
New rules for brokers on wealth managing business

BEIJING, June 3 -- The China Securities Regulatory Commission has issued two pilot rules on wealth-management business by brokerage firms, in a bid to regulate the sector and stimulate its growth.

The rules, to take effect next month, said brokerage firms should own fund of no less than 100 million yuan (14.3 million U.S. dollars) and have more than two clients to conduct wealth-management business.

They are limited to investing no more than 200 million yuan out of their own money in a single wealth-management deal, and 15 percent of their net capital in all deals combined.

A single client can only have one investment account opened at the Shanghai Stock Exchange and one at the Shenzhen Stock Exchange.

Also, brokerage firms should deliver regular reports to the securities regulator about the planning of the scheme and its execution.

"The rules aim to protect the interests of investors and limit risk for brokerage firms and their clients," said Wei Tao, an analyst with China Securities Co Ltd. "Compared with proprietary trading, the risk from doing wealth-management business is much less, and the sector is expected to expand quickly."

Some brokerage firms have launched wealth-management products on a trial basis to diversify their sources of income.

"The rules will encourage more brokers to conduct the business and make it easier for them to win clients. Fund management firms could face more competition ahead," said Dai Ming, an analyst with Kingsun Investment Management Co Ltd.

According to the China Securities Journal, brokerage firms had 82.4 billion yuan in wealth-management funds by the end of April, far less than fund management firms' 2 trillion yuan.

But the regulator set a minimum threshold for fund management accounts of 50 million yuan. This will help brokers to win more clients who have less money to manage, said Dai.

(Source: Shanghai Daily)