China to open its doors to foreign banks

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Hainan Islands | Foreign banks and other financial services firms will be able to own majority stakes in Chinese banks, asset management firms and funds within months under long-awaited plans by Beijing to open up the country's financial institutions to offshore investors.

China's new central bank governor Yi Gang announced the move yesterday, confirming Beijing is serious about moving swiftly on President Xi Jinping's commitment a day earlier to open up the country to more foreign investment.

Mr Yi surprised an audience at the Boao Forum on China's Hainan Island when he used a panel discussion on monetary policy to announce the accelerated timetable for plans that will allow Australian and other foreign companies to eventually take full ownership of Chinese banks and financial asset management companies.

AMP chief executive Craig Meller, who was sitting on the panel with Mr Yi when he announced the measures, said it was "good news". However, the big Australian banks are not expected to rush into China.

Mark Whelan, ANZ Banking Group's head of institutional banking, indicated last week that the bank was unlikely to inject more capital into China when it was in the process of exiting minority stakes acquired as part of the bank's Asian expansion plan before the global financial crisis.

It was the first time China has provided a timetable for plans to open up its financial markets proposed at the 19th Communist Party Congress in October last year. The lack of detail had left many investors sceptical.

Mr Yi, who became governor of the People's Bank of China (PBOC) last month, said foreign investors would be able to invest in trusts, financial leasing, auto finance and consumer finance by the end of the year. There would be

Key points

China has put a timetable on plans to open up its markets to foreign banks.

Foreign investors will not need a Chinese securities company as a shareholder.

no ownership limits on foreign banks which set up new wealth management companies in China by the end of 2018. Foreign banks would be able to set up branches in China and be treated equally with local companies, he said.

The cap on foreign investors' shareholding in securities companies, fund management firms, futures firms and personal insurers would be increased to 51 per cent in "several months". The cap would be removed in three years.

The current requirement for foreign investors to have at least one Chinese securities company as a domestic shareholder would be removed. Foreign investors would also be allowed to run insurance broking and insurance assessment businesses in China under the changes, he said.

China would also launch measures by the end of the year to encourage foreign investment in trust financial leasing, automobile finance, currency broking and consumer finance.

Mr Yi also said China would not devalue its currency to cope with trade tension with the United States.

He announced plans to give Chinese investors access to UK stocks, and a four-fold increase in the value of stocks that can be traded on existing sharemarket links between Shanghai and Hong Kong each day from May.

This means the daily quota on the Shanghai-Hong Kong Link and Shenzhen Hong Kong Link would be adjusted to 52 billion yuan a day from 13 billion . The Hong Kong-domestic link daily quota would be increased to 42 billion yuan from 10.5 billion now.