

## CHINA COMMITS TO FURTHER OPEN UP ITS FINANCIAL INDUSTRY TO FOREIGN INVESTORS

On 10 November 2017, the State Council Information Office of China (SCIO) held a press conference, inviting the Deputy Minister of the Ministry of Finance, Mr. ZHU Guangyao to introduce the key achievements reached during President Trump's visit to China (2017 US-China meeting). Among others, Mr. Zhu announced a series of commitments of the Chinese government to further open up China's financial industry. These commitments demonstrate the Chinese government's continuing efforts to embrace foreign investors' involvement in China's economy and echo the market opening-up policy mapped out in the recently concluded 19th Congress of the Communist Party of China.

### THE GIST OF THE ANNOUNCEMENT INCLUDES:

- securities industry: a single foreign investor or multiple foreign investors in aggregate may hold directly or indirectly up to 51% shares (as opposed to the current 49% cap) in a securities company, mutual fund management firm or futures brokerage company. This foreign investment cap will be entirely lifted after three years upon implementation;
- banking industry: the current cap on shareholding by a single foreign investor (*i.e.* 20%) and by multiple foreign investors in aggregate (*i.e.* 25%) in a domestic commercial bank or a financial asset management company will be lifted; and
- insurance industry: the current cap (*i.e.* 50%) on shareholding in a life insurance company by a single foreign investor or multiple foreign investors in aggregate will be increased to 51% in three years, and this foreign investment cap will be entirely lifted after five years.

The Chinese government has reiterated its policy to further open-up the China financial market in the past. Recent prominent developments include allowing foreign assets managers to set up wholly foreign owned or joint venture private fund management firms as well as replacing the prior approval based system with a more streamlined filing system for unregulated foreign direct investment regime. However, this announcement during the 2017 US-China meeting, which sets out a relatively clear roadmap and timeline, is undoubtedly another milestone event after China committed to opening up its financial services industry upon its accession to the World Trade Organization. Although the implementation of the announced commitments will require amendments to the relevant regulations and rules, it can be expected that the relevant new rules may be issued quite soon.

For your ease of reference, we have prepared a table to set out a comparison between the current rules and the commitments made in the 2017 US-China meeting.

### Key issues

- Chinese government commits to further open up its financial market.
- Implementation of these commitments will require amendments to the relevant regulations and rules. It can be expected that the relevant new rules may be issued quite soon

| Type of Financial Institutions                                     | Current Cap(s)   | 2017 US-China Meeting   |
|--|--|---|
| <b>Securities Industry</b>   |  |   |
| Securities Companies   | <ul style="list-style-type: none"> <li>49% (by a single foreign investor or all foreign investors in aggregate)</li> <li>51% by qualified Hong Kong and/or Macao financial institutions</li> </ul>   | <ul style="list-style-type: none"> <li>51% (by a single foreign investor or all foreign investors in aggregate)</li> <li>100% after three years of implementation</li> </ul>  |
| Fund Management Companies (mainly engaged in mutual fund business) | <ul style="list-style-type: none"> <li>49% (by a single foreign investor or all foreign investors in aggregate)</li> <li>≥ 50% by qualified Hong Kong and/or Macao financial institutions</li> </ul> | <ul style="list-style-type: none"> <li>51% (by a single foreign investor or all foreign investors in aggregate)</li> <li>100% after three years of implementation</li> </ul>  |
| Futures Brokerage Companies  | <ul style="list-style-type: none"> <li>49% (by a single foreign investor or all foreign investors in aggregate)</li> </ul>   | <ul style="list-style-type: none"> <li>51% (by a single foreign investor or all foreign investors in aggregate)</li> <li>100% after three years of implementation</li> </ul>  |
| <b>Banking Industry</b>  |  |   |
| Chinese Funded Banks   | <ul style="list-style-type: none"> <li>20% by a single foreign investor</li> <li>25% by all foreign investors in aggregate</li> </ul>  | <ul style="list-style-type: none"> <li>The 20% (for a single foreign investor) and 25% (for all foreign investors) restrictions will be lifted</li> <li>The pre-establishment national treatment shall apply</li> </ul> |
| Financial Assets Management Companies                              | <ul style="list-style-type: none"> <li>20% by a single foreign investor</li> <li>25% by all foreign investors in aggregate</li> </ul>  | <ul style="list-style-type: none"> <li>The 20% (for a single foreign investor) and 25% (for all foreign investors) restrictions will be lifted</li> <li>The pre-establishment national treatment shall apply</li> </ul> |
| <b>Insurance Industry</b>  |  |   |
| Life Insurance Companies   | <ul style="list-style-type: none"> <li>50% (by a single foreign investor of all foreign investors in aggregate)</li> </ul>   | <ul style="list-style-type: none"> <li>In three years, 51% (by a single foreign investor or all foreign investors in aggregate)</li> <li>In five years, 100%</li> </ul>   |

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