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NEWSFLASH

Rapid Expansion to Foreign Participation in China Financial Sectors

Since China became a member of the World Trade Organisation in December 2001 and began developing links to the world economy, the liberalisation of the China financial sectors has been key, as well as the orderly relaxation of foreign exchange and capital controls. While the opening up of banking industry, securities companies, fund management company and insurance sectors have been carefully paced over the past decade, recent announcements of China's commitment on further opening up are bringing about the most rapid and widest opportunities for foreign participation.

For banking sector:

- From 30 June 2018, the limit on foreign ownership in commercial banks is removed, and equal treatment shall be given for foreign-invested banks and domestic banks. In addition, foreign banks shall be permitted to open both subsidiary and branches in China. The limit on foreign ownership in asset management companies is removed, and equal treatment shall be given for foreign-invested and domestic entities (this refers to the institutions for the management of non-performing loans and distressed assets in China banking sector).
- From 31 December 2018, the business scope of foreign-invested banks shall be substantially expanded, and there shall be no foreign ownership limit in financial assets investment companies or wealth management companies newly established by commercial banks. Foreign investments shall be encouraged in other banking & finance institutions, including trust companies, financial leasing companies, auto-finance, currency brokerage and consumer finance.

For securities, futures and fund management industries:

- Targeted to be in place by 30 June 2018, the limit on foreign ownership in securities companies, futures companies as well as fund management companies shall be raised to 51%, and shall be completely removed after 3 years. Sino-foreign joint venture securities companies shall no longer be subject to the requirement of having at least one Chinese securities firm as a domestic shareholder.
- Targeted to be in place by 31 December 2018, the restrictions on the scope of business of sion-foreign joint venture securities firms shall be removed, and there shall be level-playing field for foreign-invested and domestic institutions. This is a significant development long waited by foreign investment banks and securities brokerage firms for the potential prospects of full participation in China securities and capital markets.

For insurance sectors:

- Targeted to be in place by 30 June 2018, the foreign investment limit on investment in life insurance companies shall be raised to 51%. The restrictions on the business scope of foreign-invested insurance brokerage firms shall be removed, to create level-playing field for foreign-invested and domestic firms. Eligible foreign investors shall be permitted to operate insurance appraisal business or insurance agency business in Mainland China.
- Targeted to be in place by 31 December 2018, foreign insurance companies shall no longer be required to establish a representative office in China before setting up foreign-invested insurance companies.

Cross-border markets access is also significantly expanded, with the permitted daily quota of the Mainland-Hong Kong Stock Connect quadrupled from 1 May 2018. London-Shanghai Connect is to be established within 2018. In addition, the macro-prudential management of the "qualified domestic institutional investors" (QDII) framework for outbound investment in international markets shall be further developed. While details on this are still not available, this carries the potential that QDII and quota restrictions would be relaxed and more quota available soon.

Contact Details

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