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HSBC Helps Asset Manager Become First RQFII Licence Holder In Ireland

(DUBLIN) – HSBC Securities Services (HSS) announced today it has helped the Irish unit of an international asset management company become the first institutional investor in Ireland to receive regulatory approval as a Renminbi Qualified Foreign Institutional Investor (RQFII), giving it the ability to invest directly in mainland China’s bond and equity markets.

The asset management company has received a licence to trade from the China Securities Regulatory Commission through the RQFII programme in Ireland. HSS, acting as the company’s RQFII custodian in China, helped it navigate the licencing process.

China’s RQFII programme was established in 2011 to facilitate foreign investment in the mainland via offshore renminbi funding. There are 19 markets included in this program, with Japan being the latest addition in May 2018. HSBC is currently the only RQFII custodian bank servicing clients in 14 of these markets, and has helped clients in 12 of those gain the first licence in their respective countries.

The RQFII licence allows eligible financial institutions to invest in a wide range of renminbi-denominated investment products including stocks, bonds, securities investment funds, index futures and to access the equity capital markets through initial public offerings, rights issues and convertible bond offerings.

“This RQFII licence and mandate provides yet another outstanding example of how we can help clients gain access to the Chinese onshore market and then facilitate and support their investments in a range of securities and products,” said Richard Godfrey, acting Global Head of HSS. “This licence is particularly important because Ireland is one of the key fund domicile countries globally.”

Ronnie Griffin, Global Head of Trustee & Fiduciary Services of HSS, said: “The use of the RQFII quota through Ireland further demonstrates the growing demands of international asset managers for access to the Chinese capital markets. It shows how Ireland has developed its international fund servicing and domicile capabilities for both managers and funds to facilitate access to China through various channels including R/QFII and Stock Connect. HSBC has a long track record of engagement and connectivity in Asian markets and is exceptionally well placed to enable Irish regulated funds and managers to access RQFII quota from Ireland.”

On June 12, China’s foreign exchange regulator announced it will scrap the 20% monthly repatriation limit under the dollar-denominated Qualified Foreign Institutional Investor (QFII) scheme, and remove lockup periods for investment principal under QFII and RQFII. Investors licenced under these programmes, will now also be allowed to conduct foreign exchange hedging in China.

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Sophia Chung, Head of HSS China, said: “China is committed to opening its financial market wider, making domestic capital markets more accessible to international investors. The recent relaxation of RQFII's cross border remittance and FX hedging rules will help further encourage foreign participation as overseas fund managers now have more flexibility in managing their liquidity and currency risks when investing into China. HSBC's market leadership in RQFII custody in China positions us strongly to support our clients globally in capitalising on China's growth story.”

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