China defines conditions for foreign takeovers of banks

2008-03-28 17:48:24 [Big Normal Small]   Comment

China's banking regulator has for the first time defined conditions under which foreign financial institutions may acquire control of domestic banks.

According to a draft released for comment by the China Banking Regulatory Commission (CBRC) on Thursday, "controlling shareholder" will refer to any corporation that "directly or indirectly holds more than 25 percent" of a bank's voting shares, including foreign financial institutions.

"Controlling shareholder" can also mean those who are entitled to manage a bank's financial and operational affairs, hold the right to dismiss and appoint members of the board or similar bodies, have majority voting rights on the bank's board, or any other condition the CBRC defines as having a controlling influence, it said.

Overseas financial institutions that wish to take control of Chinese banks must comply with prudential regulations, the draft stated without elaborating.

Other requirements include sound management, sufficient experience and a good record over the latest three years.

Funds used in the acquisition must be internally generated.

Foreign financial institutions also had to follow the rules imposed by other Chinese financial regulators, it said.

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