

### CSRC to regulate securities investment funds sales

On October 13, China Securities Regulatory Commission (CSRC) released proposed regulations on the sales fee charging of open-end securities investment funds, aiming to encourage a back-end charge model, guide long-term investment by investors and introduce a redemption fee charge for short-term transactions to restrict their usage, regulate trailing commission and establish a win-win mechanism for fund managers and sale agencies. The regulations will not increase costs for investors.

According to the regulations, the purchasing (subscribing) fee may not exceed five percent of the total investment amount. A front-end charge model in which fees are charged when purchasing (subscribing) funds or a back-end charge model in which fees are deducted from redemption amount may be adopted. Although the highest fee charged in the front-end model is usually lower than the highest fee charged in the back-end model, handling fees will continuously fall along with the duration of holding funds. No handling fees will be charged when funds are held for over three years, which may reduce transaction costs for long-term fund investors.

The regulations introduce a redemption fee charge for short-term transactions to restrict their usage. Excessive transactions usually dilute the existing earnings of long-term investors and may also disturb the normal management of fund managers and their investment portfolio, undermining the interests of long-term investors. The regulations allow fund managers to voluntarily choose standards for higher redemption fee rates for fund managers who redeem funds within one week or one month. The redemption fee shall not be lower than 1.5 or 0.75 percent of the redemption amount and will be charged to the fund in full property.

*By People's Daily Online*