



# Inbound One-Stop Solution For QFII Clients

International Dept. Nanhua Futures

2022.03



**NANHUA  
FUTURES**

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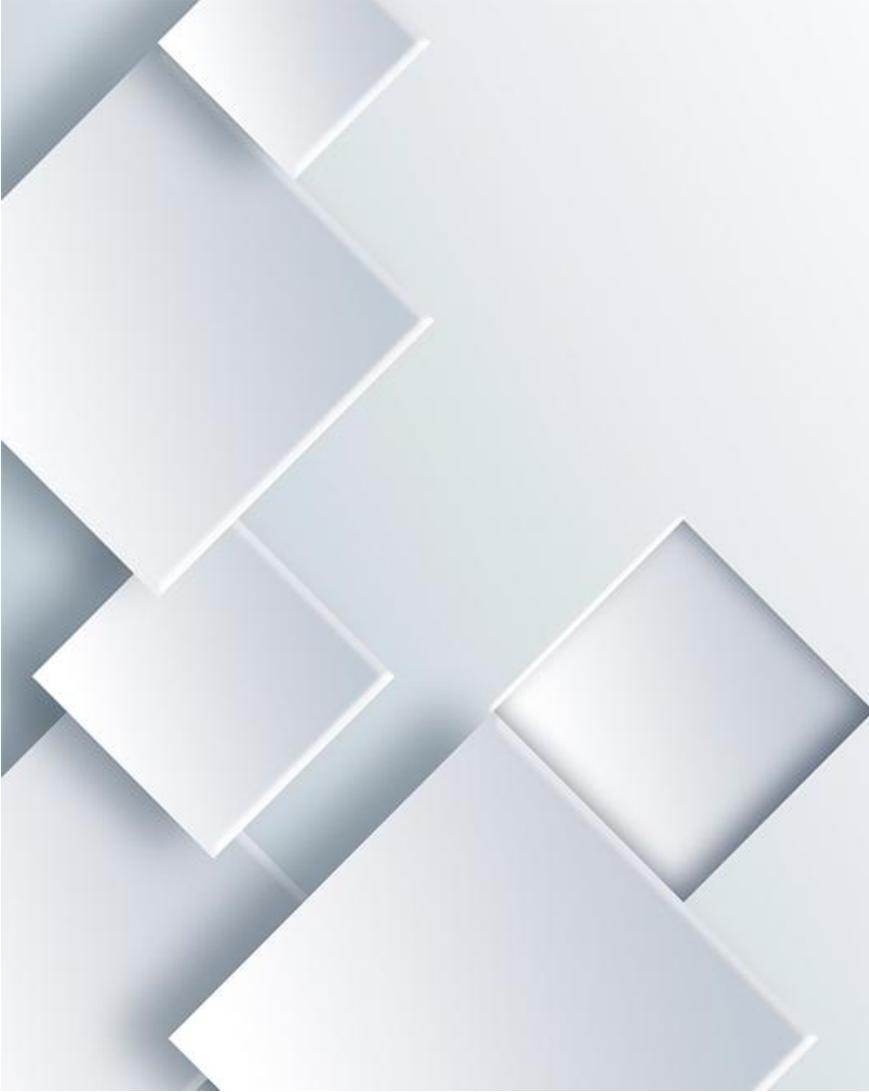


Our Advantages



Contact Us





# PART ONE

# About Nanhua





# Pioneer Financial Service Provider in China's Futures Industry



Founded in 1996, Nanhua Futures Co., Ltd. is a leading integrated financial service provider in China. We provide high-quality comprehensive financial services in **Mainland China, Hong Kong, London, Chicago and Singapore.**

## Organization Structure

Nanhua Capital  
(Wholly-owned by Nanhua)

Nanhua Fund  
(Wholly-owned by Nanhua)



HGNH International  
Financial  
(Wholly-owned by Nanhua)

- HGNH International Futures Co.
- HGNH International Securities Co.
- HGNH International Asset Management Co.
- HGNH International Financial (SG)
- Nanhua Financial (UK)
- Nanhua USA LLC
- (Wholly-owned by HGNH International Financial)
- HGNH International Asset Management Co. (SG)
- (70% owned by HGNH International Financial)

