CBIRC China's banking and insurance authority published twelve measures to further open up the financial sector

Recently, the chairman of the China Banking and Insurance Regulatory Commission (**CBIRC**), Mr Shuqing Guo, has unveiled twelve measures to further the opening up of the financial sector in China. Although no exact implementation timeline was given during the interview, the regulator has demonstrated its determination to promulgate such measures in the commentary and other publications on its website. We expect such measures will come into effect in the near term after further evaluation and research by CBIRC. We will summarise and analyse the proposed new measures in this article.

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1. Banking Sector

- Removing the ceilings on shareholding a single Chinese-invested bank or a foreign-invested bank has in a Chinese commercial bank (previously it was set at 20% for unrelated parties and 25% for related parties), in accordance with the principle of equal treatment between domestic and foreign investors

- Removing the total assets requirement of US$10 billion for foreign banks establishing a foreign-invested legal person bank in China, and the total assets requirement of US$20 billion for foreign banks establishing a branch in China

- Relaxing the restrictions on Chinese shareholders in Sino-foreign joint-venture banks, and removing the requirement that the sole or primary Chinese shareholder must be a financial institution

- Encouraging and supporting foreign financial institutions to engage in equity, operational and technical cooperation with banking and insurance institutions controlled by private capital

- Removing the approval requirement applicable to foreign-invested banks in operating RMB-related businesses, and allowing foreign-invested banks to engage in RMB-related businesses upon the commencement of their business operations, and

- Allowing foreign-invested banks to operate agency collection and payment business.

2. Insurance Sector

- Allowing offshore financial institutions to make an equity investment in foreign-invested insurance companies in China
- Removing the requirement that foreign insurance brokerage companies engaging in the insurance brokerage business in China must have been in operation for at least 30 years, and have total assets of no less than US$200 million;
- Allowing foreign insurance group companies to invest in and establish insurance institutions, and
- Allowing foreign-invested insurance group companies in China to establish insurance institutions with reference to the qualification requirements on Chinese-invested insurance group companies.

3. Other Financial Sectors

- Removing the total assets requirement of US$1 billion for offshore financial institutions making equity investments trust companies, and
- Loosening the entry policies for Chinese-invested and foreign-invested financial institutions investing in and establishing consumer finance companies, in accordance with the principle of equal treatment between domestic and foreign investors.

From the above specific measures, it is clear that the PRC regulator is looking to encourage participation by market players, attract more foreign investment as well as improve the management and competitiveness of the financial sector. Further to the amendments to a number of regulations last year in order to optimise the investment and operating environment for foreign investors, such twelve measures are expected to continue deepening the level of opening up. For example, in addition to the previous removal of the two-year representative office requirement for incorporating a foreign-invested insurance company, the regulator further extends the range of qualified foreign founders to a foreign insurance group. This will definitely ease the foreign insurance institutions' pressure in satisfying the relevant requirements.

The proposed new measures mainly focus on relaxing the entry requirements and restrictions on the business scope of the banking and insurance industries by upholding the overarching principle of equal treatment between domestic and foreign parties. More specifically, the measures

- diversify the channels and methods for foreign investors to access to the financial sector in China
- add to the permissible types of foreign institutions investing in or incorporating relevant companies in China
- remove certain quantitative requirements on shareholding by foreign investors
- remove the restrictions on proportion of shareholding by foreign institutions to a certain extent, and
- broaden the business scope of foreign-invested financial institutions so as to make consistent with that applicable to the corresponding financial institutions wholly owned by domestic investors.