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## Shorter lock-up time for foreign firms

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China has agreed to shorten the lock-up period of capital for more overseas institutional investors in its stock market in its latest move to open the capital industry to foreign participation.

Overseas government and monetary authorities, charity funds and donation funds are now subject to a 3-month lock-up period for the invested principal, down from one year, a joint statement issued by China and the United States said.

The statement, which was issued after the fourth Sino-US Strategic Economic Dialogue, said that open-end funds established by foreign institutions to buy yuan stocks will also have the lock-up period cut to 3 months from a year.

The statement didn't say when the change will happen. China's stock watchdog in 2006 shortened the lockup period for repatriation to overseas pension, insurance and mutual funds to three months from one year.

"The process to open the market is gradual but it's proceeding," said Wu Ke, a Zhongtian Investment Consulting Co analyst. "It will help boost foreign interest in local stock investment as they can bring their money back more quickly."

China introduced the Qualified Foreign Institutional Investor scheme in 2003, under which selected overseas institutions are allowed to trade yuan-denominated shares under specific quotas.

Amid lobbying from foreign financial firms to open the market more, China late last year agreed to raise the combined QFII quota to US\$30 billion after the initial US\$10 billion was used up.

China will also allow non-deposit-taking foreign financial institutions to provide consumer finance to local retail customers on the mainland, according to the joint statement. China will permit qualified foreign firms to list on its stock exchanges through issuing shares or depository receipts and allow qualified foreign incorporated banks to issue subordinated yuan-backed bonds, the statement said.

The Shanghai Stock Exchange has said it's looking to set up an international board to ease local listings by overseas-incorporated firms.

(Shanghai Daily June 20, 2008)

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