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# China News Alert Issue 314

## Capital Markets

### Rules for China's international board being formulated

Liu Xiaodong, deputy general manager of the Shanghai Stock Exchange (SSE), said at the 8th China Financial Markets Conference that the formulation of rules for foreign companies' domestic listing was still in progress, and that the international board would be realised after pilot programs.

Liu said that the listing mechanism for foreign companies would take some time to complete. Some renowned international companies are probable candidates. According to his introduction, the SSE has already conducted a survey, in which many foreign companies said they wanted to be listed in the domestic market. However, the international board will certainly start with pilot programs, which currently have no timetable or list of companies to be included.

The launch date of the international board depends on the market environment. Many companies that were once profitable are currently not doing as well. Due to fluctuations in the international market, the profits of foreign enterprises are also not stable. Foreign companies' listing in China will rely on market circumstances, said Liu.

He also denied the rumour that hundreds of foreign companies meet with the listing requirements of the international board.

[Source: People's Daily](http://english.people.com.cn/90001/90778/90859/6809128.html) ([see archive](Rules_for_Chinas_international_board_being_formulated.pdf))

## Corporate

### Private and foreign capital welcome in central SOEs' restructuring

Private and foreign capital, as well as local state-owned assets supervisors, are welcome to take part in the restructuring of central State-owned enterprises (SOEs), said Li Rongrong, minister in charge of the State-owned Assets Supervision and Administration Commission (SASAC), in a recent interview with China Economic Net.

The SASAC currently has 132 centrally-administrated SOEs under its supervision and aims to reduce this number to between 80 and 100 by the end of 2010. "We will proceed as planned ... and our aim of restructuring won't change," Li said.

In answer to the question of how to promote the restructuring of the central SOEs, Li noted that mergers and acquisition between SOEs under the SASAC's supervision was not the best way to adjust resource allocation. "Private enterprises and foreign-funded enterprises are welcome in the restructuring of the central SOEs, as long as they can help to boost enterprise efficiency."

Li also noted that for better resource allocation, local state-owned assets supervisors may take over supervision of some central SOEs located outside Beijing; these enterprises are encouraged to go public.

According to data form the SASAC, by the end of 2008, China's state-owned assets totaled around 18 trillion yuan, 80 per cent of which belong to listed SOEs.

[Source: People's Daily Online](http://english.people.com.cn/90001/90778/90862/6810477.html) ([see archive](Private_foreign_capital_welcome_in_central_SOEs_restructuring.pdf))

### China to boost mergers in steel sector

China will encourage mergers and restructuring in the steel sector to help forge three to five producers with sharp international competitiveness, said the Ministry of Industry and Information Technology in a statement on its website.

A total of six to seven leading steel producers will be encouraged to implement strategic mergers and restructuring across the country, according to the ‘Guidelines to Promote Steel Sector Mergers and Restructuring'.

The guidelines were made to tackle domestic steel sector's structural problems like low industry concentration and a high percentage with backward production capacity, the statement said.

The ministry also mapped out the ‘Steel Sector Admittance Requirements'. It intends to regulate steel enterprises through enforcing standards on product quality, environmental protection, energy consumption, comprehensive utilisation of resources and production scale.

The ministry will publicise a list of enterprises that meet these standards.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-11/11/content_8948356.htm) ([see archive](China_to_boost_mergers_in_steel_sector.pdf))

### China sets up animation, performing arts and cultural communication giants

China has recently established a state-owned cartoon conglomerate, a performing arts group and a big cultural communication company.

The joint-stock venture, China Animation Group Corporation, has developed from two market-oriented companies affiliated with the Ministry of Culture. "The merger has been spurred by market demand, years of accumulation and government support," said Ouyang Jian, vice minister of culture.

China currently has about 10,000 animation companies but most of them are small and lacking in marketing capability and originality.

"The animation industry is also of great importance to the growth of teenagers," Ouyang said, "This is also a reason for our decision."

