

Notice of China Securities Regulatory Commission on Promulgating the Provisions on the Administration of Sales Information Management Platforms of Securities Investment Funds

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(No. 76 [2007] of China Securities Regulatory Commission)

Securities Depository and Clearing Company Limited, all the fund management companies, fund underwriting institutions and fund custodian banks,

In order to clarify various technical standards for securities investment fund sales information management, and rigidly enforce the supervision over market entrance and routine acts of fund sales institutions, and according to the Law on Securities Investment Funds and the Measures for the Administration of the Sales of Securities Investment Funds (Order No. 20 of China Securities Regulatory Commission), we have formulated the Provisions on the Administration of Sales Information Management Platforms of Securities Investment Funds, which are hereby promulgated, please implement them accordingly.

China Securities Regulatory Commission
March 15, 2007

Provisions on the Administration of Sales Information Management Platforms of Securities Investment Funds

Chapter I General Provisions

Article 1 These Provisions are formulated according to the Law on Securities Investment Funds and the Measures for the Administration of the Sales of Securities Investment Funds (hereinafter referred to as the Sales Administrative Measures) for the purpose of regulating the securities investment fund sales information management, enhancing the quality of information services provided to fund investors, and promoting the further development of securities investment fund sales business.

Article 2 The “sales information management platform of securities investment funds” (hereinafter referred to as “information management platform”) as mentioned in these Provisions refers to the information systems as used by fund sales institutions for the sales of funds, and mainly includes foreground business systems, background management systems and support systems for applied systems.

The “fund sales institutions” as mentioned in these Provisions refers to the fund managers who lawfully conduct the subscription, purchase and redemption of fund units as well as other institutions that have obtained the qualification for fund underwriting business.

Article 3 The establishment and maintenance of information management platforms shall conform to the principles of safety, practicality and systematization, and meet the following requirements:

- (1) Having all the fund sales functions mentioned in these Provisions, and being able to perform the duties of relevant principals prescribed in any law or regulation;
- (2) Having a mechanism for monitoring and checking fund sales information flows and capital flows, and ensuring the safety of capital flows of fund investors;
- (3) Having a mechanism for monitoring fund sales rates, and preventing unfair competition in the fund sales;
- (4) Supporting the use of the applicability principle for fund sales in the fund sales business;
- (5) Having a management, supervisory and complaint mechanism of fund salespersons; and
- (6) Being able to provide the necessary information for China Securities Regulatory Commission (CSRC) to monitor fund transactions, capital safety and other sales acts.

Article 4 To carry out the activities relating to fund sales, a fund sales institution shall build, reconstruct and manage a relevant information system according to these Provisions.

Chapter II Foreground Business Systems

Article 5 The “foreground business systems” mainly refers to the applied systems that are directly provided to fund investors or are directly related to the trading activities of fund investors, and divides into self-service systems and assisted systems.

The “assisted foreground system” refers to such a software applied system that is provided by a fund sales institution and is required for professional service staff meeting relevant qualification requirements to assist fund investors to complete business operations.

The “self-service foreground system” refers to such an applied system that is provided by a fund sales institution to fund investors for them to complete business operations by themselves, and includes the on-site self-service systems in the outlets of the fund sales institution as well as the off-site self-service systems by internet, telephone or mobile communications, etc.

The foreground business system and the background management system realize their respective functions through the network connection.

Article 6 A foreground business system shall have the function of providing the investment information to fund investors and fund salespersons, and the investment information shall include the following contents:

- (1) Basic knowledge about funds;
- (2) Laws and regulations about funds;
- (3) Information about fund products, including basic information, rates, conversion of funds, mode for paying commissions, information about fund risk evaluation and other public market

information about funds, etc.;

- (4) Information about fund managers and fund custodians;
- (5) Investment market information about funds; and
- (6) Information about fund sales branches and outlets.

To provide the investment information to fund investors, the provider shall have lawful information sources, and bring to light the information sources and the time of distribution to fund investors.

