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Committee on Trade in Financial Services

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

<u>Transitional Review Mechanism Pursuant to Paragraph 18 of the Protocol of Accession of the People's Republic of China ("China")</u>

The following communication, dated 11 October 2007, 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.

Question from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Banking Services

- 1. China made the commitment in its Services Schedule accompanying the Protocol of Accession that "within five years after China's accession to the WTO, foreign financial institutions will be permitted to provide RMB business to all Chinese clients." However, according to Article 31 of the *Regulation on the Administration of Foreign-funded Banks*, promulgated by China on 11 November 2006, a foreign bank branch in China may not provide RMB business to Chinese citizens unless it takes, each time, a term deposit of not less than one million RMB from the Chinese citizens within the territory of China.
 - (a) It would be appreciated if China would confirm whether or not the above-mentioned restriction on retail RMB business also applies to domestic banks. Could China also please explain how such restriction can be in conformity with its accession commitments on market access?