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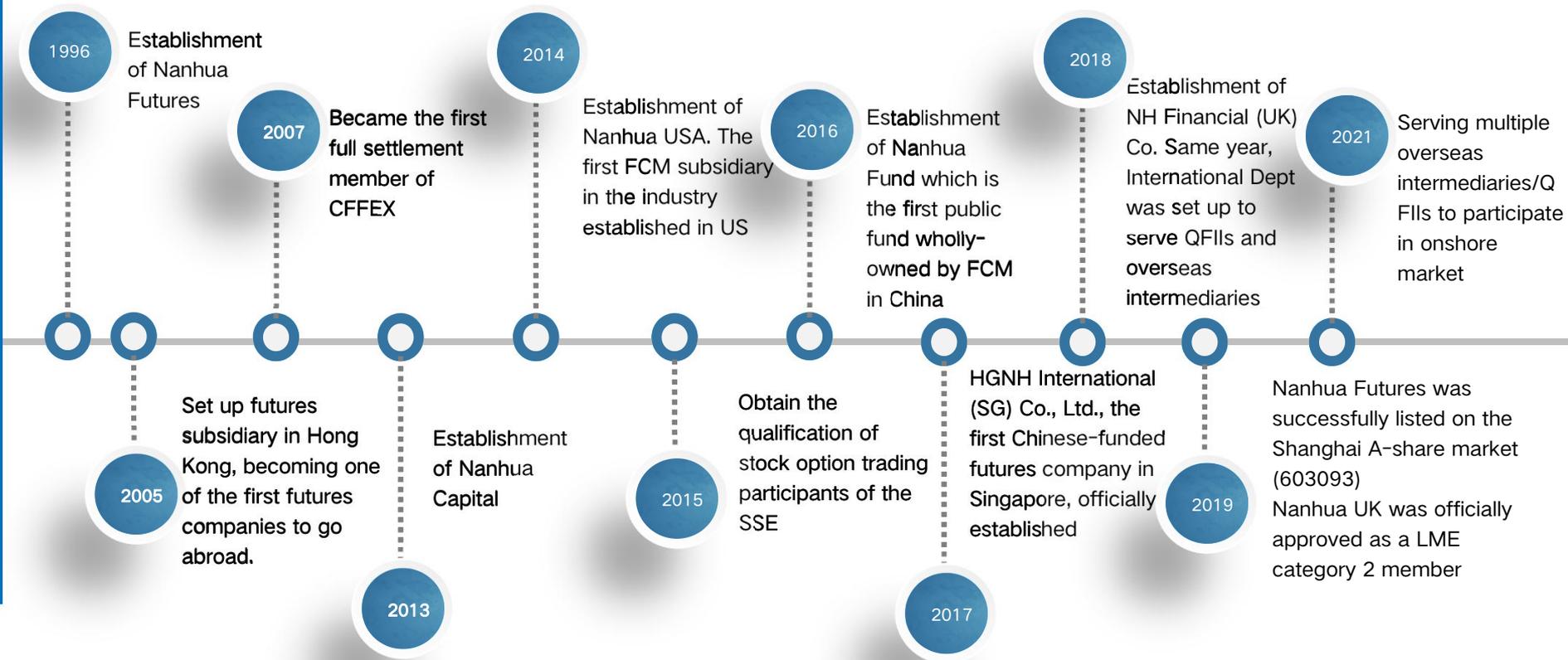
Nanhua Futures provides a global derivatives service and is mainly engaged in commodity and financial futures and options brokerage business, futures investment advisory service, asset management, securities investment fund sale, etc.

