

# **Development of and Supervision over Commercial Banks' Oversea Wealth Management on behalf of Clients**

**Yin Long Deputy Director**

**Business Innovation and Supervisory Cooperation Department**

**China Banking Regulatory Commission (CBRC)**

中法金融论坛 SINO-FRENCH FINANCIAL FORUM

**CSRC**

**AMF**

**SAC**

**PARIS  
EUROPLACE**

# Outline

---

**1**

**Increasing Demand for Global Portfolios**

**2**

**Development of and Supervision over Commercial Banks' Oversea Wealth Management on behalf of Clients**

**3**

**Current International Financial Market & Strategies**

---

## **I . Increasing Demand for Global Portfolios**

- Residents are building up their wealth.**
- Residents are focusing on domestic investment.**

# Residents Building up Wealth

---

## Individual Financial Assets Soaring

- Chinese residents' individual financial assets has grown from RMB37.6 billion in 1978 to RMB25.34 trillion in 2006, with the average annual nominal growth of 25% since the Opening-up and Reform.
- China's per capita GDP has increased from RMB7,858 in 2000 to RMB16,084 in 2006.
- In the first half of 2008, urban residents' per capita disposable income has reached RMB8,065, up 14.4% year-on-year; rural residents' per capita cash income RMB2,528, up 19.8% year-on-year.

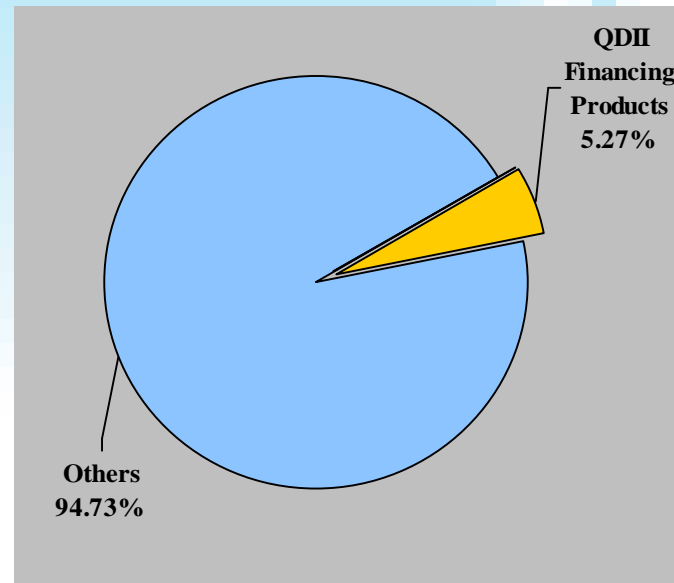
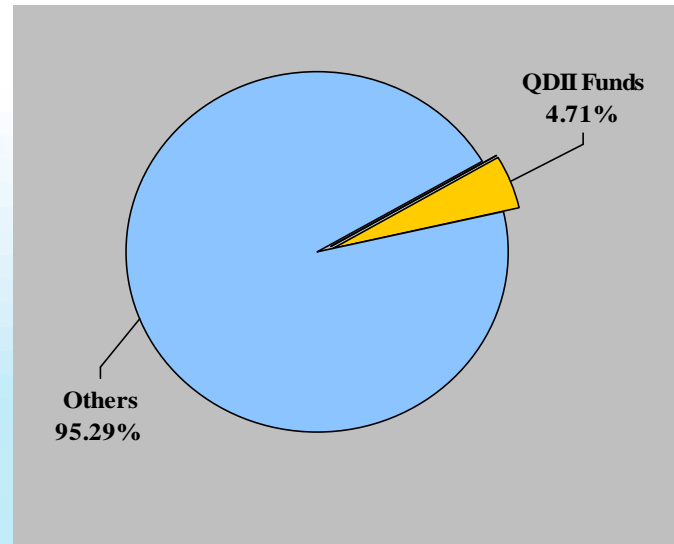
## Upward Trend in Wealth Concentration

- **By the end of 2007, China's Mainland had had 415 thousand rich people possessing over US\$1 million individual financial assets, 20.3% higher than that of 2006.**
- **By the end of 2006, China's Mainland had had 6,038 super rich people possessing over US \$30 million individual financial assets.**

\* Quoted from Capgemini & Merrill Lynch's *Asia-Pacific Wealth Report* in 2008

# Residents Focusing on Domestic Investment

- By Q1 of 2008, China's publicly offered funds had reached RMB2.6014 trillion and QDII fund RMB122.5 billion, accounting for 4.71% of total.
- By June 2008, the balance of domestic commercial banks' personal financial products had been up to RMB838.388 billion, including RMB44.176 billion QDII product balance, taking up 5.27% of total.