Article 7 A foreground business system shall have the function of managing the information about fund transaction accounts and fund investors, including the opening of accounts, investigation and evaluation of risk tolerance of fund investors, inquiry about and alteration of the information about fund investors, annulment of accounts, password management, applications for freezing or defreezing accounts, etc.:

- (1) When an individual opens an account, the system shall record down the type and number of his certificate, fund transaction account, his name, date of birth, type and number of his statutory or authorized agent's certificate, name of his statutory or authorized agent, his bank account, contact information and method for delivery of statements, etc.;
- (2) When an entity opens an account, the system shall record down the type and number of its certificate, its type, fund transaction account, its name, registration place, name of its legal representative, type and number of its statutory or authorized agent's certificate, name of its statutory or authorized agent, its bank account, contact information and method for delivery of statements, etc.;
- (3) The system shall have a reliable mechanism for the transaction codes of fund investors and shall not automatically generate same passwords or weak passwords, and shall produce log files for the revision or taking back of passwords by fund investors; and
- (4) The system shall have the functions of investigating, evaluating and recording down the risk tolerance of fund investors.

Article 8 A foreground business system shall have the functions of subscribing, purchasing and redeeming funds and changing the mode for distributing dividends as well as other trading functions as recognized by CSRC:

- (1) The system shall check whether the risk degree of the funds subscribed or purchased by fund investors matches with the risk tolerance of these fund investors; and in the case of non-matching, the system shall have the function of requiring fund investors to make confirmation and recording down the information about the confirmation of fund investors;
- (2) The system shall prohibit the transfer of the capital from redemption into any bank account which is not owned by the fund investor; and in case a fund investor changes his bank account after filing an application for redemption but before the return of the capital from redemption into his account, the system shall regard it as an abnormal transaction, and record it down;
- (3) The system shall not have the function of revising the sales rates; and
- (4) The system shall give correct indications to the transaction applications submitted at the time other than the opening hours for fund transactions.

Article 9 A foreground business system shall be able to provide services to fund investors:

(1) The system shall provide the service for inquiring about the information about the fund products and fund units held by fund investors, details about fund transactions conducted by fund investors, capital transfer for fund transactions conducted by fund investors, fund products suitable for the risk tolerance of fund investors, net value of funds and fund proceeds, etc.;

(2) The system shall regularly and irregularly provide statements to fund investors by a mode as chosen by fund investors, and the said statements shall include the fund units held by each fund holder, details about the transactions occurred in the fund transaction account of each fund investor, conditions on collection of commissions, and the mode for distributing dividends, etc.; and

(3) The system shall record down the information about the complaints put forward by fund investors, which shall include the name of the fund investor, time of complaint, matter as complained about, handling process and results, etc.

Chapter III Self-service Foreground Systems

Article 10 A self-service foreground system shall also meet the provisions prescribed in this Chapter in addition to the requirements prescribed in Chapter II.

Article 11 A fund sales institution shall provide the methods for fund investors to verify their real identities and qualifications in the self-service foreground system, which include the provision of relevant certification documents on lawful sales of funds and the contact information of the supervisory organ for fund investors to carry out convenient verifications.

The qualification requirements for relevant staff members who provide supporting services in the self-service foreground system shall be identical with those for the staff members providing face-to-face services at the similar positions; and a self-service foreground system shall provide a function of checking the qualifications of relevant staff members to fund investors.

Article 12 A self-service foreground system shall disclose the following information to fund investors by way of online reading, downloading and links of documents or voice indicating, etc.:

(1) Information about the fund sales institution, including its registration address, main office site, fund sales branches and outlets, and contact information, etc.;

(2) Models of the client's account opening agreement and other relevant documents;

(3) Two or more means for handling complaints; and

(4) Disclosing relevant risks in the self-service and the prevention measures to fund investors, which including information safety, abnormal operations and system malfunction, etc., and reminding fund investors of their obligations to verify the information provided by the fund sales institution via the third party and the obligation of properly keeping their own passwords, certificates and other identity data.

Article 13 When opening a fund transaction account by a fund investor through the self-service foreground system, the fund sales institution shall require the fund investor to provide relevant materials proving his or its identity, verify his or its identity by adopting an equivalent real-name system; and when a fund investor opens an account by himself or revises the information about the

account, the fund sales institution shall verify whether the name of the fund investor and the bank account thereof are identical.

A self-service foreground system shall be able to verify the identity of the fund investor for carrying out self-service operations and take lawful and effective anti-denial measures; and in case a fund investor conducts operations via the internet, the system shall record the IP address and digital certificate, etc. of the operator, and in case a fund investor conducts operations via the phone, the system shall record down the phone number.