Clearing Memberships in Global Markets	UK	<b>Nanhua Financial (UK) Co Limited (FRN:821609)</b> <ul style="list-style-type: none"> <li>LME Category 2 member</li> </ul>
	USA	<b>Nanhua USA Investment LLC (NFA ID: 0496874, Registered CPO, CTA)</b> <b>Nanhua USA LLC (NFA ID: 0466494, Registered FCM)</b> <ul style="list-style-type: none"> <li>CME Group clearing member (CME, CBOT, NYMEX, COMEX);</li> <li>DME clearing member ;</li> <li>ICE US clearing member</li> </ul>
	Singapore	<b>HGNH International Asset Management (Singapore) Co Limited (CMS100920)</b> <b>HGNH International Financial (Singapore) PTE. Ltd (CMS100651-1)</b> <ul style="list-style-type: none"> <li>APEX trading member and clearing member ;</li> <li>SGX derivatives market trading member and clearing member</li> </ul>
	Hong Kong	<b>HGNH International Asset Management (AXY 831)</b> <b>HGNH International Securities (BBT518)</b> <b>HGNH International Futures Co. Ltd. (AOU118)</b> <ul style="list-style-type: none"> <li>HKFE Exchange Participant/Futures Commission Merchant ;</li> <li>HKCC Clearing Participant</li> </ul>

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# History





## Onshore Brokerage

- Commodities
- Financial futures
- Stock options



## Risk Management

- OTC derivatives business
- Basis trading
- Market-making



## Wealth Management

- HNW Asset Management
- Public funds raising, selling
- Portfolio managing of public/private funds



## Overseas Financial Service

- Global futures brokerage
- Asset management
- Stockbroker
- Leveraged Forex trading
- Futures Investment Advisory



## Inbound

- Access to all internal Exchanges of China via
- QFII expertise
- International futures contracts

# PART TWO

# One-Stop Solution





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QFII refers to **foreign institutional investors who have been approved by the China Securities Regulatory Commission and use funds from abroad to invest in domestic securities and futures**, including overseas fund management companies, commercial banks, insurance companies, securities companies, futures companies, trust companies, government investment institutions, sovereign wealth funds, pension funds, charitable funds, endowment funds, etc.

## • Investment Scope

- (1) Stocks, depository receipts, bonds, bond repurchases and asset-backed securities traded or transferred on stock exchanges;
- (2) Shares and other types of securities transferred on the National Equities Exchange and Quotations (NEEQ);
- (3) Products and derivatives on bonds, interest rates and foreign exchange traded on the domestic inter-bank bond market which are deemed by the People's Bank of China (PBC) as eligible for qualified foreign investors;
- (4) Publicly offered securities investment funds
- (5) Financial futures contracts listed and traded on the China Financial Futures Exchange (CFFEX);
- (6) Commodity futures contracts listed and traded on futures exchanges with approval of the CSRC;
- (7) Options listed and traded on exchanges with approval of the State Council or the CSRC;
- (8) Foreign exchange derivatives traded for hedging purposes which are deemed by the State Administration of Foreign Exchange (SAFE) as eligible for qualified foreign investors;
- (9) Other financial instruments as approved by the CSRC.



## CSRC's internal entry threshold for QFII applicants:

- Minimum 2 years of applicant's experience in investment
- Minimum 10 million RMB net asset
- Healthy financial condition that is the net assets/paid-in capital is over 50%
- Minimum 100 million RMB asset under management

## Process (1-2 mon)

Step1

Select one qualified  
custodian bank  
(KYC, agreement)

Step2

Application  
paperwork

Step3

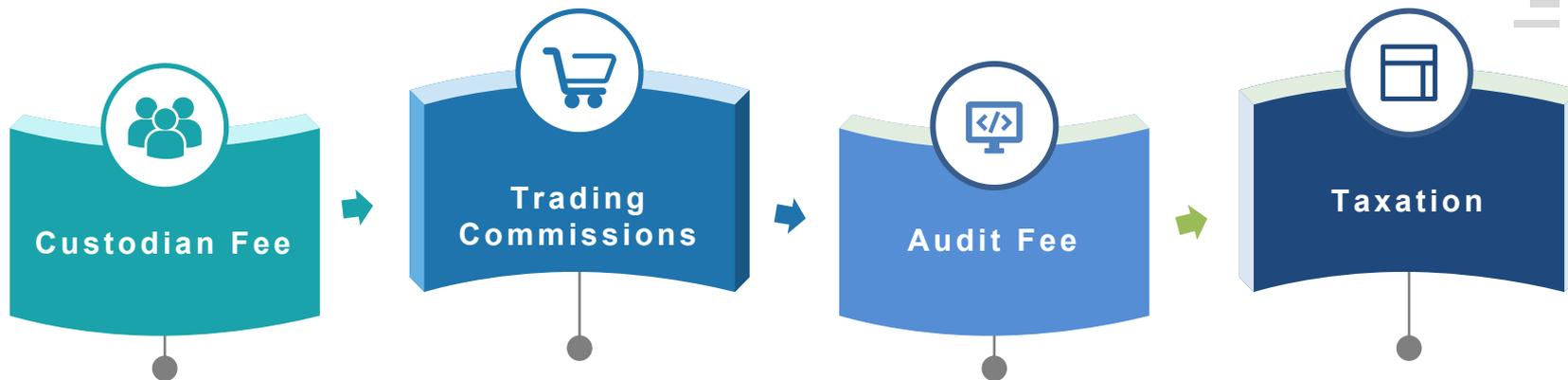
Custodian bank submits  
application materials,  
regulatory filing  
(CSRC, PBOC)

