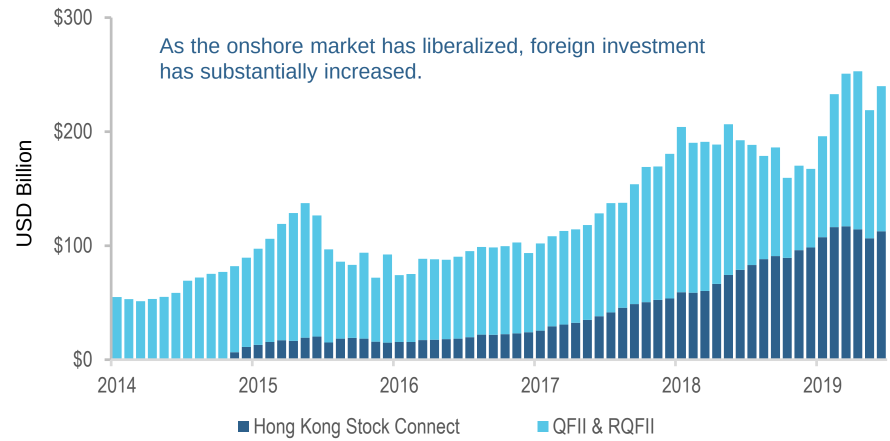
Quick Take: Continuing Liberalization in the China A-Shares Market

September 2019

- On September 10th, Chinese regulators announced the elimination of investment quotas attached to the QFII and RQFII licensing programs, which restricted the amount of capital available for investment. Investors who wish to access the entire onshore market must still obtain a license.
- This event continues a progression of onshore market liberalization that has increased foreign participation. The opening of the equity market to foreigners led to A-Shares' inclusion in prominent benchmark indexes in 2018; however, only securities listed via the Stock Connect platform were deemed eligible.
- Over time, the onshore investment mechanism could emerge as a more attractive investment route than the Stock Connect, resulting in a substantial increase in A-Shares' weight in major benchmarks.
- Strategies that employ a Qualified Investor license to access the full onshore market benefit from a nearly-threefold increase in the investable opportunity set relative to strategies that only make use of Stock Connect.
- Looking forward, we anticipate further market liberalization. This may include deregulation and expansion of equity derivatives markets, single-stock short selling, as well as closer alignment of market practices with global standards.

China A-Shares Held by Foreign Investors



Sources: PBoC, Shanghai and Shenzhen Stock Exchanges, Bloomberg, Acadian analysis. Data from 2014 - June 2019. For illustrative purposes only.

Number of Stocks by Access Route

Strategies that make full use of the RQFII license have access to 3x the investment opportunity set as offered by Stock Connect alone.

Approximate number of stocks in Acadian investment universe as of Sept. 2019. Source: Acadian. For illustrative purposes only.

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For more insights on the China A-shares market, visit our website.

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