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## Measures to boost wealth management products' competitiveness

By Jiang Xueqing | China Daily | Updated: 2018-12-04 10:05



The latest measures stipulate that public offering WMPs issued by the subsidiaries should mainly be in standardized debt assets and listed stocks. [Photo/VCG]

China's banking and insurance regulator said it will allow commercial banks' wealth management subsidiaries that are yet to be established to directly invest in public offering wealth management products they issue in the stock market.

This new rule is part of the administrative measures for the wealth management subsidiaries of commercial banks. Announced by the China Banking and Insurance Regulatory Commission on Sunday, the measures will increase the competitiveness of WMPs provided by these subsidiaries, compared with the existing WMPs of commercial banks, analysts said.

The latest measures stipulate that public offering WMPs issued by the subsidiaries should mainly be invested in standardized debt assets and listed stocks. The balance of investments in non-standardized assets should not exceed 35 percent of the net assets of WMPs.

This requirement is relaxed compared with the measures for the supervision and administration of the asset management business of commercial banks, said Li Shanshan and Xing Yanran, banking analysts at BOCI Research Ltd, in a report issued on Monday.

The administrative measures for asset management business require that non-standardized investments should not exceed 35 percent of the net assets of WMPs or 4 percent of the total assets of the bank, in addition to stipulating that public offering WMPs issued by the internal departments of banks are only allowed to enter the stock market indirectly through investments in mutual funds.

"The measures give the subsidiaries of commercial banks more flexibility in their operation. The requirement on the minimum sales amount to a single investor of WMPs has been canceled and risk tolerance assessment can be carried out through on-site or electronic channels before purchasing WMPs for the first time," said the BOCI Research report.

For WMPs issued by commercial banks, the minimum sales amount to a single investor is 10,000 yuan (\$1,452).

Zeng Gang, deputy director of the National Institution for Finance and Development, said: "Not setting a requirement on the minimum sales amount of WMPs issued by wealth management subsidiaries of commercial banks will significantly enlarge the scope of target clients for such products and will rapidly enhance the regulatory advantages of the WMPs issued by the subsidiaries over other asset management products."

In addition to banking and financial institutions, other institutions that have obtained regulatory approval can also sell the products of subsidiaries.

The scope of cooperative institutions is expanded, and commercial banks are encouraged to attract mature foreign financial institutions to invest in shares and introduce internationally advanced professional experience and management mechanisms.

Zeng said the administrative measures on commercial banks' wealth management subsidiaries will improve the strength of WMPs issued by the subsidiaries in many ways, such as allowing the products to invest in non-standardized products, expanding sales channels, and lowering the threshold for the minimum sales amount.

So far, around 20 commercial banks, including the four largest State-owned commercial lenders by assets, have announced plans to establish wealth management subsidiaries.



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