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Committee on Trade in Financial Services

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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 27 September 2006, 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 welcomes China's continuous efforts to implement its WTO commitments for financial services. Japan believes that liberalization in the financial services sector will not only enhance the efficiency of the sector, but contribute to China's overall economic growth. In this context, Japan continues to encourage China to make further efforts to ensure regulatory transparency, so that the benefits of liberalization will be maximized. Japan is of the view that there is still room for further improvement, in view of China's commitment to transparency as described in the Report of the Working Party on the Accession of China.

2. 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 to the following questions and comments.

I. INSURANCE

3. Article 11 of the Administration of Reinsurance Business Regulations requires direct insurance companies to solicit, from at least two reinsurance companies in China, reinsurance offers, the proportion of which must be more than 50 percent of the reinsurance to be ceded. Please confirm that Article 11 does not require any compulsory cessions, and that insurers operating in China are free to cede reinsurance abroad, given that no limitation is scheduled regarding cross-border trade in reinsurance.

4. Article 22 of the Administration of Reinsurance Business Regulations prohibits foreign insurers from engaging in reinsurance business with their affiliates. Please explain how this limitation can be justified when no limitation is scheduled regarding cross-border trade in reinsurance.

II. BANKING

A. FOREIGN EQUITY CAP

5. Please explain why China limits foreign equity participation to a maximum of 20 percent for a single foreign investor in existing Chinese domestic banks. This limitation appears to be in conflict with China's schedule of commitments where no limitations on the foreign equity participation are scheduled.

B. LOCAL CURRENCY RETAIL BUSINESS

6. It has been reported that China is planning to require foreign banks to be locally incorporated if they are to engage in local currency retail business. Please indicate if China plans to introduce such new requirement. If so, please explain how it can be justified in light of China's accession commitments.

III. PROVISION AND TRANSFER OF FINANCIAL INFORMATION, AND FINANCIAL DATA PROCESSING AND RELATED SOFTWARE BY SUPPLIERS OF OTHER FINANCIAL SERVICES

7. Article 4 of "Measures for Administering the Release of News and Information in China by Foreign News Agencies" requires foreign news agencies to get approval from Xinhua News Agency for releasing news and information in China, and prohibits them from directly soliciting subscription of their news and information services in China. Please explain how this can be justified in light of China's national treatment commitments in the financial service sub-sector "provision and transfer of financial information and financial data processing and related software by suppliers of other financial services".
