



**CIRCULAR OF CHINA SECURITIES  
REGULATORY COMMISSION ON THE RELEVANT  
ISSUES CONCERNING SECURITIES  
COMPANIES' UNDERTAKING OF THE BUSINESS  
OF COLLECTIVELY ENTRUSTED INVESTMENT  
MANAGEMENT**

(Promulgated on April 29, 2003 by the China Securities Regulatory Commission)

The securities companies:

Recently some securities companies have carried out the research of business innovation, especially innovation of the business of entrusted investment management, a few securities companies have also cooperated with the commercial banks to raise fund from specific or unspecific investors, establish the collective investment plan, and carry out the business of collectively entrusted investment management. In order to strengthen the regulation of the business of collectively entrusted investment management undertaken by the securities companies, to maintain the normal order of the securities market, and to protect the legitimate rights and interests of the securities investors, the relevant issues are hereby notified as follows:

1. The business of collectively entrusted investment management is a new form of the entrusted investment management business of securities companies. Comparing to the traditional entrusted investment management business, this new form involves relatively more parties, and the right and obligation relationship among the parties is relatively complicated, the management requirements are relatively high and difficult, and any improper handling may easily result in financial risk and social risk. Therefore, China Securities Regulatory

Commission (CSRC) is speeding up the formulation of measures for the administration of the collectively entrusted investment management business of securities companies. Before implementation of the new measures, securities companies may not raise fund from specific or unspecific multiple investors to establish the collective investment plan, and to undertake the collectively entrusted investment management business; from the day of promulgation of this Circular, the collective investment plans for which the fund are being raised must be stopped immediately.

2. A securities company that has undertaken the collectively entrusted investment management business prior to the promulgation of this Circular shall, within 5 days from day of the promulgation of this Circular, submit the contracts, product instructions, and publicity materials etc. relating to collective investment plan to CSRC for examination (send the copies to the detached agency of CSRC of the place of registration), and shall, pursuant to the following provisions, immediately rectify the irregular acts in the collectively entrusted investment management undertaken:

1) A securities company may not, by written or oral, express or implied form, promise the trustor to bear the investment losses or guarantee the investment proceeds; there shall be abundant grounds if the company provides any forecast of investment proceeds to the trustor, and the company shall clearly express in writing that the forecast is only for the trustor's reference, and the investment risk is to be borne by the trustor itself.

2) The securities account and capital account used in a collective investment plan shall be entrusted to the commercial bank qualified as securities investment fund custodian.

3) The terms of the collective investment plan on the investment scope, investment proportion, and the right and obligation relationship between the trustor and the trustee shall conform to the provisions of the Circular on Regulating the Entrusted Investment Management Business of Securities Companies (No.265 [2001] of CSRC) of CSRC. Any securities company that undertakes the collectively entrusted investment management business in violation of the provisions shall be dealt with strictly pursuant to the relevant provisions, and the relevant information shall be reported to CSRC in good time.