---

## II . Development of and Supervision over Commercial Banks' Oversea Wealth Management on behalf of Clients

- **Definition**
- **Significances**
- **Development**
- **Supervision Laws and Regulations**
- **Significant Regulatory Policies**
- **International Cooperation**

# Definition

---

## **Oversea Wealth Management on behalf of Clients**

**It refers to the operational activities in which qualified commercial banks invest investors' capital in designated financial products abroad entrusted by domestic institutions and individual residents.**

# Significance

---

- **To advance the RMB convertibility under the capital account;**
- **To be conducive to solving the balance of international payments;**
- **To help foreign financial institutions to balance capital operation;**
- **To assist domestic financial institutions to be familiar with global financial market and capable of self investment and management, thus improving awareness and abilities of risk management and strengthening competitiveness;**
- **To contribute to broader overseas investment channels for domestic residents, thus optimizing assets allocation, dispersing investment risks and elevating capital proceeds by utilizing global financial market.**

# Development

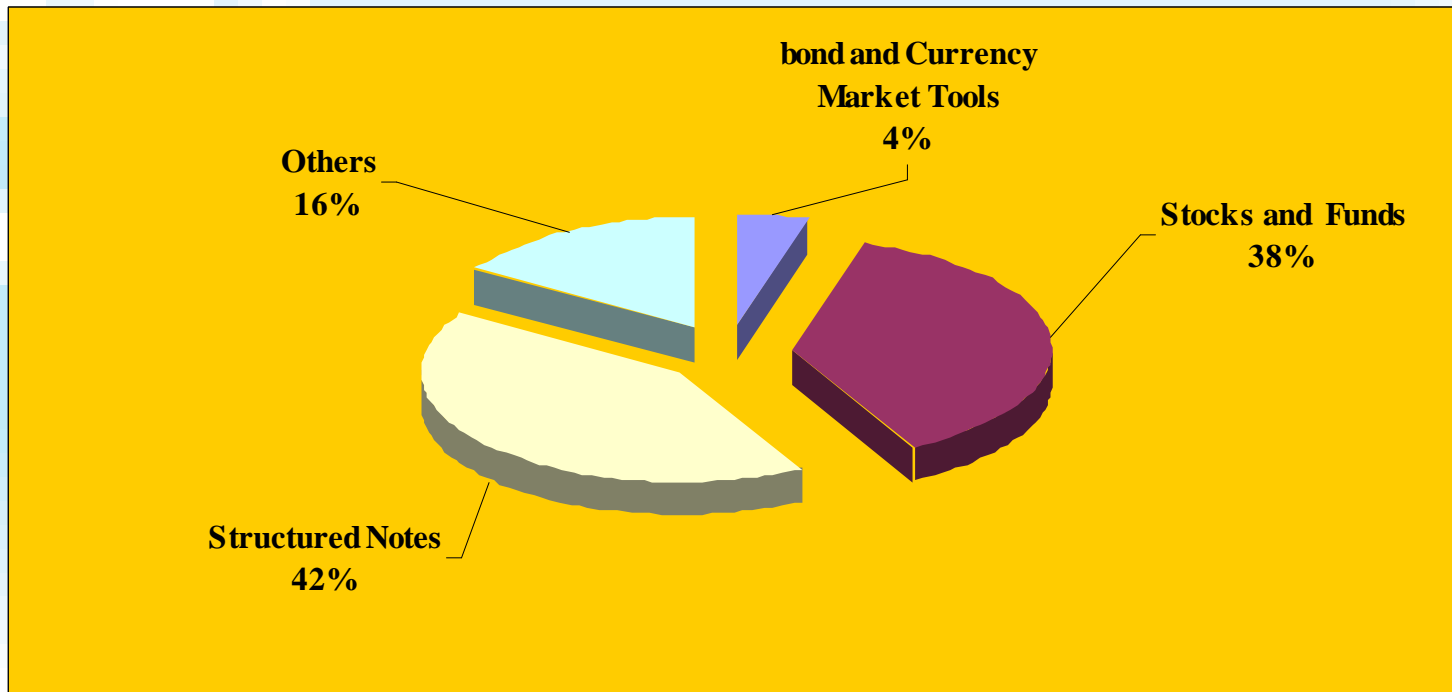
---

By June 2008,

- 13 Chinese banks and 11 foreign banks (24 in total) had been qualified to conduct oversea wealth management on behalf of clients;
- 13 Chinese banks and 9 foreign banks (22 in total) had gained US\$17.6 billion quotas of foreign exchanges purchased for overseas investment;
- 20 Chinese and foreign banks had offered 640 products of overseas wealth management on behalf of clients, with RMB financial products raising RMB45.861 billion and foreign currency financial products US\$1.646 billion;
- Used quota of foreign exchanges purchased for investment is less than 40% of the total.

