

China Central Government Approves Shanghai to Develop into an International Financial Centre and Shipping Hub by 2020 (No.1)

China's State Council on March 25 issued a guideline to make Shanghai an international financial center and shipping hub by 2020 (the “**Guideline**”). Bank and securities regulatory authorities, foreign-invested financial institutions and financial service practitioners and experts in Shanghai all feel excited about this national policy and believe that this is a great development opportunity for Shanghai under the current economic crisis. Before the approval of this Guideline by the central government, the Shanghai government has drafted or prepares to draft a set of related matching policies.

The matching policies to be issued by the Shanghai government include plans: i) to conduct trade settlement in Renminbi on a trial basis; ii) to develop over-the-counter markets for unlisted companies in the Yangtze River Delta region; iii) to allow foreign enterprises to issue Renminbi-denominated bonds in China; iv) to allow qualified foreign companies to issue Renminbi-denominated shares; v) to give priority to Sino-foreign securities and fund-management joint ventures to expand their business scopes; and vi) to encourage the development of private equity and venture capital companies in Shanghai.

Emerging as the “Chinese Wall Street”, Pudong New Area of Shanghai has been taking the lead in issuing new policy to encourage the development of private equity companies in Pudong New Area. According to this new policy, private equity companies registered in Pudong New Area will receive a one-time cash reward. The amount of such cash reward can go up as high as RMB15 million depending on the amount of the registered capital of a private equity company. Furthermore, executives of private equity companies may also get a subsidy from the government which equals to 40% of his or her annual salary income. Additionally, private equity companies having offices in Pudong New area can receive an office lease subsidy from the government, whereas executives of private equity companies may also receive a subsidy for the purchase or lease of housing in Pudong New Area.