



京華山一

Core Pacific - Yamaichi

Future trends in Greater China financial markets co-operation

and the evolving roles, opportunities, and implications for the financial services industry, businesses, and investors, from the perspective of Taiwan's financial industry

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MOU

Memorandum of understanding on financial cooperation between Taiwan & Mainland China.

❖ **Signed on Nov 16, 2009**

❖ **Effective on Jan 16, 2010**



ECFA

The Economic Cooperation Framework Agreement

❖ Will be discussed & may be signed in 2010.



Greater China vs. US market performance (2006-2009)

	% change
China A Shares	+39.3%
Hong Kong HSI	+9.5%
Taiwan TWII	+4.7%
Dow DJI	-16.3%
Nasdaq IXIC	-6.1%



Latest developments

- ❖ **China just launched index tracking stocks on the Chinese Mainland, Hong Kong, and Taiwan on 18 January 2010.**
- ❖ **Speed up ETFs products.**



Latest developments

- ❖ **Shanghai and Hong Kong just signed yet another MOU in further financial cooperation.**



Latest Developments

- ❖ **Economic Zone in Fujian and Taiwan**
(海峽西岸經濟區)
- ❖ **China State council issued a statement in May 2010.**



Greater China Area Equity Market Weights

		Listed companies	Market cap		Market cap USD mn	% share
Dec-09	HK Exchange	1319	17,874,300	HKD mn	2,302,974	36.7%
Dec-09	Taiwan Exchange	741	21,033,640	NT mn	661,914	10.6%
Dec-09	Shanghai B	54	85,535	RMB mn	12,528	0.2%
	Shanghai A	860	18,379,987	RMB mn	2,692,131	43.0%
Dec-09	Shenzhen B	54	95,675	RMB mn	14,014	0.2%
	Shenzhen A	455	3,984,450	RMB mn	583,606	9.3%
				Total	6,267,166	100.0%



We can foresee the financial markets co-operation in areas of:

- ❖ **More financial products;**
- ❖ **Dual-or even trio-listings;**
- ❖ **Large scale IPOs are allowed to be launched at the same time in China, Taiwan and Hong Kong;**
- ❖ **Mergers and acquisitions;**
- ❖ **Shares placements**
- ❖ **Financial advisory activities**
- ❖ **Bond issuance**
- ❖ **RMB clearing**
- ❖ **Large scale project financing**



Evolving roles:

- ❖ **Imposing more rules and regulations to maintain financial stability;**
- ❖ **Setting up currency exchange/conversion and clearing;**
- ❖ **Relaxation of capital inflows/outflows.**



Opportunities

- ❖ **Banks, insurance and brokerage firms are allowed to establish wholly owned subsidiaries**
- ❖ **Setting up of fund management houses and a variety of ETFs**
- ❖ **Future development of wealth management services across the Greater China region.**
- ❖ **Attract more global financial talents**



What are the implications for Taiwan financial industry?

- ❖ **Taiwan's banks are in a good position to tap the corporate financing and consumer banking markets in China.**
- ❖ **In addition, we expect increase of QDII quota for investments in the Taiwan markets;**
- ❖ **Taiwan's asset management companies are now qualified to apply QFII in mainland.**



What are the implications for Taiwan financial industry?

- ❖ Also, Mainland banks will set up their operations in Taiwan, thus relieving its unemployment problems;**
- ❖ Taiwan's financial industry will be allowed to gain access to the Mainland markets.**
- ❖ Financial stability would attract more foreign capital into Taiwan.**



What are the implications for investors?

- ❖ **Fewer restrictions on investing in China markets;**
- ❖ **More products to choose from, thus minimizing risk exposure via diversification.**



Future trends in the Greater China Area

- ❖ Integrate and expand debt financing platform.**
- ❖ Expand equity fund raising platform via A+T shares**



Future trends in the Greater China Area

- ❖ China, Taiwan and Hong Kong exchanges will see more cooperation in listing and supervision activities.**
- ❖ Will see much less control over capital movements;**
- ❖ RMB will become freely convertible into other major currencies in a few years' time;**
- ❖ Will begin the talks on introduction of a single currency 'Chinese dollar' (華元) for Mainland China, Taiwan and Hong Kong instead of developing 'Asian dollar' (亞元) first.**



The introduction of “Chinese dollar” (華元)

- ❖ **It is possible to establish a single currency for Mainland China, Taiwan and Hong Kong. At the moment, conditions are not ripe for this transition. However, at some point in the near future, we will see that the benefits of having a single currency far outweigh the costs. RMB will become freely convertible against other currencies in a few years time. The only condition that is lacking, as far as I can see, is the political will to make this happen.**



THANK YOU!