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Key Highlights from China's Top-Level Meeting on Next Cycle of Reforms

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TO: ICI Global Members

Asia Regulatory and Policy Committee SUBJECTS: International/Global RE: Key Highlights from China's Top-Level Meeting on Next Cycle of Reforms

On July 18, 2024, the leaders of the Chinese government concluded its four-day 20th Third Plenary Session (also known as the "Third Plenum").[\[1\]](#) Traditionally held every five years, the third plenums provide an outline of the broad reforms expected in the next political cycle, for example, the introduction of "open-door policy" in 1978 and the pledge of giving market competition a "decisive role" in allocating resources in the economy in 2013.

With this year's theme centered on further deepening reforms and advancing "Chinese-style modernization," the Third Plenum reiterated that China will continue its opening up policy and promote high-quality economic development. Innovation, green and low-carbon development, and consumption remain the key growth drivers specified for China's long-term development. Among others, at the Third Plenum policymakers agreed in high-level terms on the policy direction with regard to (i) reforms in the financial sector, (ii) the retirement savings system, and (iii) data sharing, as summarized below.[\[2\]](#)

Deepening Reforms in the Financial Sector:

- Promote the development of financial technology, green finance, financial inclusion, pension finance, and digital finance.
- Improve the capital markets by strengthening risk prevention and supervision, and promote long-term capital investment.
- Formulate "Financial Law" to enhance the financial regulatory system and bring all types of financial activities under supervision.
- Promote the opening up of the financial sector, including carefully expanding financial market connectivity schemes, supporting qualified foreign-owned institutions to participate in financial business pilot schemes, and optimizing the Qualified Foreign Investors (QFIs) scheme.

Enhancing Retirement Savings System:

- Expand the coverage of the Pillar 2 Enterprise Annuity scheme, and promote the development of the Pillar 3 private pension scheme.

Promoting Data Sharing:

- Strengthen the capacity of data security and governance, and establish an "effective, convenient and safe" cross-border data transfer mechanism.

Follow-Up Actions and Plans of Financial Regulators

The China Securities Regulatory Commission (CSRC) convened follow-up meetings internally to discuss the key message from the Third Plenum^[3] and the mid-year review of its work plan for 2024.^[4] In the second half of 2024, the CSRC will prioritize its work on, among others, (i) enhancing the supervision over trading, (ii) further deepening capital markets reforms, including to encourage the use of a wider range of capital market instruments (e.g., bonds and futures), (iii) optimizing the implementation rules for the registration-based regime for public listings, (iv) preventing and mitigating risks identified in the private fund sector, and (v) strengthening the effectiveness of supervision and enforcement.

The CSRC will also continue its focus on implementing the policy priorities identified by the State Council in April 2024 on strengthening the high-quality development of capital markets.^[5] Aiming to enhance the capabilities of securities, funds, and futures institutions in the next five years, and building an "adaptive, competitive, and inclusive" capital market by 2035, these policy priorities include:

- Strengthening the supervision of securities and fund management companies, for instance, on the qualifications for the shareholders and granting investment qualifications.
- Establishing fast-track approvals for ETFs to promote index investing.
- Strengthening investment research capabilities of fund management companies.
- Broadening the investible asset class for public funds.
- Steadily lowering the total expense ratio for public funds.
- Improving the investment frameworks for each retirement savings pillar i.e., Pillar 1 Basic Old Age Pension scheme, Pillar 2 Enterprise Annuity scheme, and Pillar 3 private pension scheme.

During a roundtable the CSRC hosted with foreign financial institutions with regard to the policy goals discussed at the Third Plenum,^[6] Chairman Wu encouraged the participation and recommendations from foreign financial institutions as the CSRC is exploring measures for further deepening the capital market reforms.

Separately, on July 26, 2024, the People's Bank of China finalized the amendments to the Administrative Provisions on Onshore Securities and Futures Investment Capital of Foreign Institutional Investors,^[7] in accordance with the policy directions identified at the Third Plenum to further opening up the financial sector and optimizing QFIs scheme. Effective from August 26, 2024, these amendments will (i) simplify business registration and optimize account management, (ii) relax the choice of currencies for remittance and repatriation, (iii) allow two-way transfer of capital across accounts of the same investor for the QFI and China Interbank Bond Market (CIBM) Direct Access programs, and (iv) align foreign exchange model of QFIs and CIBM Direct Access.

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Notes

[1] See The formulation of the CPC's landmark reform resolution, dated July 23, 2024, available at https://english.www.gov.cn/news/202407/23/content_WS669ee398c6d0868f4e8e9591.html.

[2] CPC Decision on Further Deepening Reforms, Advancing Chinese-style Modernization, dated July 21, 2024, available (in Chinese only) at https://www.gov.cn/zhengce/202407/content_6963770.htm.

[3] See CSRC's Party Committee Meeting on Key Messages of the 20th Third Plenum, dated July 19, 2024, available (in Chinese only) at <http://www.csrc.gov.cn/csrc/c100028/c7495396/content.shtml>.

[4] See CSRC Seminar on The Key Messages of the 20th Third Plenum cum Mid-Year Work Meeting, dated July 29, 2024, available (in Chinese only) at <http://www.csrc.gov.cn/csrc/c100028/c7496746/content.shtml>.

[5] See The State Council's Guideline on Strengthening Regulation, Preventing Risks, and Promoting the High-quality Development of China's Capital Market, April 12, 2024, available (in Chinese only) at https://www.gov.cn/zhengce/content/202404/content_6944877.htm.

[6] See CSRC Held Seminar with Foreign Institutions on Key Messages of the 20th Third Plenum and Deepening Capital Market Reforms, dated July 26, 2024, available (in Chinese only) at <http://www.csrc.gov.cn/csrc/c100028/c7496453/content.shtml>.

[7] See Optimize Capital Management for Onshore Securities and Futures Investment of Qualified Foreign Investors, and Steadily Promote High-Quality Opening-up of Financial Market, dated July 26, 2024, available (in Chinese only) at <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5414940/index.html>.

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