

Easier way to countryside

China plans to make it easier for foreign banks, such as HSBC Holdings Plc, to set up rural operations as the government seeks to boost funding for farmers, sources said.

Overseas banks will be allowed to manage operations in different counties through a single unit or a locally incorporated subsidiary, the sources said, declining to be identified before an announcement. Banks must now oversee rural businesses through offshore entities with separate teams for each unit.

"This will spare them the trouble of having to either find a management team locally for every rural subsidiary or send experienced bankers from outside China," said Roy Zhang, a Shanghai-based banking lawyer and partner at King & Wood, one of China's largest law firms. "It helps contain costs and makes management much easier."

China Banking Regulatory Commission (CBRC) will initially let two or three foreign financial firms operate under the new rules in a pilot program, the sources said. Current rules won't be formally revised until after the program is evaluated, they said.

China first eased rural banking rules in December 2006, allowing foreign firms such as HSBC and Citigroup Inc, along with local investors, to establish rural banks and loan companies in selected areas.

HSBC, Europe's biggest bank by market value, set up a rural bank in Suizhou, in Hubei province, in December, the only foreign-owned countryside lender so far. Citigroup, which has booked more than \$40 billion of credit losses and writedowns since the US subprime mortgage market collapsed, plans to set up at least 10 rural banks and loan firms in China, Zang Jingfan, CBRC's cooperative finance head, said in October.

HSBC will open a second rural bank in China in the third quarter, Executive Director Peter Wong said in Beijing on Monday. Wong, who's chairman of HSBC's rural bank in China, said running a countryside lender from outside the nation hasn't led to difficulties.

"We operate our China rural banking operations out of Southeast Asia, which is very familiar with Chinese culture and ways of doing business," he said in an interview.

Source:China Daily/Agencies