Step4

Account opening  
(Bank cash account,  
Futures trading account)



## Fees and Costs



Custodian fee charged by Custodian bank

As per regulations, QFII investment fund is mandatory to be custodial in a bank qualified for the custody of QFII with a fee range from 3-5 bps per year, charged monthly.

Commissions charged by Futures brokers

Futures brokers charge trading commissions based on client funds and trading volume. Please contact us for more details.

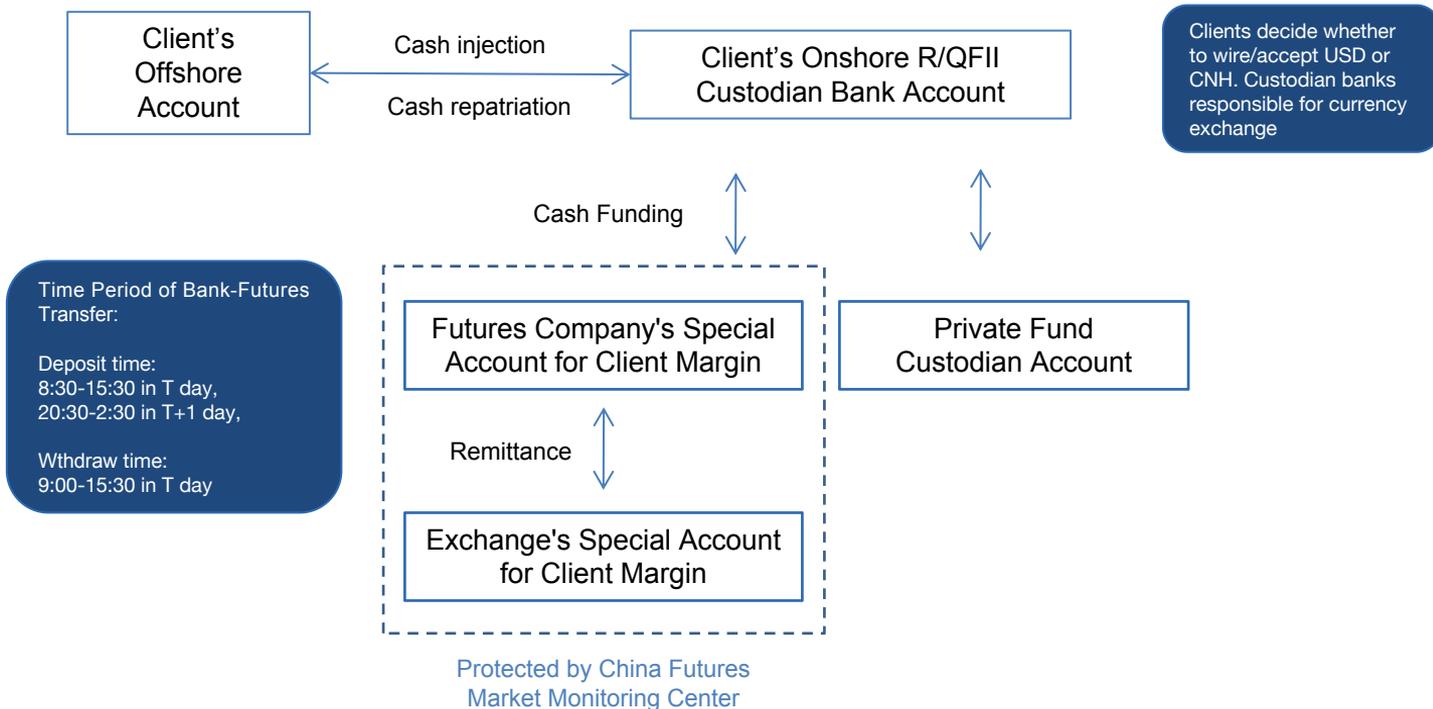
Audit fee charged by Accounting Firm

It is applicable to QFII account profit withdrawal or investment termination, an audit report is required to proceed by accounting firm. Annual charge from 30k~50k RMB

Profit portion exempts from value-added tax, but there is a possibility that it will be subject to a 10% capital gains tax.



