

# CLIENT UPDATE

## WHO WILL REGULATE PRIVATE EQUITY FUNDS IN CHINA? IT JUST TIPPED IN THE CSRC'S FAVOR

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During the past few years, an internal struggle has grown between the China Securities Regulatory Commission (the "CSRC") and the National Development and Reform Commission (the "NDRC") as to who will be the principal regulator of the private equity fund industry in China. Both had a valid argument. The CSRC is the regulator of the securities industry in China and the NDRC is the governmental agency primarily responsible for economic planning in China.

On June 27, 2013, the State Commission Office for Public Sector Reform of China (the "SCOPSR") seemed to come down on the side of the CSRC. It announced that the CSRC will be responsible for the administration of private equity funds in China. SCOPSR is a commission led by both the State Council and the Chinese Community Party, and so its involvement suggests that this tug of war needed to be resolved at an unusually high level of government.

However, the NDRC is not completely out of the picture because it will be responsible for the formulation of policies to promote the private equity industry, including issuing regulations on the Chinese government's investments in private equity funds.

The SCOPSR's announcement seems to promise to resolve the dispute between the CSRC and the NDRC and raises hopes of a coordinated regulatory framework that will bring greater stability and certainty to the market. It is expected that a comprehensive regulatory framework will soon be established by a series of new laws and rules to be promulgated.

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Please do not hesitate to contact us with any questions.

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