

China's Financial Opening-up

Peng Qinqin

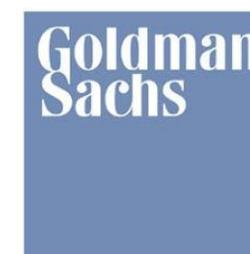
Caixin Reporter

qinqinpeng@caixin.com

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Ownership limits lifted

- China has removed the ownership caps on banks in 2017, marking the beginning of the **2nd round of opening-up**. A foreign bank is allowed to take **as much as 51%** shares in a domestic bank.
- In April 2020, China **scrapped the limitations on the ratio** of foreign shareholding in securities and fund management firms, accelerating the pace of opening-up.
- Foreign-controlled joint venture securities houses (approved): **Nomura, Morgan Stanley, JPMorgan, UBS and Goldman Sachs**



Ownership limits lifted

- Wholly-owned mutual fund units in Shanghai (in application): *BlackRock, Fidelity, Schroders, Neuberger Berman*
- *JPMorgan* has already taken **majority control** of a China-based mutual fund joint venture this month.
- China will adopt a **negative list** for future financial opening-up associated with free trade agreements.

BLACKROCK



Schroders

NEUBERGER BERMAN

11 Measures for China's Further Financial Opening

Securities, funds and futures

- The time for the cancellation of the foreign equity ownership restriction for securities companies, fund management companies and futures companies has been brought forward from 2021 to 2020;

Wealth management

- Encouraging offshore financial institutions to participate in the establishment of and invest in the shares of the wealth management subsidiaries of commercial banks;
- Allowing offshore asset management institutions and the subsidiaries of Chinese banks or insurers to jointly invest in and establish wealth management companies that are share-controlled by the foreign party;

Bond

- Allowing foreign-invested institutions who engage in credit ratings operations in China to rate all types of bonds on the interbank bond market and exchange-traded bond market;
- Allowing foreign invested institutions to obtain A-category underwriting licenses for the interbank bond market;
- Further facilitating investment in the interbank bond market by offshore institutional investors.

Insurance

- The transitional period for the increase in the foreign equity ownership ceiling for personal insurance companies from 51% to 100% has been brought forward from 2021 to 2020;
- Cancellation of the requirement that domestic insurance companies collectively own no less than 75% of the equity in insurance asset management companies, and allowing foreign investors to hold more than 25%;
- Loosening the entrance requirement for foreign-invested insurance companies, cancellation of the requirement of a 30 year business term;
- Allowing offshore financial institutions to invest in the establishment and equity of pension fund companies;

Currency brokerage

- Supporting foreign investors to fully invest in the establishment of or obtain shares in currency brokerage companies;

Easy to enter, not that easy to survive

- **Equally-treated, but as a private firm**
- **Challenges of localization**
- **Negotiation with the local government**
- **Lack of qualified professionals**

Thank you!

Caixin Global Intelligence

Email: cgi@caixin.com

Twitter: [@caixin_intel](https://twitter.com/caixin_intel)

