

Tianjin pinches its PE rules

As one of China's preeminent fund formation hub cities, Tianjin is regarded by many industry participants as an influential barometer for other jurisdictions' private equity-related regulation. The city recently released new measures that enforce stricter supervision on a wide spectrum of fund formation, administrative and operation matters

Since the introduction of the term "PE" into China from abroad around 2007, Rmb-denominated private equity funds (PEFs) have mushroomed in China and so have a number of cities that compete to attract such funds to their jurisdiction. Among the various PEF formation hub cities that have emerged, Tianjin stands out as one of the leading fund formation cities because of its advantage as a State Council-designated pilot city for financial innovation and its relatively flexible and efficient fund formation environment. At the same time, however, there have been a few high-profile illegal fund-raising and financial fraud cases involving PEFs formed in Tianjin in recent years.

In order to manage financial risks and combat illegal financial activities such as illegal fund-raising, further regulate PEFs and their management companies (PEMCs) and promote the healthy development of the PE industry in Tianjin, against the backdrop of the issuance of the *Notice of the General Office of the National Development and Reform Commission on Further Regulating the Development Equity Investment Enterprises in Pilot Regions and the Relevant Record-Filing Administration* (Fa Gai Ban Cai Jin [2011] No. 253) (国家发展改革委办公厅关于进一步规范试点地区股权投资企业发展和备案管理工作的

通知) (发改办财经[2011]253号) (Circular 253) requiring the mandatory record filing of PEFs of Rmb500 million or above formed in designated pilot areas with the National Development and Reform Commission (NDRC), Tianjin has recently revamped its filing regulation on PEFs and PEMCs. The old Tianjin filing regulation, the *Trial Measures for the Administration of Registration and Filing of Equity Investment Funds and Equity Investment Fund Management Companies (Enterprises) in Tianjin* (Jin Fa Gai Cai Jin [2008] No. 813) (天津股权投资基金和股权投资基金管理公司(企业)登记备案管理试行办法) (津发改财金[2008]813号), (the Old Measures), issued on November 10 2008, were superseded by the *Measures for the Administration of Equity Investment Enterprises and Equity Investment Management Institutions in Tianjin* (Jin Fa Gai Cai Jin [2011] No. 675) (天津股权投资企业和股权投资管理机构管理办法) (津发改财金[2011]675号)) (the New Measures) promulgated on July 11 2011 with an effective date of September 2011.

In this context and for the purposes described above, the New Measures prescribe more comprehensive and stringent regulation than the Old Measures on the record filing, bank custody, registration requirements, supervision of fund

Tightened measures: increased thresholds for capital raising, more stringent record-filing procedures, and heightened supervision

