The Qualified Foreign Institutional Investor System and Corporate Governance in China

Chapter
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Sustainable Entrepreneurship in China

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Abstract

The Qualified Foreign Institutional Investor (QFII) system is a quota monitoring system for foreign institutional investors to invest in a nation's domestic stock exchange. It is often adopted by emerging economies to allow limited participation of foreign investors in domestic stock markets so as to gradually open up the capital market and protect domestic exchange from speculative investment risks in the meantime. The Chinese government initiated its QFII system in July 2003, when qualified foreign institutional investors were allowed to convert foreign currency into Chinese RMB to invest in China's A share market. To obtain a QFII license from the China Securities Regulatory Commission (CSRC), foreign financial institutions must meet certain criteria such as minimum size and operating history. Each eligible QFII firm will then obtain an investment quota

from the State Administration of Foreign Exchange (SAFE). By 2013 a total of 250 foreign institutions were granted the QFII status. The overall investment quota also rose dramatically over the years.The latest SAFE report indicates that the approved investment quota reached US$56.5 billion by June 30, 2014, which is 33 times of the amount approved in 2003.[1]

Preview

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Cite this chapter

He, L. (2015). The Qualified Foreign Institutional Investor System and Corporate Governance in China. In: Cumming, D., Firth, M., Hou, W., Lee, E. (eds) Sustainable Entrepreneurship in China. Palgrave Macmillan, New York. https://doi.org/10.1057/9781137412539_5

.RIS .ENW .BIB

DOI
https://doi.org/10.1057/9781137412539_5

Publisher Name
Palgrave Macmillan, New York

Print ISBN
978-1-349-68191-4

Online ISBN
978-1-137-41253-9

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