# Cash Remittance Workflow



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# Trading Process

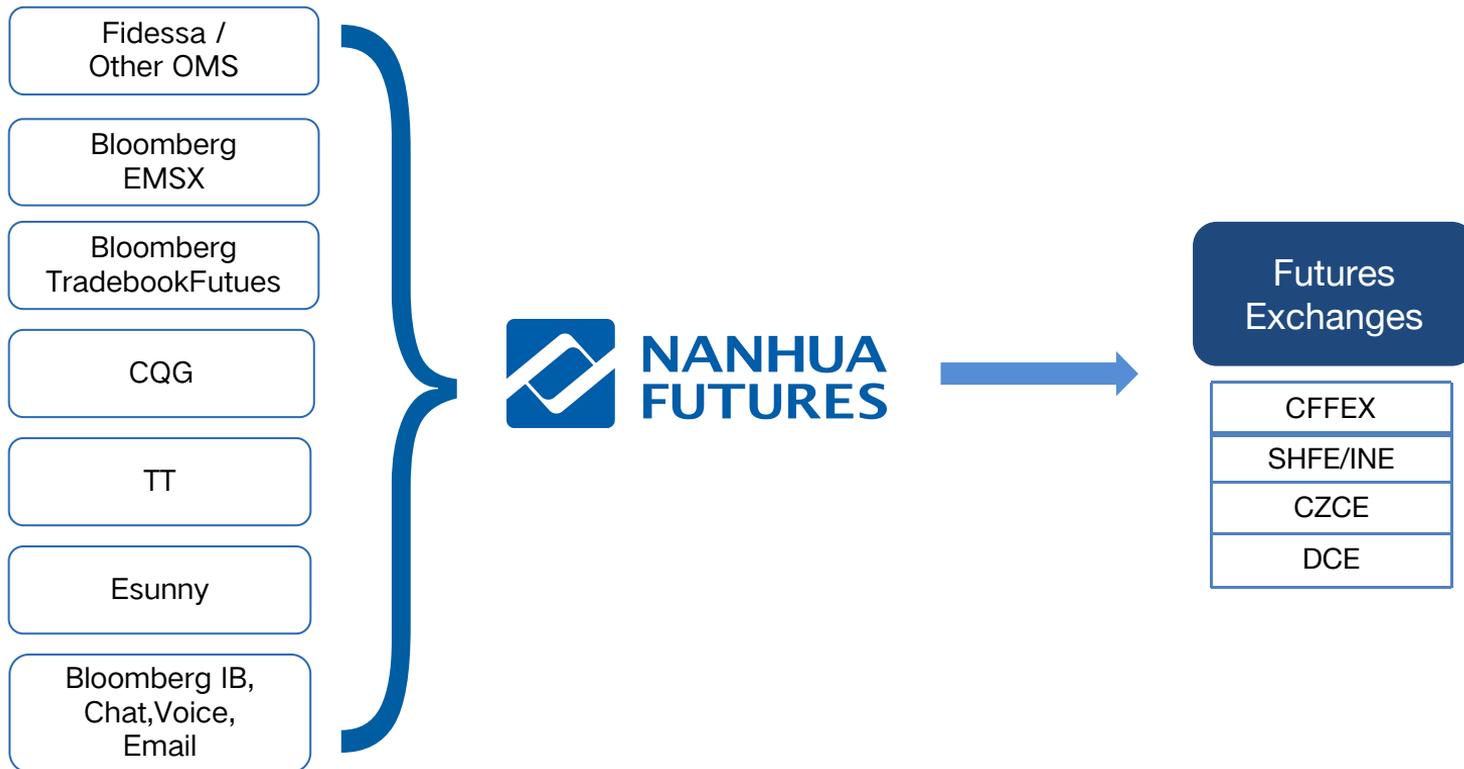
PROCESS TAKES APPROXIMATELY 2 MONTHS

Project / Time	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
1. Pre-business communication	█	█					
2. Futures Account(s) Opening		█	█				
3. Hedging application and trading preparation			█	█	█		
4. IT Preparation		█	█	█	█		
5. Customized Report Matching		█	█	█	█		
6. Live Trading Test						█	
7. Official Trading							█

## Description:

1. Pre-business communication: Determining the intention of cooperation; Defining the needs and implementation plan for contracts, trading systems, rates, transaction bills, and developing a project advancement schedule.
2. Futures Account(s) Opening: Nanhua assists in preparing account opening documents, submitting applications and obtaining trading codes.
3. Hedging application and trading preparation: Nanhua assists in preparing documents to apply for CFFEX hedging limits; completing rates and margin settings on demand.
4. IT Preparation: According to the customer's system and hardware requirements, complete the trading system docking and hardware facilities configuration, simulation environment testing;
5. Customized Report Matching: Developing of report formats and reception methods according to customer requirements, interfacing with customer systems and completing UAT testing.
6. Live Trading Test: Checking the complete chain of deposits - trades - trade statements - withdrawals.
7. Official Trading: Enter the live official trading.

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# Risk Control: Margin Call and Forced Liquidation

Region	Difference	Execute
China	Risk Rate = Position Margin / Total Account Funds	<ul style="list-style-type: none"><li>&gt; 80%: Early warning</li><li>&gt; 100%: Margin call</li><li>&gt; 100% until 14:30 on T+1 day: Forced liquidation</li></ul>

Triggers	Time	Execute	Feedback
