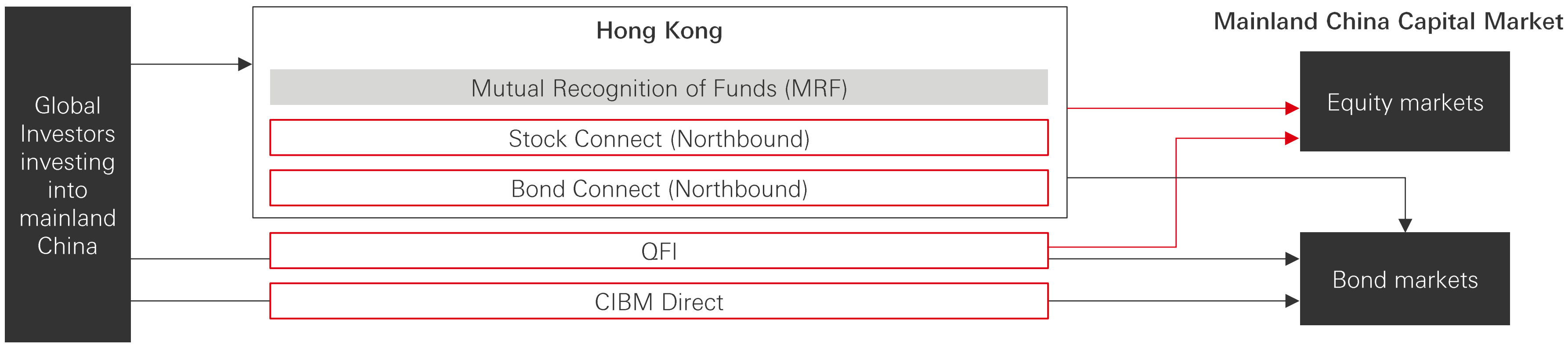
# China Domestic Fund Custody Service

HSBC

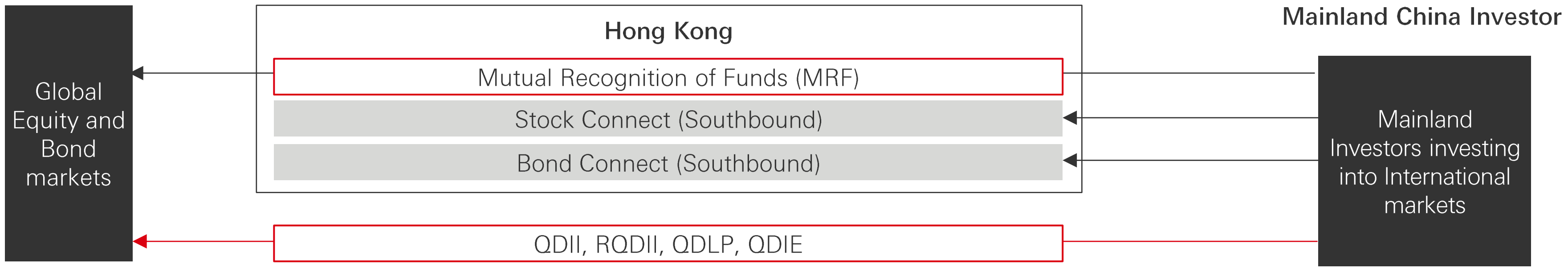
# We are one of the leading custodian banks in China with an extensive service coverage

HSBC has over 30 years experience on providing custodian service in mainland China. HSBC is one of the leading local custodians in terms of the number of Qualified Foreign Investor (QFI) and CIBM Direct scheme investors we serve[1]. We could also provide custody services to locally-domiciled mutual funds, private funds, and private asset management schemes, etc.

### China Inbound Channels




### China Outbound Channels




Notes:

HSBC supports investors through cross-border investment channels.

1. No. of QFI clients approved by CSRC (Jan 2025, CSRC): http://www.csrc.gov.cn/csrc/c101900/c1029652/content.shtml
   Ranking in terms of total No. of OIIs among CIBM Settlement Agents (Jan 2025, PBOC): http://shanghai.pbc.gov.cn/fzhshanghai/113595/5595504/index.html

## We grow together with the development of China's capital market

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|---|---|
| PBOC & CSRC announced regulations of QFII | 2003 |
| CBRC, CSRC and SAFEs announced regulations of QDII | 2006 |
| PBOC announced regulation allowed foreign institutions invest CIBM | 2010 |
| SFC & CSRC announced and approved Shanghai - Hong Kong Stock Connect | 2014 |
| SFC & CSRC announced signing of Memorandum on HK China MRF | 2015 |
| SFC & CSRC announced and approved Shenzhen - Hong Kong Stock Connect | 2016 |
| PBOC & HKMA announced to launch Bond Connect (Northbound) | 2017 |
| PBOC & HKMA announced to launch Bond Connect (Southbound) | 2021 |