With the flood of western cartoon products into the Chinese market, China's domestic animation industry has shown a deficit since the 1980s.

The Chinese government has made an annual investment of 200 million yuan (US$29 million) into the cartoon industry since 2006 to boost original animation and facilitate the development of domestic companies.

Two other state cultural giants, China Oriental Performing Arts Company Limited and China Cultural Communication Group Corporation, were also set up

[Source: People's Daily](http://english.people.com.cn/90001/90782/6812048.html) ([see archive](China_sets_up_animation_performing_arts_cultural_communication_giants.pdf))

## Foreign Exchange

### Personal local and foreign currency exchange trial to be extended

To meet the personal demand for local and foreign currency, in August 2008 Beijing and Shanghai began a special trial business. This business has now been extended outside China's two main cities and improvements have been made to its management and regulations, according to an announcement made by the State Administration of Foreign Exchange.

The additional cities includes Tianjin, Shanghai, Jiangsu, Shandong, Guangdong, Beijing, Heilongjiang, Zhejiang, Fujian, Guangxi, Hainan, Yunnan, Xinjiang, Shenzhen, Qingdao, Xiamen, and Ningbo.

The extension of the trial includes: the granting of business to 13 provinces and autonomy regions together with 4 separate planning cities; further growth for franchised branch offices due to more licensed sectors; and simplified procedures for dealing with amounts less than US$500.

The extended trial business will support regions other than Beijing and Shanghai, namely, developed regions, world tourist centers and coastal open-ports, and provide them with more services, prolonged business hours, numbered convertible currencies, and flexible operations.

[Source: China Forex](http://www.chinaforex.com.cn/Default.aspx) (Link no longer active)

## Finance

### No change to current 'loose' monetary policy

China doesn't have a timeline for ending its "loose" monetary policy; a central banker said ahead of data likely to show the nation's economic recovery is strengthening.

China will maintain its policy stance "at present", Ma Delun, deputy governor of the People's Bank of China, told reporters in Mumbai, speaking through a translator.

The banks have flooded the economy with a record US$1.27 trillion of new loans this year, driving a recovery at the risk of asset bubbles and resurgent inflation. The State Council pledged on 21st October to maintain a "moderately loose" monetary policy, balancing the need for growth with managing "inflationary expectations".

Ma said policymakers were noting expectations for prices to rise and were able to use "all kinds of market-adjustment instruments".

He also echoed comments by central bank, Governor Zhou Xiaochuan, about China's currency, saying, "external pressure for the yuan to appreciate is not huge".

Industrial production climbed 15.5 per cent during October from a year earlier, the fastest pace in 16 months, according to a Bloomberg survey of 30 economists. Exports may have declined at the slowest pace this year.

Ma highlighted difficulties facing the world's third-biggest economy. "Trade in China hasn't recovered to the level of last year," he told reporters. "We have weak external and local demand."

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-11/11/content_8947491.htm) ([see archive](No_change_in_current_loose_monetary_policy_PBOC.pdf))

### Chinese mainland ready to sign financial MOU with Taiwan: spokesman

The mainland is ready to sign a memorandum of understanding (MOU) on financial supervision with Taiwan, said a government official.

Yang Yi, spokesman with the State Council Taiwan Affairs Office, did not give the exact time and place for the signing of the MOU. Yang said in a press conference that "as for the location, time and form of signing, the Chinese mainland would have no problem," but he did not elaborate on the exact meaning of his words.

The signing of a cross-Strait MOU was a prerequisite for both sides to establish financial branches and buy shares in financial institutions, said Yang.

Wu Nengyuan, a scholar on Taiwan issues, said in March that details on financial cooperation could not be discussed until an MOU on establishing the cross-Strait financial supervisory mechanism was signed.

He believed the signing would "remove obstacles and lay a foundation for the signing of a comprehensive agreement on economic cooperation between the mainland and Taiwan."

