

CBRC may stiffen rules



China will ask foreign investors to commit to a lockup period of five years or more when they acquire stakes in Chinese banks, Liu Mingkang, chairman of China Banking Regulatory Commission (CBRC) said.

If Chinese commercial banks want to bring in foreign investors in future, the lockup period of shares held by those investors will have to be at least five years, Liu said at a meeting held at the Chinese Academy of Social Sciences on Tuesday. Liu didn't give details on when the new policy would be implemented.

Under current regulations, foreign investors are only required to make a three-year commitment on their holdings in Chinese commercial banks.

"Extending the lockup period of shares held by foreign investors can help ease the pressure Chinese banks will face in future," said Guohai Securities analyst Feng Wei.

Feng also pointed out that a longer lockup period will not become a burden for potential foreign investors.

"I believe US equity fund Newbridge Capital wouldn't mind a five-year lockup period as long as it remains the largest shareholder of Shenzhen Development Bank," Feng added.

But it won't be the same for foreign investors of China's State-controlled banks, who are unable to take control of those banks.

Agricultural Bank of China (ABC), the last unlisted member of the nation's big four State-controlled banks, declined to comment on what kind of impact the proposed new rule would have on its plans to go public.

Bringing a foreign strategic investor on board before a public listing was a model used by China's other three State-controlled banks as they underwent transformation. But it is not clear whether the same pattern will apply to ABC.

Chinese banks have been subject to persistent speculation about their foreign investors selling stake once the lockup period expires.

Shares of Industrial and Commercial Bank of China (ICBC), the country's largest bank by market value, surged after Goldman Sachs agreed not to sell at least 80 percent of the stake it holds in ICBC, until 2010.

In recent months, several foreign banks have sold stakes in Chinese banks to raise cash amid the

global financial crisis. These include Bank of America, which sold part of its stake in China Construction Bank, and Royal Bank of Scotland and UBS AG, both of which sold their entire stakes in Bank of China.

(China Daily 04/02/2009 page13)

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