# Why HSBC?

### Globally connected and recognised

- Extensive footprint with a global custody network in 96 markets
- Highly recognized locally/regionally/globally with worldwide industry awards
  - 2018-2024 Best Overall Custodian - China by The Asset Triple A[1],
  - 2017-2023 Excellent Bond Settlement Agent Award by China Central Depository & Clearing Co., Ltd. [2]

### Deep Local Connection

- Set up custody service in mainland China since 1992 with the proven track record of custodian services for over 30 years
- Highly qualified local team led by senior management with an average of 16+ years of experience

### Operational excellence

- Providing locally and globally consistent and standard services
- One-stop custody, fund administration / transfer agency outsourcing, trading and distribution solutions
- Cross-border custodian service with wide coverage in different time zones
- Build the one-stop integrated services platform for customers to offer better services

Being part of the diversified development of fund custody industry in Mainland China, we actively participate in the local financial reforms

**1992**
Offered direct custody services in China

**2003**
One of the first foreign custodians to offer QFII custody

**2010**
The first foreign bank to obtain the qualification of inter-bank bond market settlement agency business

**2011-2018**
The first foreign bank to provide RQFII custody services

The first custodian bank to assist QFII in entering China's inter-bank bond market

Settlement agent to facilitate the first OII registered under CIBM Direct scheme

**2019**
One of the first custodian bank servicing QFII to use the Treasury Bond as the margin collateral for index futures

Facilitated one of the first T+3 trade in CIBM

**2020**
The first batch of banks to assist clients in participating in inter-bank bond market transactions via CFETS direct trading service

Facilitated the first OII to participate in IRS business under CCP model in CIBM

**2021-2023**
The first foreign custodian bank to facilitate QFI trading in Beijing Stock Exchange

First custodian bank facilitating QFI to trade commodities futures

First foreign custodian bank facilitating QFI to trade equity index option

Facilitated the 1st Standardized Bond Forward trade for an offshore investor in CIBM

**2024**
Receive the domestic fund custody business qualification approval from CSRC

Note: [1] https://www.theasset.com/awards-single/asset-servicing-investor-fund-management
[2] https://www.chinabond.com.cn/xxwsy/tzrfwzl/tzrzl_hdjl/hdjl_cyfz/cyfz_jgfb/

# China Domestic Custody – Our Proposition

## Account Opening

- Cash account opening with HSBC
- CIBM securities and DVP account opening with CCDC and SCH
- 3rd party cash account and securities account opening

## Safe-keeping

- Assets segregation and safekeeping

## Settlement

- Trade settlement for stock exchange markets adopting broker settlement mode
- CIBM trade settlement via CCDC and SCH terminal

## Cash Services

- Incoming & outgoing payments processing
- Day-end cash statement

## Reconciliation Control

- Securities and cash reconciliation and controls
- Any discrepancy will be reviewed and resolved prior to the NAV finalization

## Accounting & Valuation

- Daily transaction processing and accounting
- NAV production based on valuation frequency
- NAV reconciliation with the Fund manager/Fund Administration

## Investment Monitoring

- Set up regulatory and investment restrictions rules in investment monitoring system
- Conduct investment monitoring according to regulation and agreement

## Information Disclosure

- Assist fund manager to disclose fund information related to custody business (e.g. NAV disclosure, semi-annual/annual reports etc.)
- Conduct regulatory reporting via dedicated platform

# Appendix
## Glossary of Terms

| | |
|---|---|
| **QDIE** | Qualified Domestic Investment Enterprise |
| **QDII** | Qualified Domestic Institutional Investor |
| **QDLP** | Qualified Domestic Limited Partner |
| **QFI** | Qualified Foreign Investor |
| **QFII** | Qualified Foreign Institutional Investors |
| **RQFII** | RMB Qualified Foreign Institutional Investors |
| **SAFE** | State Administration of Foreign Exchange |
| **SCH** | Shanghai Clearing House |
| **SFC** | Securities & Futures Commission of Hong Kong |

| | |
|---|---|
| **CCDC** | China Central Depository & Clearing Co., Ltd |
| **CCP** | Central Counterparty |
| **CFETS** | China Foreign Exchange Trade System |
| **CIBM** | China Interbank Bond Market |
| **CSRC** | China Securities Regulatory Commission |
| **HKMA** | Hong Kong Monetary Authority |
| **OII** | Overseas Institutional Investors |
| **PBOC** | The People's Bank of China |

# Disclaimer