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Plans progressing for foreign firms to list in Shanghai

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China is advancing its study of plans to allow foreign companies to list on the Shanghai Stock Exchange and may work out preliminary arrangements as early as this year, industry sources said yesterday.

The country is expected to step up communications with other nations in the coming months on the development of an international board in the city after concluding a deal with Britain on Monday for further stock-market reform, the sources said.

"China agrees to allow qualified foreign companies, including United Kingdom companies, to list on its stock exchange through issuing shares or depository receipts in accordance with relevant prudential regulations," the two countries said in a joint statement issued on Monday.

The agreement, reached by Chinese Vice Premier [Wang Qishan](#) and British Finance Minister Alistair Darling following a meeting in London, is set to pave the way for large British companies like HSBC to sell shares in Shanghai.

HSBC said in a statement yesterday that it "would like to be the first foreign bank to list in Shanghai if the authorities allow," and is working toward that goal. It did not give a specific timetable for a stock sale in the city.

Peter Wong, executive director of HSBC subsidiary Hongkong & Shanghai Banking Corp, said earlier this month that a Shanghai listing would consolidate HSBC's brand influence and raise funds for expansion in the Chinese mainland market.

Two years ago, China started to consider permitting foreign companies to issue yuan shares to help boost the status of its fledgling stock market on the mainland. But the program has proceeded slowly as regulators worked to ease investor jitters over a stock glut.

Program revived

The project entered the spotlight again after China's State Council issued a guideline in late March allowing Shanghai to prepare for allowing overseas companies to sell yuan-denominated shares and bonds on the city's bourse.

Other companies including Hong Kong-based Hang Seng Bank and the Bank of East Asia have also publicly expressed an interest in listing shares in Shanghai.

"Apparently, the program was revived," said a Beijing-based brokerage executive close to the

China Securities Regulatory Commission. "Preparatory work will be paced up, with the initial arrangement likely to be settled by year end."

Industry insiders said any public stock sale by an overseas company would not be likely to occur until at least late next year as there's a great deal of work to be done.

One key obstacle for foreign companies is that they will have difficulty switching the proceeds of their mainland listings into other currencies and repatriating the money as the yuan is not fully convertible.

Hu Xiaolian, head of China's foreign exchange regulator, indicated in London on Monday that the country won't likely move quickly to free up the yuan under the capital account.

(Shanghai Daily May 13, 2009)

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