

**COMMUNICATION FROM THE SEPARATE CUSTOMS TERRITORY OF
TAIWAN, PENGHU, KINMEN AND MATSU**

Transitional Review Mechanism in connection with Paragraph 18 of
the Protocol on the Accession of the People's Republic of China

The following communication, dated 19 November 2003, from the Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is being circulated to the Members of the Committee on Trade in Financial Services.

1. We welcome the efforts made by the People's Republic of China to bring its regulations on financial markets into closer conformity with its WTO accession commitments in the area of financial services. It is a common belief that a transparent regulatory regime is as much in the interests of the Member as it is of its trading partners. The Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is therefore pleased to have the opportunity of this Transitional Review Mechanism (TRM) to raise the following comments and questions.

2. In line with our submission for the TRM process in 2002 (S/FIN/W/22), our first major concern continues to be the minimum capital requirements that apply to nearly all foreign-funded financial operators. In the case of working capital for banks, for example, the requirements range from RMB 100 million to 600 million per branch, which are excessively high by international standards. The requirement levels also tend to discriminate against smaller banks that wish to provide specialized services and, quite frankly, in terms of effective regulation, they do not appear to be necessary.

3. We understand that China is contemplating the reduction of the minimum capital requirements for foreign-invested insurance companies. We would like to see a similar approach being taken by China's relevant competent authorities in other financial sectors.

4. Our second concern relates to the multi-stage licensing process, an issue raised by several Members in the TRM exercise last year. The current licensing procedures for banks involve Initial Review and Final Approval stages. This also applies to foreign banks' representative offices wishing to upgrade their operation to branches after two years have elapsed, according to Article 7 of China's *Detailed Implementing Rules for the Administrative Regulations on Foreign-Invested Financial Institutions*. The process altogether could take more than 8 months, before a final decision of approval or denial is given.

5. In this connection, the Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu would like to quote from paragraph 308 of the Working Party Report for the consideration of China's relevant authorities. In this paragraph, China agreed that its "licensing procedures and conditions would not act as trade barriers to market access and would not be more trade restrictive than necessary."