The Taipei Times newspaper quoted the head of Taiwan's "Executive Yuan" Wu Den-yih as saying the memorandum could be signed in the form of an exchange of letters.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-11/11/content_12432086.htm) ([see archive](Chinese_mainland_ready_to_sign_financial_MOU_with_Taiwan_spokesman.pdf))

### The CBRC and BNM signed MOU on cross-border supervisory cooperation

On 11 November 2009, the China Banking Regulatory Commission (CBRC) Chairman, LIU Mingkang, and the Governor of the Bank Negara Malaysia (BNM), Dr. Zeti Akhtar Aziz, signed a Memorandum of Understanding (MOU) on cross-border banking supervisory cooperation in Putrajaya Malaysia, which is dedicated to promoting supervisory cooperation in such fields as information sharing.

In line with the guidelines issued by the Basel Committee on cross-border banking supervision, the CBRC has been active in establishing formal supervisory cooperation mechanisms with overseas supervisory authorities.

Up to now, the CBRC has signed MOUs with 35 supervisory authorities from the U.S., U.K., Canada, Germany, Korea, Singapore, Kyrgyzstan, Pakistan, Hong Kong SAR, Macao SAR, Poland, France, Australia, Italy, Philippines, Russia, Hungary, Kazakhstan, Spain, Jersey, Turkey, Thailand, Ukraine, Belarus, Qatar, the Republic of Iceland, Dubai, Swiss, Netherlands, Luxemburg, Vietnam, Belgium, Ireland, Nigeria and Malaysia.

The signing of the MOU will promote the establishment of cooperation mechanisms between the CBRC and its overseas counterparts, help to promptly identify problems and unhealthy trends in the banking sector, provide bilateral risk early-warning functions, ensure the enforcement of due penalties on rule-breaking activities, and thereby promote the safe and sound development of banking institutions established across the nations.

[Source: CBRC official website](http://www.cbrc.gov.cn/english/home/jsp/docView.jsp?docID=200911115239DCE8E1B46634FF34EB6EB447B900) ([see archive](The_CBRC_and_the_BNM_signed_MOU_on_cross-border_supervisory_cooperation.pdf))

## Others

### China to tighten management of doctors to safeguard people's health

China's Ministry of Health will step up efforts to improve the management of doctors in the country to safeguard people's health. "The management of doctors is of great importance to the quality and safety of medical services as well as to people's health and safety," said health ministry spokesman Mao Qun'an.

China promulgated a law on licensed doctors in 1998 and the health ministry worked out examination rules for licensing doctors in the next year. Since then, the ministry had carried out 11 national examinations.

Mao said the ministry would make more efforts to implement the law and do a better job at regulating qualification exams and the registration of doctors. The ministry would also strive to inspect the practice of doctors and crack down upon illegal medical practice.

A recent case of medical malpractice had made headlines in the papers and websites over the last week. Xiong Zhuowei, a professor with Beijing University, died of pulmonary failure after undergoing spinal surgery in a hospital affiliated with the university at the age of 49 on 31st January 2006.

Her husband, Wang Jianguo, a professor of economics at Beijing University, filed a lawsuit against the hospital claiming some medical staff involved in his wife's operation were still students at the time, who were not allowed to practice medicine according to law. Beijing University First Hospital has refuted the charge.

The Beijing No.1 Intermediate People's Court issued a first-instance ruling in July that the hospital should pay Xiong's family compensation of 700,000 yuan (US$102,941). But Wang appealed to Beijing Higher People's Court, demanding the medical treatment be recognised as "illegal".

The "incident" attracted great attention from the public and medical workers but there was a difference in focus between the two, said Mao. "Students of medical school are future doctors and they are required to be interns in hospitals in their last phase of learning," said Mao. "For the growth of every future doctor, we should understand and support the work done by the medical students," he added.

[Source: Gov.cn](http://english.people.com.cn/90001/90782/6809678.html) ([see archive](China_to_tighten_management_of_doctors_to_safeguard_peoples_health.pdf))

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