Implementing China’s WTO Commitments in Chinese Financial Services Law

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Abstract

To further open up China’s banking, insurance, securities and auto financing markets was one of the commitments China made on accession to the World Trade Organization in December 2001. By examining China’s implementation of these commitments in the past few years and the reform of China’s law and regulations in banking, insurance, securities and auto financing, this article attempts to explore, first, some of the issues raised in the WTO annual transitional reviews of China’s implementation, second, the economic impacts that the reform of China’s financial services law and regulations has brought about, and third, future reforms of China’s financial services law and regulations. The discussion includes different views from scholars and commentators and covers the approach taken by the Chinese government and financial regulators. The article points out that future reform of China’s financial services law and

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regulations depends upon, on the one hand, China’s continuous implementation of its WTO commitments and, on the other, the reforms in such other areas as foreign exchange, taxation, and the personal credit information network.

On accession to the World Trade Organization (WTO) in December 2001, China made a series of commitments to further open up its banking, insurance, securities and auto financing markets. The commitments are stated in detail in section 7 of the Schedule of Specific Commitments on Services, supplementary to China’s general commitments stated in the Protocol on the Accession of the People’s Republic of China and the Report of the Working Party on the Accession of China. Since then China has embarked upon the process of implementing these commitments and reforming its financial services law and regulations. This article attempts to examine some of the issues and problems raised in the WTO annual transitional reviews of China’s implementation. It then discusses the economic impacts that the reform of China’s financial services law and regulations has brought about. Finally it looks at perspectives of future reforms of China’s financial services law and regulations in the post-WTO context.

Banking

China’s WTO commitments on banking cover a wide range of banking services, including deposit services, lending of all types, financial leasing, all payment and money transmission services, guarantees and commitments, and foreign exchange trading for own account or for customers. In summary, China has made a commitment that upon accession foreign financial institutions are permitted to provide foreign currency services without client or geographical restrictions; that within two years after accession foreign financial institutions can provide local currency services to Chinese enterprises and within five years to all Chinese clients; that geographical restrictions to local currency business are to be phased out within five years; and that any existing non-prudential measures restricting ownership, operation, branching and licences are to be eliminated within five years after accession.

Upon accession, China promulgated the Regulations on Administration of Foreign-invested Financial Institutions on 20 December 2001, effective as of 1 February 2002 (hereinafter, 2001 Regulations). On