

Discover Thomson Reuters ...

Directory of sites

Login

Contact

Support



REUTERS

Business

Markets

World

UK

TV

More



BUSINESS NEWS

OCTOBER 19, 2018 / 4:18 AM / A YEAR AGO

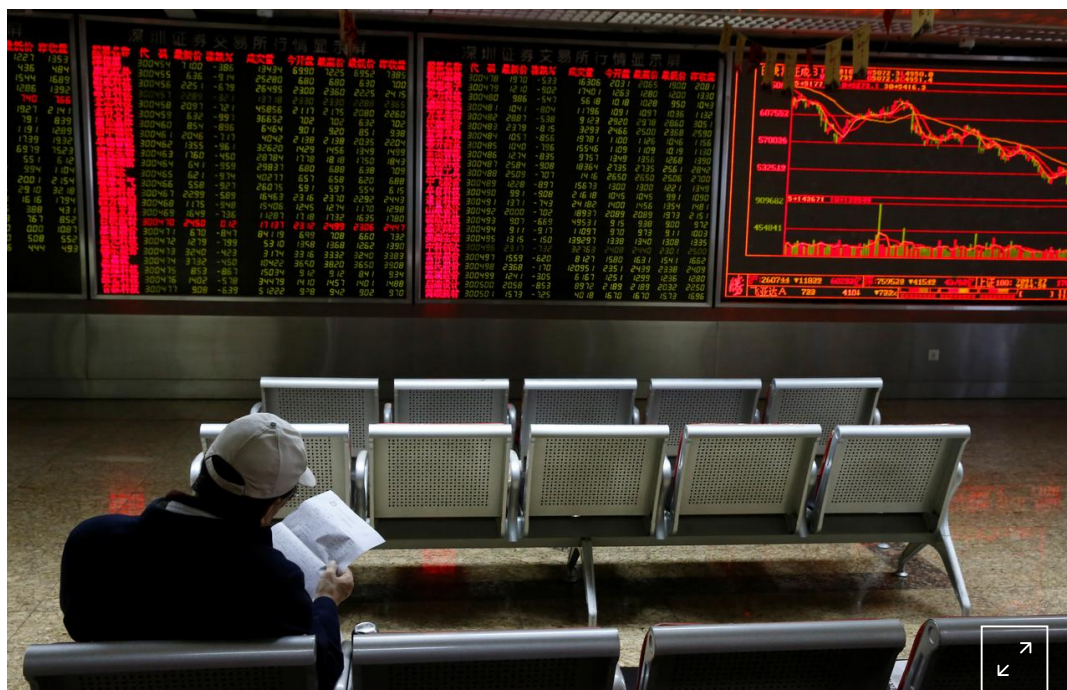
China to allow bank wealth-management funds to be invested in stocks

Shu Zhang, Engen Tham

3 MIN READ



BEIJING/SHANGHAI (Reuters) - China's banking regulator said on Friday it plans to start letting funds from products publicly sold by banks' wealth management subsidiaries be directly invested in shares.





earlier this year on risk hammered many financial institutions handling funds from wealth management products (WMPs).

The CBIRC announced the policy change in draft rules that allow banks to set up wealth management subsidiaries to strengthen risk management. The regulator is seeking feedback on the draft, which does not specify what percentage of such WMP funds can be invested in shares.

Li Qilin, chief economist at Lianxun Securities in Beijing, estimates the at most 20 percent of WMP funds could be invested in stocks, adding that some other constraints may limit the potential amount.

“Bank WMPs target investors with low risk tolerance and many of those products lean towards cash management,” said Li. “It’s unlikely to see massively investment in high-risk, high-volatility equity assets that can trigger large fluctuations of fund values.”

The outstanding amount of bank WMPs stood at 29.54 trillion yuan (\$4.26 trillion) at end-2017, according to official data.

Wealth management entities launched by China's banks will be asked to set aside a risk reserve fund, according to the draft rules.

The minimum registered capital for bank wealth management subsidiaries is 1 billion yuan, while the minimum investment requirement for investors in products sold by such entities has been scrapped.

Many of China's lenders have launched wealth management subsidiaries as Beijing ratcheted up its tightening of the way funds from WMPs could be invested.

Bank wealth management subsidiary investments in non-standard debt assets, typically referring to shadow loans, cannot exceed 35 percent of WMP products' net capital, the draft rules said.

The regulations encourage commercial banks to attract investment from foreign financial institutions in their wealth management subsidiaries.

Some of the rules "are kind of loosening control", said one person in the wealth management department of a large state-owned lender.

"Everything seems to be about boosting market confidence at this moment," she said.

(\$1 = 6.9347 Chinese yuan)

Reporting by Shu Zhang in Beijing and Engen Tham in Shanghai; Editing by Richard Borsuk

Our Standards: [The Thomson Reuters Trust Principles.](#)

PAID PROMOTIONAL LINKS

Promoted by [Dianomi](#)



How Far Does £1 Million Go in Retirement?

Fisher Investments UK



eToro

Has volatility made these 5 blue-chip stocks bargains?

eToro



Kepler Trust Intelligence

Banking on Britain's best companies despite Brexit

Kepler Trust Intelligence



The 2019 Gold Summit

A Gold Shock is Coming – Take Advantage Now!

The 2019 Gold Summit



Want to Retire Comfortably

Fisher Investments UK

MORE FROM REUTERS



Churchill's grandson says Brexit is sending UK's influence into...

04 Sept

'Chlorinated chicken' and a 'big girl's



Snap election on horizon after UK lawmakers vote to block 'no-deal'...

05 Sept



Former first lady of Honduras sentenced to 58 years in jail

05 Sept



Hong Kong leader pulls extradition bill, but too little

PAID PROMOTIONAL LINKS

Promoted by Dianomi

The India fund that outperformed by 10%
in 5 years

Sponsored by Kepler Trust Intelligence

Free Inheritance Tax & Retirement
Planning Seminars in Central London

Sponsored by Buckingham Gate FP

Has volatility made these 5 blue-chip
stocks bargains?

Sponsored by eToro

Japan: A bargain left behind by the global
bull run?

Sponsored by J.P. Morgan Asset Management

Looking to Retire Soon? Benefit from
These 99 Retirement Tips

Sponsored by Fisher Investments UK

A Gold Shock is Coming – Take Advantage
Now!

Sponsored by The 2019 Gold Summit



HSBC



Hargreaves Lansdown

Six Step Action Plan For A No-Deal Brexit

Sponsored by Hargreaves Lansdown

The not 'so wild' frontier markets

Sponsored by HSBC



Finding balance for The City
of London Investment Trust

Sponsored by Janus Henderson
Investors



How Far Does £1 Million Go
in Retirement?

Sponsored by Fisher Investments
UK



Find out how to become a
more sustainable, future-
focused business.

Sponsored by Centrica Business
Solutions

MORE FROM REUTERS



Hong Kong leader says China 'respects and supports' withdrawal of...

05 Sept

EU fears UK is rowing back on Irish border and 'level playing



Johnson: Corbyn first ever to turn down an election

04 Sept



MPs reject Johnson's request for early election

04 Sept

Boris Johnson's brother, Jo, resigns. citina familv vs

[Apps](#) [Newsletters](#) [Advertise with Us](#) [Advertising Guidelines](#) [Cookies](#)
[Terms of Use](#) [Privacy](#)



All quotes delayed a minimum of 15 minutes. See here for a complete list of exchanges and delays.

© 2019 Reuters. All Rights Reserved.