

China relaxes restrictions on foreign participation in securities companies

December 29, 2007 - 02:25 BJT (18:25 GMT) Xinhua

China eased some of its restrictions on foreign participation in domestic securities companies in a revised regulation published on Friday.

The move honored a pledge made during a high-profile dialogue with the United States that concluded earlier this month.

The revised regulation allowed more foreign companies access to Chinese securities companies. They would be able to do so via more varied channels, said a China Securities Regulatory Commission (CSRC) official.

The new rule expanded foreign investors from securities companies alone, stipulated in the previous 2002 rule, to all financial institutions and common institutional investors.

Qualified investors would have to be in operation for five consecutive years, against the previously demanded 10 year minimum.

At least 30 employees of foreign investors were required to have the license to be engaged in a securities business, down from the previous 50.

For joint-venture securities companies, however, the maximum shares held by overseas investors was maintained and still capped below 33 percent.

Overseas investors could either hold shares of listed domestic securities companies via securities trading on the stock exchange or establish strategic cooperation with a Chinese partner to become its shareholder, the new regulation said.

The new regulation also outlined the regulatory supervision of such foreign participation.

Foreign investors would have to report the share purchase and suspend share trading if they wanted to buy a five percent stake or higher in a Chinese securities company. The CSRC would decide whether the related foreign investors were qualified shareholders.

Foreign investors would also need CSRC approval if they wanted to become the shareholder of a Chinese company as its strategic partner.

The new rule said shares held by an individual foreign investor in a listed Chinese company would be kept below 20 percent. Overseas investors as a whole were restricted to a combined maximum 25 percent.

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