

Morgan Lewis

| Sectors | Existing/Prior Restrictions on Foreign Investors | "Open Up" Policies | Timetable | Recent Legislation Efforts |
|-------------------|--|---|----------------------|--|
| I. Banking | | | | |
| Banks | <p>Foreign ownership caps in Chinese domestic commercial banks, rural banks, and policy banks:</p> <ul style="list-style-type: none"> Individual foreign shareholder: 20% All foreign shareholders: 25% | <ul style="list-style-type: none"> To remove the ownership caps in foreign investors' investment into domestic commercial banks To offer equal treatment to both foreign-invested and domestic players | By June 30, 2018 | <p><i>The Implementation Measures of the China Banking Regulatory Commission (CBRC) on Administrative Licensing for Foreign-Invested Banks</i>, revised by CBRC and effective February 13, 2018</p> <p><i>The Notice on Matters Relating to the Further Relaxation of Control Over Foreign-invested Banks' Market Access</i>, issued by the China Banking and Insurance Regulatory Commission (CBIRC) and effective April 27, 2018</p> |
| | <p>Certain restrictions on scope of business on foreign banks in China:</p> <ul style="list-style-type: none"> One-year waiting period before a foreign bank branch or foreign-invested bank subsidiary can apply for Renminbi (RMB) banking services Foreign bank branch (as opposed to bank subsidiary) in China cannot provide RMB banking services to Chinese individual clients | <p>To substantially expand the business scope of, and offer equal treatment to, foreign-invested banks, including (but not limited to):</p> <ul style="list-style-type: none"> To remove the one-year waiting period for RMB banking services To allow foreign bank branches to provide RMB banking services and/or derivative transactions to Chinese individual/retail clients To allow foreign bank branches to conduct agency business for the issuance, acceptance, and | By December 31, 2018 | |

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| | | <p>underwriting of government bonds</p> <ul style="list-style-type: none"> To remove separate approval requirements for foreign-invested banks to provide custody of securities investment funds, overseas wealth management service, and custody service in relation to overseas wealth management | | |
| | <ul style="list-style-type: none"> A foreign bank shall de-register its bank branch in China if it converts its bank branch into a bank subsidiary in China | <ul style="list-style-type: none"> To allow foreign banks to open both bank subsidiary and bank branches at the same time | By June 30, 2018 | |
| Financial Asset Management Companies ¹ | <p>Foreign ownership caps:</p> <ul style="list-style-type: none"> Individual foreign shareholder: 20% All foreign shareholders: 25% | <ul style="list-style-type: none"> To remove the ownership caps in financial asset management companies To offer equal treatment to both foreign-invested and domestic players | By June 30, 2018 | |
| Other Non-Bank | | <ul style="list-style-type: none"> To apply the new foreign investment policies to other | By June 30, 2018 | |

¹ Under Chinese law, "financial asset management companies" refer to asset management companies that are set up for the purpose of acquiring distressed/non-performing loans from state-owned commercial banks.

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| Financial Institutions | | non-bank financial institutions, including trust, financial lease, auto finance, currency broker, and consumer finance firms | | |

II. Securities & Funds

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|------------------|---|--|----------------------|---|
| Securities Firms | <ul style="list-style-type: none"> Foreign ownership cap: 49% At least one Chinese shareholder must be a securities firm The Chinese securities firm shareholder must hold no less than 49% of the joint venture securities firm | <ul style="list-style-type: none"> Foreign ownership cap: 51%, allowing foreign controlling stake in joint venture securities firms To allow wholly foreign-owned securities firms three years after implementation To remove the requirement that one Chinese shareholder must be a securities firm To remove the requirement that one Chinese shareholder must hold no less than 49% | By June 30, 2018 | CSRC promulgated the <i>Administrative Measures for Foreign-Invested Securities Firms</i> on April 29, 2018. The Administrative Measures have reflected the proposed regulatory changes |
| | Limited scope of business for foreign-invested securities firms as follows: <ul style="list-style-type: none"> Underwriting and sponsorship of stocks (including RMB-denominated | To remove the limited scope for foreign-invested securities firms and apply the general scope of business applicable to domestic securities firms, including the following: | By December 31, 2018 | |