When there is the surplus, transaction or rights in float in a fund transaction account, a fund investor shall not annul this fund transaction account through a self-service foreground system, designate the alteration of bank account, or carry out other important operations, and shall handle the said operations at the counter upon the strength of his or its valid certificate.

Article 14 A fund sales institution shall set the following quotas in the self-service foreground system:

- (1) the maximum amount for a fund investor to subscribe or purchase funds in a single deal or in a day accumulatively; and
- (2) the maximum amount for a fund investor to redeem funds in a single deal or in a day accumulatively.

Article 15 A fund sales institution shall provide standby service measures or schemes to fund investors when the self-service foreground system malfunctions.

Article 16 Each function as designed in the self-service foreground system shall have the friendly interface, be convenient to use, and be able to prevent or correct wrong operations of fund investors.

Chapter IV Background Management Systems

Article 17 A background management system shall realize the data support and centralized management for the functions of a foreground business system, and its functions shall be used only inside the fund sales institution.

Article 18 A background management system shall record down the relevant information about the fund sales institution, fund sales branches and outlets, and fund salespersons, and have the functions of managing, assessing and monitoring the fund sales branches and outlets as well as the fund salespersons:

- (1) The basic information about the fund sales institution shall include its name, registration place, contact person, person in-charge and contact information, etc.;
- (2) The basic information about the fund sales branches and outlets shall include their names, addresses, contact persons, persons in-charge and contact information, etc.; and
- (3) The basic information about the fund salespersons shall include their names, contact information, sales branches and outlets where they are serving, and their qualification certificates, etc.; and the system shall record down the training records and irregularity information, etc. about

fund salespersons.

Article 19 A background management system shall be able to record down and manage the information about the risk evaluation of funds, fund managers, fund products and investments, etc.:

- (1) The information about a fund manager shall include the name, registration address, main office site, person in-charge, contact person and contact information, etc. of the company;
- (2) The information about a fund product shall include the code, name, type, trading quota, and rate, etc. of the fund; and
- (3) The system shall have the function of monitoring the regularity of fund sales rates.

Article 20 A background management system shall correctly dispose the transaction applications received at the time other than the opening hours for fund transactions, so as to prevent the off-hour trading by fund investors.

Article 21 A background management system shall have the function of liquidating transactions and disposing the capital, so as to complete the data exchange with the fund registration system and the bank system:

- (1) It shall have the function of inputting the data on opening fund accounts and fund transactions confirmed by the fund registration institution into the system for disposal, including the confirmation of the annulment of accounts, freeze of accounts, freeze of shares, defreeze of accounts, defreeze of shares, non-trade transfer of funds, division of shares and other special business disposal functions as launched by the fund registration institution;
- (2) It shall have the function of recording down the bank accounts of fund investors and the capital transfer information; and
- (3) It shall have the function of controlling the fund sales scale with a fund registration system.

Article 22 A background management system shall have the function of checking the information flows and capital flows as involved:

- (1) Checking whether the fund units held by fund investors as recorded down by the fund sales institution are in line with the data provided by the fund registration institution;
- (2) Checking whether the amount booked in and out of special fund sales accounts are in line with the amount of subscription and purchase and the amount of redemption as recorded down by the fund registration institution;
- (3) Conducting the detailed checks of trading dates, funds, fund investors, and branches, etc.; and
- (4) Recording down the problems found during the course of checking, and giving warnings of major problems and recording down actual methods of resolution.

Chapter V Submission of the Information to the Supervisory System

Article 23 A fund sales institution shall provide the following information to the CSRC fund supervisory business information system, and ensure the authenticity, accuracy and integrity of such information:

- (1) Daily fund transactions of the fund sales institution;
- (2) Monthly summaries of the conditions about whether the risk degree of the funds as subscribed and purchased by fund investors match with their risk tolerance;

- (3) Monthly summaries of the conditions about abnormal fund transactions;
- (4) Quarterly internal audit reports of the fund sales institution;
- (5) Annual financial and business conditions of the fund sales institution;
- (6) Instructions about the fund risk evaluation methods of the fund sales institution;
- (7) Instructions about the methods of the fund sales institution for investigating and evaluating the risk tolerance of fund investors; and
- (8) Other information as required by the CSRC.

