

Client Update

China to Open Its Financial Sector Further to Foreign Investors

On November 10, 2017, China announced that it will substantially relax foreign ownership limits in life insurance companies and other financial institutions. This significant move was announced by Mr. Guangyao Zhu, a vice minister of the Ministry of Finance of China, a day after the meetings between China President Xi Jinping and U.S. President Donald Trump in Beijing. The specific decisions announced by Mr. Zhu include:

- The current 50% limit on foreign ownership in Chinese life insurance companies will be raised to 51% in three years, and will be removed entirely in five years.
- The current 49% limit on foreign ownership in Chinese securities companies, securities investment fund management companies and futures companies will be raised to 51%, and will be removed entirely in three years.
- Foreign ownership limits on investing in Chinese domestic banks and financial assets management companies will be removed. Current regulations restrict foreign investment in a Chinese domestic bank or financial assets management company to no more than 20% for a single investor and to 25% for all foreign investment. A financial assets management company generally refers to a company primarily engaging in the business of disposing non-performing bank loans.
- These decisions mark a significant development for foreign investment in the Chinese financial sector, a sensitive industry from which foreign investors have been largely sidelined for decades due to strict foreign ownership restrictions. These decisions were made at the general policy level and will require detailed implementation rules to be issued by the relevant Chinese regulatory authority, which are expected shortly. While it remains to be seen whether foreign-owned and domestic companies in the Chinese financial sector will be treated equally under the regulations and in practice, we expect that foreign investment in the Chinese financial industry, including acquisitions of stakes in existing Chinese financial sector companies by foreign investors, will significantly increase in the coming years.

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We continue to monitor developments in this area.

Please do not hesitate to contact us with any questions.

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