<p>When risk rate is higher than 80%, an alert will be sent to client's trading terminal.</p> <p>When risk rate is higher than 100%, the notice of adding margins or reducing the positions will be sent by phone or SMS.</p> <p>When risk rate is higher than 100% until 14:30 on T+1 day, the forced liquidation will be executed.</p>	<ul style="list-style-type: none"><li>T</li><li>T+1 before 14:30</li></ul>	<ul style="list-style-type: none"><li>Liquidation</li><li>Deposit</li><li>Forced liquidation</li></ul>	The Risk Management Department tracks and feeds back the situation of clients in real time

- The clients' margin was sufficient on T-1 day, but the risk rate of the clients' is greater than 100% in the exchange market due to price fluctuations on T day. Futures company needs call clients during the trading day to remind the clients to add funds or reduce position at 14:30 on T day or within the agreed time of the two parties. Otherwise the futures company has the right to execute forced liquidation and reduce the clients' risk rate to below 100%.
- Night trading is subsumed in the next trading day.



# Notification of Risks in Trading / Settlement Report

Terms		Detail	Method of Notification
Real-time risk rate reminder		When clients's risk rate is greater than 80% or 100%	Email / Phone / other methods approved by the clients
CFFEX hedging limit expiry monitor		Remind clients to apply for renewal when one month before the expiration of the hedging limit	
Position limit warning	Notification reminder of position limit close to the delivery month	Remind clients to adjust their position before scheduled time	
Trading limit warning	Remind clients when it reaches a certain percentage stipulated by each exchange	Notify clients to pay attention, so as not to exceed the limit and be restricted by the exchange on positions opening	
Abnormal transaction notice	Self-dealing; Frequent cancellation of orders; Large amount of cancellation	Notify clients to pay attention, so as not to exceed the limit and be restricted by the exchange on positions opening	
Other Trading Related Notices		Delivery notice	
		Commission / Margin / Price limit adjustment notice	
		Holiday notice	
		Other exchanges notice	
Settlement report		Settlement report in specified format	