The fund sales institution shall entrust the bank for opening special fund sales accounts to provide the daily capital flow data on special fund sales accounts to the CSRC fund supervisory business information system.

Article 24 A fund registration institution shall provide the confirmation information about daily fund transactions to the CSRC fund supervisory business information system, and ensure the authenticity, accuracy and integrity of such information.

A fund sales institution shall entrust the bank for opening settlement accounts to provide the daily capital flow data on settlement accounts to the CSRC fund supervisory business information system.

Chapter VI Administration of Information Management Platforms

Article 25 The support system of the applied system to the information management platform shall include databases, servers, network communications, and security guards, etc. For the component parts of a key support system, back-up measures or schemes should be provided.

Article 26 An information management platform shall have the technical features of centralized business disposal and centralized data storage, and uniformly keep the electronic data on the information about fund investors, trading records, information about fund salespersons and service information to fund investors, etc.

Article 27 Reports on putting the system into use, conducting major upgrading to the system and annual technical risk assessment shall be submitted to the CSRC for archival purposes.

At the time of upgrading a system, interconnection tests shall be conducted together with fund managers and the fund registration institution.

Article 28 A fund sales institution shall formulate the business continuity plan and the disaster resumption plan, and conduct regular drills.

Article 29 A fund sales institution shall establish a perfect monitoring system to record down important operations such as system upgrading, network visiting, database access, revision of user passwords, and properly keep log files.

Article 30 The system data shall be backed up on a daily basis and be properly kept, and the

backup of the information about fund investors and the trading records involved in the system operating data shall be kept on the media which can not be modified for 15 years.

Article 31 For the transmission of such sensitive data as the identities of fund investors and the detailed transactions on the public network, the reliable encryption shall be made, and the trading passwords of fund investors shall not be stored and transmitted by any plain text means; and the business, operation and maintenance personnel of a fund sales institution shall not directly revise the trading data or passwords of fund investors; and in case the said revision is required for any special reason, such personnel shall go through rigid procedures and leave marks.

Article 32 A fund sales institution shall properly manage the project documents and technical files in the management system; and as for a core business system developed according to its requirements, the fund sales institution shall require the developer to provide source code or put the source code to a third party for custody.

Article 33 A fund sales institution shall adopt guild standards and data interfaces that have already been promulgated in the system development and operation.

Article 34 On the premise that the security is guaranteed, a fund sales institution may outsource systems integration, application development, operations maintenance, equipment custody, network communications, technical advice and other professional services to service providers that have a corresponding qualification according to the principle of fair competition in the market. A fund sales institution shall enter into a detailed business contract with the party that undertakes the technical outsourcing, so as to clarify their respective duties.

The basic information about selection or alteration of the party that undertakes the technical outsourcing shall be reported to the CSRC for archival purposes.

Article 35 In the case of the outsourcing of technical services, the final management duty for the safe operation of the information management platform shall be assumed by the fund sales institution.

Chapter VII Supplementary Provisions

Article 36 The CSRC and its relevant dispatched offices shall have the power to monitor the fund transactions, capital safety and other sales activities through its fund supervisory business information system.

Article 37 The CSRC and its relevant dispatched offices shall have the power to carry out on-site inspections of the information platforms of fund sales institutions, and may adopt corresponding measures in light of specific situation and the relevant laws and regulations if it finds any major problem.

Article 38 An institution that plans to apply for the qualification for fund underwriting business shall build a relevant information system according to the requirements set forth in the Sales

Administrative Measures and these Provisions, and simultaneously supplement and improve the relevant contents in the application materials for the fund underwriting qualification.

Article 39 Fund managers and those institutions that have obtained the qualification for fund underwriting business shall implement the reconstruction of relevant information system within one year after implementation of these Provisions according to these Provisions, and simultaneously do a good job in getting ready for the on-site inspections of CSRC and its dispatched offices on the information management platform.

Article 40 The format requirements for the data exchanges submitted by fund sales institutions and fund registration institutions to the CSRC fund supervisory business information system shall be separately notified by the CSRC.

Article 41 These Provisions shall come into force as of the date of promulgation.