

The Unofficial Translation of the Four Main Aspects to Decree No.720 of the State Council on the Revisions to Foreign Investment

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<http://tradeinservices.mofcom.gov.cn/article/zhengce/zcid/201910/92361.html>

1. The law relaxes conditions for shareholders of proposed foreign banks and foreign banks intending to set up branches. The only or controlling shareholder of the proposed wholly foreign-owned bank, the foreign only or major shareholder of the proposed Sino-foreign joint venture bank, and the foreign bank itself must cancel any proposed joint venture banks the year before they intend to apply. The law also cancels the requirement for having a Chinese party as a sole or majority shareholder in order to establish a financial institution.
2. Restrictions will be relaxed on the establishment of branches and subsidiaries of foreign banks in China. Foreign banks can set up wholly foreign-funded banks and foreign bank branches in the territory of the People's Republic of China, or establish Sino-foreign joint venture banks and foreign bank branches to better meet the actual needs of foreign banks to expand their business in China.
3. Foreign-funded banking restrictions will be relaxed further. This means that in order to expand the scope of business for foreign banks, there will be increases in agent distribution, agency redemption, underwriting of government bonds, and agent payment. Therefore, there is a reduction in the threshold for foreign bank branches to absorb RMB deposits. The minimum amount required for foreign banks to absorb time deposits from Chinese citizens is reduced from RMB 1 million to RMB 500,000.
4. The last main point is an adjustment to regulatory requirements for working capital of foreign bank branches. Requirements for foreign bank branches to hold a certain proportion of interest-earning assets has been eased, and requirements have been waived for the share of RMB in the sum of working capital plus reserves and its RMB risk assets for branches of foreign banks whose capital adequacy ratio continues to meet the relevant regulations. Finally, proportional restrictions to enhance the autonomy and flexibility of the usage of foreign bank's assets will be implemented.

Translated by Matt Geraci