

China offers broader access to foreign banks and insurers

China has decided to further open up its insurance and banking sectors to foreign investors by revising relevant regulations. On 15 October 2019, the State Council published Order No. 720 to revise *the Regulation of the People's Republic of China on the Administration of Foreign-Funded Insurance Companies and the Regulations of the People's Republic of China on the Administration of Foreign-Funded Banks*.

In respect of the insurance sector, the revised regulations now explicitly permits foreign insurance group companies to set up foreign-funded insurance companies ("**FICs**") in China, and offshore financial institutions are allowed to invest in FICs. The revised regulations have also removed previous entry barriers which required a foreign insurance company to operate in the insurance business for more than 30 years and to set up a representative office in China and operate for 2 years before establishing FICs.

In respect of the banking sector, foreign banks are now allowed to establish branches and wholly foreign-owned banks ("**WFOB**") at the same time in China, as well as setting up branches and Sino-foreign joint venture banks ("**JV Banks**") simultaneously. The minimum USD 10 billion total asset requirements on the foreign shareholder of a WFOB or a JV Bank, together with the minimum USD 20 billion total asset requirement for foreign banks to set up branches in China, are all removed. The operating fund requirements for foreign bank branches have also been relaxed.

The permitted business scopes of WFOBs, JVs and foreign bank branches have also been expanded, with WFOBs and JVs now allowed to carry out the same scope of business as Chinese domestic banks. The revised regulations have also waived certain pre-existing conditions that foreign-funded banks were required to satisfy before conducting the RMB business, including the requirement that a foreign-funded bank shall be in business for more than 1 year before applying for carrying out the RMB business.

The minimum amount of each fixed-term Renminbi deposit for a foreign bank branch to accept from Chinese citizens is lowered from RMB 1 million to RMB 0.5 million.

The revised regulations will serve as incentives for foreign banks and insurers to enter the Chinese market and expand their business. The further opening-up of the Chinese market will essentially help to stimulate market vitality, promote competition in the banking and insurance sectors and form a more diversified market system.

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