

CLIENT UPDATE

NEW REGISTRATION AND FILING REQUIREMENTS FOR PRIVATE EQUITY FUNDS AND MANAGERS IN CHINA

HONG KONG

Andrew M. Ostrognai
amostrognai@debevoise.com

William Chou
wchou@debevoise.com

Serena Kuang Tan
sktan@debevoise.com

On January 17, 2014, the Asset Management Association of China (“AMAC”) announced a provisional regulation requiring the registration of domestic Chinese private equity fund managers (“Managers”) and filings by domestic Chinese private equity funds (“Funds”) with AMAC (the “Regulation”). Although the Regulation does not explicitly resolve this issue, it would appear that managers and funds formed under Chinese law (even if controlled by non-Chinese persons) would be subject to the Regulation, but that managers and funds formed outside of China, even if operating and investing in China, would not be. The Regulation will go into effect on February 7, 2014. AMAC is a national fund industry self-regulatory organization authorized by the China Securities Regulatory Commission to regulate investment funds and managers in China.

Even though the details of the Regulation are not yet fully spelled out, it is clear that the Regulation will generally provide for the following:

- Domestic managers will register with AMAC and apply for AMAC membership at the same time.
- Upon a closing of a Fund, its Manager will make a filing with AMAC by providing such Fund’s investment focus, legal name, size, investors, fund agreement and similar information.

- In addition, Managers are required to make quarterly and annual filings with AMAC providing certain updated information and promptly notify AMAC of certain significant changes.
- AMAC has indicated that it will not conduct a substantive review of materials submitted by Managers. Following a registration or filing, certain basic information on Managers and Funds will be disclosed to the public on AMAC's website.
- AMAC has certain powers to enforce the Regulation, including on-site inspection, the suspension of filing status for violators and maintaining a public record of misconduct of Managers and professionals. Additionally, significant compliance issues will be referred by AMAC to the China Securities Regulatory Commission for enforcement.

We believe this development, along with the end of the old system requiring Funds to register with the National Development and Reform Commission, is the start of a clearer and more streamlined regulatory framework for domestic private equity in China.

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Please do not hesitate to contact us with any questions.

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