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China moves towards opening up its financial sector



As we noted in a recent article about [China's One Belt One Road](#) project, China's President Xi Jinping is making decisive moves to position his country as a major global superpower. On Friday, China went one step further, scaling back ownership limitations which foreign investors in the Chinese financial sector are subject to. The move compliments Beijing's efforts to contain capital outflows, by creating a new channel for foreign money to flow into domestic markets.

The announcement which followed a meeting between Xi Jinping and President Trump, in which Mr Xi promised a more open environment for foreign companies, is perceived as a key move by China to assert itself as a global financial hub.

Bloomberg summarizes the details of the proposals:

- Foreign firms will be allowed to own stakes of up to 51% (formerly 49%) in firms involved in the futures, securities and funds markets; China will scrap foreign ownership limits for securities companies three years after the new rules are effective.
- The country will lift the foreign ownership cap to 51% for life insurance companies after

three years and remove the limit after five years.

- Banks and so-called asset-management companies will have their ownership limits scrapped.

This means that foreign firms can now gain access to a multi-trillion dollar financial services market with one of the fastest growth rates in the world. Major financial players have long been peripheral players in China's domestic market due to the limitations preventing them from owning majority stakes in local securities ventures, fund managers and insurers. We now expect to see major banks and other financial players expand deal-making and operations in China.

The long-term impact of an increased presence of large, reputable Western firms in China's financial sector is expected to improve transparency and garner more trust from foreign investors. This great step towards liberalisation could be overall bullish for emerging markets.

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