

## China to deepen financial system reform

China vowed to deepen its financial system reform and promote more efficient financial intermediation in support of domestic demand, according to a fact sheet released in Beijing on Wednesday.

To meet the commitment, China would promote interest rate liberalization and consumer finance, said the economic track joint fact sheet of the first US-China Strategic and Economic Dialogue (S&ED).

It said China would accelerate the allocation of QFII quotas to \$30 billion and continue to allow foreign-invested banks incorporated in China that meet relevant prudential requirements to enjoy the same rights as domestic banks with regard to underwriting bonds in the inter-bank market.

China would gradually increase the number of qualified joint-venture securities companies that can participate in A-share brokerage, proprietary trading and investment advisory services subject to the condition of meeting relevant laws and regulations.

The country would also support qualified overseas companies to list on Chinese stock exchanges through issuing shares or depository receipts and continuously support qualified Chinese companies to be listed abroad, including in the United States, said the fact sheet.

From the US side, the country would pursue comprehensive reform of financial regulation and supervision to create a more stable financial system and to help prevent and contain potential future crises.

Regulation and supervision would be strengthened to ensure that all financial firms that pose a significant risk to the financial system will be well regulated, major financial markets will be strong enough to withstand system-wide stress and the failure of large institutions, and the government has the tools it needs to respond rapidly and effectively when problems arise, the fact sheet said.

The United States pledged to continue to have strong oversight of the Government Sponsored Enterprises (GSEs). Through Congressional action, the country remained committed to ensuring that the GSEs were able to meet their financial obligations, it said.

The country was committed to undertaking a process of exploring the future of the GSEs, including through seeking public input, and the US government resolved to report to Congress and the public by S&ED II.

In the joint fact sheet, China and the United States pledged continued close communication and coordination to promote financial stability and would work together to expedite the financial sector reform, to improve financial regulation and supervision, and to promote greater financial market transparency, so as to make their financial sectors more robust.

"We recognize the importance of ensuring sound regulation in our own countries and globally," said the fact sheet.

The two countries were undertaking IMF Financial System Assessment Programs (FSAPs) and would complete them in a timely manner, it said.

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Both countries would continue to promote convergence towards a single set of high quality global accounting standards and would continue discussions on financial reporting matters.

"The United States and China welcome continued dialogue between the bilateral competent authorities on the oversight of accounting firms providing audit services for public companies in the two countries based on mutual respect for sovereignty and laws," it said.

The two countries would also conduct technical exchanges

on the development of private pensions, and would share experiences and strengthen cooperation with regard to improvement of insurance regulation.

The first S&ED was held in Washington, D.C from July 27 to 28. The mechanism was jointly launched by Chinese President Hu Jintao and US President Obama during their meeting in April in London as a way to show elevation of the importance of China-US cooperation under the new historical circumstances.

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