## Co-location Service

INE

Zhangjiang Server Room II, III, IV

- CTP Second
- NHTD
- REM
- ydServer
- Esunny

DCE

Dalian High-tech Server Room

- REM
- NHTD

ZCE

Zhengzhou Mini Server Room  
ZCE Tech-centre Server Room

- MINI Esunny

Pros

1

Clients server room matches each exchange

2

Multiple high speed trading systems

3

Low latency equipment & High performance server

4

Ultra-speed market data server

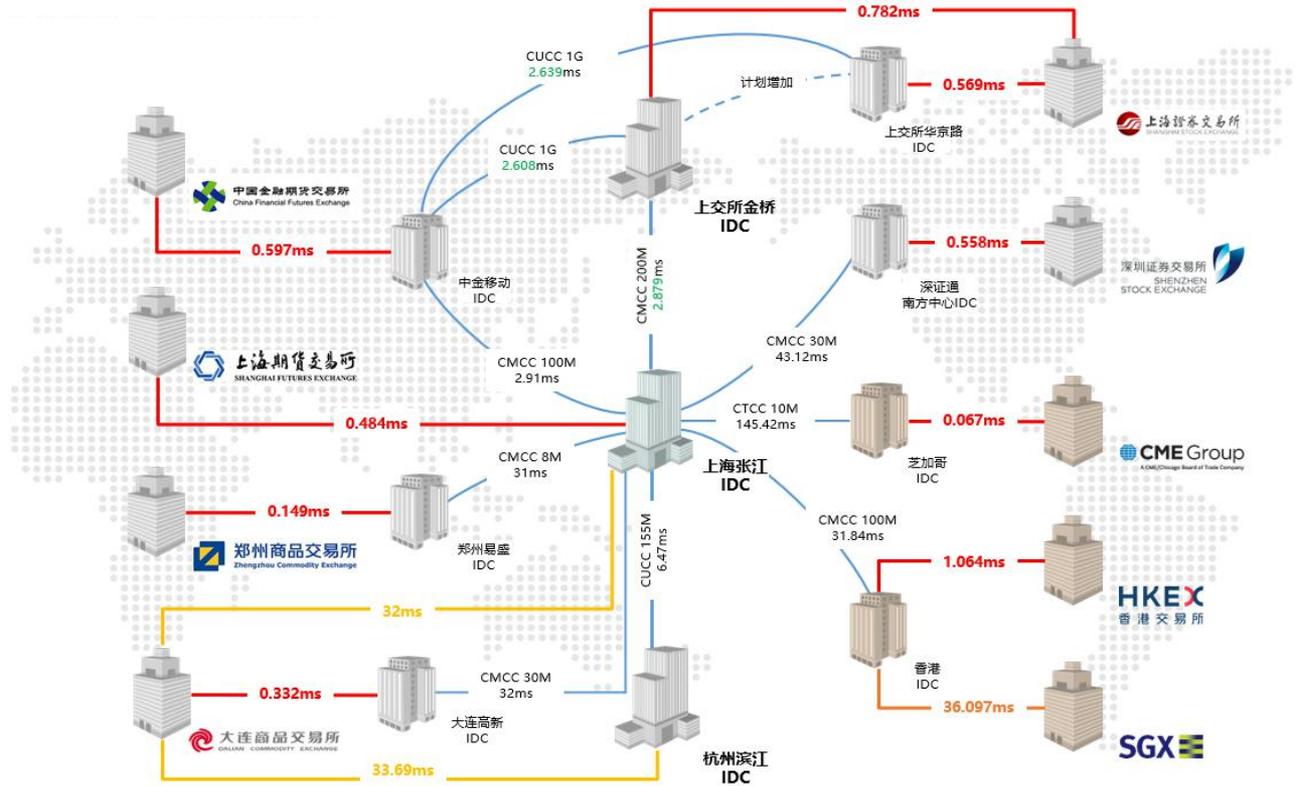
5

Professional IT consultation & Technical innovation

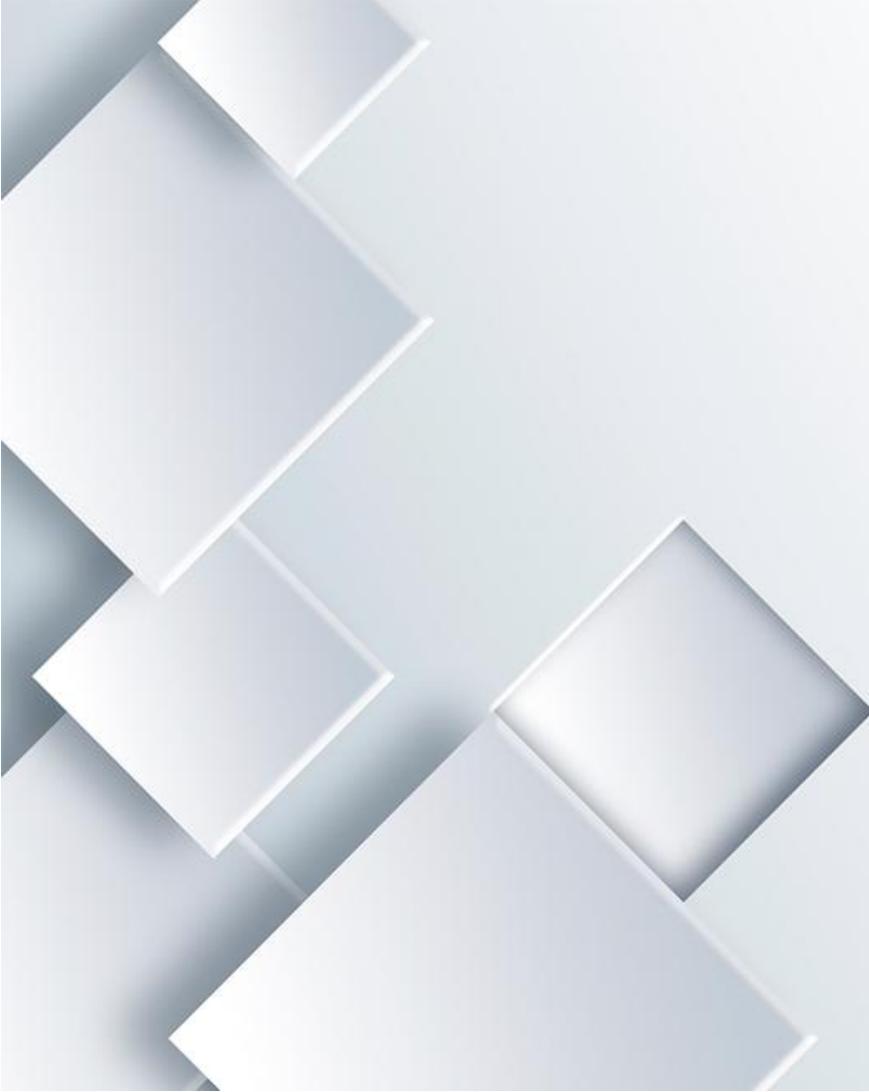
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# Nanhua Trading Network Resources



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PART THREE

# Our Advantages





## Experience in serving offshore institutions

- One of the earliest cross-border investment service teams serving QFII and RQFII participating in stock index futures hedging
- The team consists of 6 sales staff and 4 traders, 5 of whom have overseas study background and have more than 8 years of experience in futures industry per capita.

## One-on-one service

- Dedicated customer service manager pro-actively dealing with settlement issues
- A-share listed company guarantees the safety of funds.

## One-stop integrated financial solutions

- QFII/RQFII product experts, providing comprehensive solutions from market access to onshore investment.
- Experience in overseas markets , providing advice for overseas brokers from exchange filing to participating in transactions.
- International futures contracts access for overseas participants to trade China's internationalized products.

## Full set of trading systems and IT support

- We offer TT, CQG, ATP, Esunny, Bloomberg and other international mainstream trading platforms;
- Continuous investment in information technology ensures that we are at the forefront of technology and provide customers with the best experience.

# PART FOUR

# Contact Us





## Contact Us



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