

**COMMUNICATION FROM THE UNITED STATES**

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 24 November 2003, from the Delegation of the United States is being circulated to the Members of the Committee on Trade in Financial Services.

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**Questions from the United States to China concerning Trade in Financial Services**

**I. INSURANCE**

1. In its Services Schedule, China committed to allow non-life firms to establish as a branch and allow internal branching in accordance with the lifting of China's geographic restrictions. In addition, in paragraph 313 of the Working Party Report, China agreed that it would not apply the qualifications for foreign insurers applying for a license to enter China's market to foreign insurers already established in China merely seeking authorization to establish branches or sub-branches. Notwithstanding these clear commitments, it is the United States' understanding that the China Insurance Regulatory Commission (CIRC) will not permit non-life firms already established in China, wishing to open branches, to do so unless they first establish as a subsidiary. Is this understanding correct? If so, please explain why China will not permit internal branching by foreign non-life firms established in China as a branch, consistent with the phase-out of China's geographic restrictions and in accordance with China's WTO commitments.

2. The United States welcomes the draft amendments to the *Regulations on the Administration of Foreign-Invested Insurance Companies*, which CIRC released for public comment in August 2003. Among other things, these draft amendments significantly reduce capital requirements, an important and highly welcome step. The United States is encouraged by the reduced capital requirements, but also notes that they may not be appropriate for certain insurance models.

- (a) Will China consider reducing the requirement for registered capital for low risk insurance models, with the RMB 200 million registered capital requirement becoming a ceiling rather than a uniform requirement?
- (b) Will China consider eliminating the redundant RMB 20 million capital requirement for branching?
- (c) Please indicate when China intends to issue these amendments in final form.

3. It is the United States' understanding that foreign insurance companies, unlike their domestic counterparts, are limited in the number of branches that they can open at one time and in the types of

geographic licenses that they are granted (as Chinese companies are licensed for an entire province and foreign companies are licensed only for a city).

- (a) Is the United States' understanding correct?
- (b) Please justify this differential treatment in light of China's WTO national treatment commitments.

4. Several foreign companies have ownership interests that exceed 50 percent in existing joint venture insurers. Please confirm that these existing joint venture insurers, and any other joint venture insurers for which CIRC subsequently approves more than 50 percent foreign ownership, will be allowed to expand geographically in their current ownership structure.

5. China has committed to open its pension market to international participation by 11 December 2004. What are China's plans for implementing this commitment? When will China circulate draft implementing regulations for public comment?

## **II. BANKING**

6. Pursuant to the *Regulations on the Administration of Foreign-Invested Financial Institutions* and the *Detailed Implementing Rules for the Regulations on the Administration of Foreign-Invested Financial Institutions*, China imposes minimum capital requirements for foreign banks, on a branch-by-branch basis, that remain extremely high by international standards. Is China reviewing these high capital requirements, as several Members have requested, to determine whether they are necessary and not overly burdensome for foreign banks? If so, what is the status of that review?

## **III. MOTOR VEHICLE FINANCING**

7. The United States welcomes the *Measures on the Administration of Automotive Financing Companies*, issued by the China Banking Regulatory Commission (CBRC) on October 3, 2003, and the *Detailed Implementing Rules for the Measures on the Administration of Automotive Financing Companies*, issued by the CBRC on 12 November 2003. These measures implement China's commitment to open up motor vehicle financing to foreign non-bank financial institutions.

- (a) In its Services Schedule, China had committed that its motor vehicle financing sector would be opened approximately two years ago. In light of the delay in issuing the necessary implementing measures, does China have any plans for expediting applications submitted to obtain motor vehicle financing licenses?
  - (b) The implementing measures impose extremely high minimum capital requirements. Will China review these high capital requirements, as other Members have also requested, to determine whether they are necessary and not overly burdensome for foreign non-bank financial institutions? In particular, does China have plans to apply these requirements to account for real differences in the risk profile of individual entities?
  - (c) What plans does China have to deregulate the interest rate that can be charged by motor vehicle financing entities?
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