---

## ■ Products Mainly Invested in Structured Notes, Stocks & Funds



# Supervision Laws and Regulations

---

April 18, 2006 The People's Bank of China, the CBRC and the State Administration of Foreign Exchange jointly published the “Provincial Measures for Administration of Commercial Banks to Launch Overseas Wealth Management on behalf of Clients”.

June 21, 2006 The CBRC issued the “Notice on Issues of Launching Overseas Wealth Management by Commercial Banks on behalf of Clients”.

May 11, 2007 The CBRC issued the “Notice on Adjusting Overseas Investment Scope for Commercial Banks' Overseas Wealth Management on behalf of Clients”.

# Significant Regulatory Policies

---

- To Restrict the Investment Scope of Products
  - No Investment in commercial derivative products, hedge funds and securities lower than BBB rating by internationally acknowledged rating agencies.
- Special Regulations on Products Directly Invested in Stocks
  - Invested stocks should be listed on foreign stock exchanges;
  - Capital invested in stocks should be less than 50% of the total net assets of a single financial product;
  - Capital invested in a single stock should be less than 5% of the total net assets of a single financial product;
  - A single client should have at least RMB300 thousand (or equivalent foreign exchange) sales volume at the beginning.
- To Select Counterpart Cautiously
  - Commercial banks should choose structured products issued by financial agencies rated by internationally acknowledged rating agencies with A rating or above when issuing products of overseas wealth management on behalf of clients to be invested in overseas structured products;
  - Commercial banks should select counterpart cautiously, pay attention to the collection of relevant information and strengthen contact and report with regulators by establishing a supervision and reporting system against counterpart risks.

# International Collaboration

- Since April 2007, the CBRC has signed regulation and collaboration memorandums on overseas wealth management on behalf of clients with 7 foreign regulators in succession.

<b>Countries/ Regions</b>	<b>Regulators</b>	<b>Date</b>
<b>Hong Kong</b>	<b>Securities and Futures Commission</b>	<b>Apr. 10, 2007</b>
<b>U.K.</b>	<b>Financial Services Authority</b>	<b>Oct. 26, 2007</b>
<b>Singapore</b>	<b>Monetary Authority of Singapore</b>	<b>Jan. 22, 2008</b>
<b>Japan</b>	<b>Financial Services Agency of Japan</b>	<b>Feb. 22, 2008</b>
<b>USA</b>	<b>Securities and Exchange Commission</b>	<b>Mar. 24, 2008</b>
<b>Australia</b>	<b>Australian Securities and Investments Commission</b>	<b>Jun. 10, 2008</b>
<b>South Korea</b>	<b>Financial Services Commission</b>	<b>Jun. 13, 2008</b>

中法金融论坛 SINO-FRENCH FINANCIAL FORUM

**CSRC**

**AMF**

**SAC**

**PARIS  
EUROPLACE**

# International Collaboration

---

## ■ Joint Working Group Established

- The CBRC established a joint working group with the State Administration of Foreign Exchange, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) in October 2006.

## ■ Jointly Holding Training Course and Symposium on Overseas Wealth Management on behalf on Clients

- The CBRC jointly held a training course with the HKMA and the SFC in June 2007.
- The CRBC jointly held a symposium with the Monetary Authority of Singapore in March 2008.

## ■ Irregular Communication and Exchange on Market Performance

---

## III. Current International Financial Market & Strategies

- Turbulent International Financial Market
- Strategies

# Turbulent International Financial Market

---

➤ **USA**

➤ **Europe**

➤ **Asia-Pacific**

中法金融论坛 SINO-FRENCH FINANCIAL FORUM

**CSRC**

**AMF**

**SAC**

PARIS  
**EUROPLACE**

# Strategies

---

- **To supervise counterpart risks**
- **To design investment products cautiously**
- **To educate investors**

---

# Thanks !

中法金融论坛 SINO-FRENCH FINANCIAL FORUM

**CSRC**

AMF  
Autorité des marchés financiers

**SAC**

PARIS  
EUROPLACE