

COMMUNICATION FROM JAPAN

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 30 August 2005, from the delegation of Japan is being circulated to the Members of the Committee on Trade in Financial Services.

Questions and Comments of Japan on the Implementation by China
of its Commitments on Trade in Financial Services

1. Japan recognizes and welcomes China's continuous efforts to implement its WTO commitments in financial services. Japan believes that liberalization in the financial services sector will not only enhance the efficiency of the sector, but also substantially contribute to the continued growth of the economy.

2. As Japan pointed out in last year's communication, regulatory transparency as well as consistency in implementing regulations is vital for China to enjoy the fruit of liberalization. Some Japanese non-life insurers operating in China, however, had difficulty in transforming branches into local subsidiaries, having experienced delays in the approval process by the Government of China.

3. In accordance with Paragraph 18 of the Protocol on the Accession of the People's Republic of China, which states that "China shall provide relevant information to each subsidiary body in advance of the review", and in the spirit of cooperation to render the TRM process most efficient and effective, Japan requests China to provide in advance of the regular meeting of the Committee on Trade in Financial Services responses and relevant information regarding the following questions and comments.

I. INSURANCE

4. Please confirm that China will, in accordance with its WTO commitments, remove the requirement for a cession of all lines of the primary risks for non-life, personal accident and health insurance business with an appointed Chinese Reinsurance Company.

5. In the last TRM, China responded that the authorities would relax the minimum capital requirements, depending on the improvement of the risk management system of foreign financial institutions and the development of China's regulatory framework. Please indicate whether China plans to relax the requirements for insurance companies.

II. BANKING

6. In relation to the paragraph 5, please indicate whether China plans to relax minimum capital requirements for banks.

7. Please confirm that China will, in accordance with its WTO commitments, further relax geographical restrictions for foreign banks as already reflected in its revised offer.

8. Japan understands that one of the licensing requirements for foreign banks wishing to engage in foreign exchange futures trading is that the amount of currency trading by the bank exceeds US\$ 20 billion in the previous year. Please provide a rationale for this requirement.

9. Please indicate whether China plans to introduce flexibility in the requirement for a newly established branch to engage in local currency business.

10. Please indicate whether China plans to introduce flexibility in applying quotas to foreign exchange funding.