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| | <p>A shares and foreign currency-denominated shares) and bonds (including treasury bonds and corporate bonds)</p> <ul style="list-style-type: none"> • Brokerage of foreign currency-denominated stocks • Brokerage and self-trading of bonds (including treasury bonds and corporate bonds) • Any other businesses approved by CSRC | <ul style="list-style-type: none"> • Securities brokerage • Securities investment consultancy • Financial consultancy relating to securities trading and securities investment activities • Securities underwriting and sponsoring • Self-operated securities business • Securities asset management • Other securities businesses | | |
| Strategic Investment by Foreign Investors in Listed Chinese Securities Firms | <p>Foreign ownership caps:</p> <ul style="list-style-type: none"> • Individual foreign shareholder: 20% • All foreign shareholders: 25% | <p>Foreign ownership caps:</p> <ul style="list-style-type: none"> • All foreign shareholders: 51% | By June 30, 2018 | |
| Securities Investment Fund Management Firms | <ul style="list-style-type: none"> • Foreign ownership cap: 49% | <ul style="list-style-type: none"> • Foreign ownership cap: 51%, allowing foreign controlling stake in joint venture • To allow wholly foreign-owned | By June 30, 2018 | |

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| | | securities investment fund management firms three years after implementation | | |
| Futures Companies | <ul style="list-style-type: none"> Foreign ownership cap: 49% | <ul style="list-style-type: none"> Foreign ownership cap: 51%, allowing foreign controlling stake in joint venture To allow wholly foreign-owned futures companies three years after implementation | By June 30, 2018 | CSRC released the <i>Circular on Seeking Public Comments on the Administrative Measures for Foreign-invested Futures Companies (Draft for Comment)</i> on May 4, 2018 |
| III. Insurance | | | | |
| Insurance Companies | <ul style="list-style-type: none"> Operating a representative office for two years before opening an insurance company in China | <ul style="list-style-type: none"> To remove the two-year waiting period for foreign-invested insurance companies | By December 31, 2018 | The China Insurance Regulatory Commission (CIRC) amended the <i>Implementation Regulations for Administration of Foreign-Invested Insurance Companies</i> on February 13, 2018. However, the proposed changes have not yet been reflected |
| Life Insurance Companies | <ul style="list-style-type: none"> Foreign ownership cap: 50% | <ul style="list-style-type: none"> Foreign ownership cap: 51%, allowing foreign controlling stake in joint venture To allow wholly foreign-owned life insurance companies five years after implementation | By June 30, 2018 | |
| Insurance Public Adjusters | <ul style="list-style-type: none"> Operating a representative office for two years before opening an | <ul style="list-style-type: none"> To encourage foreign investors to set up insurance public adjustment companies in China | By June 30, 2018 | CIRC amended the <i>Regulatory Provisions on Insurance Public Adjusters</i> , which |

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| | <p>insurance public adjustment company in China</p> <ul style="list-style-type: none"> Foreign-invested insurance public adjusters can only provide assessment, inspection, loss adjustment, and related risk assessment for an insured object or insured event for foreign-invested enterprises in China | | | <p>took effect on May 1, 2018. However, the new regulation does not repeal the old regulation that contains the restrictions on foreign-invested insurance public adjusters</p> |
| Insurance Brokerage Firms | <p>Limited scope of business for foreign-invested insurance brokerage firms as follows:</p> <ul style="list-style-type: none"> Large commercial insurance brokerage, reinsurance brokerage International shipping, aviation, and transport insurance and their reinsurance brokerage | <ul style="list-style-type: none"> Substantially expanded the business scope of, and offered equal treatment to, foreign-invested insurance brokerage firms | By June 30, 2018 | <p>CIRC amended the <i>Regulatory Provisions on Insurance Brokerages</i>, which took effect on May 1, 2018</p> <p>CBIRC issued the <i>Notice on Expanding Business Scope of Foreign Invested Insurance Brokerage Companies</i>, which took effect on April 27, 2018</p> |
| IV. Payment Services | | | | |
| Third-Party Payment Service | <ul style="list-style-type: none"> In practice, PBOC previously did not grant payment service license to | <ul style="list-style-type: none"> Allow foreign-invested companies to apply for third-party payment | From March 19, 2018 | <p>PBOC issued the <i>Announcement on Matters Relating to</i></p> |

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| | foreign-invested companies | service license, and to provide domestic and cross-border online payment and acquiring services in China | | <i>Foreign-invested Payment Institutions</i> on March 19, 2018 |
| V. Cross-Border Stock Connect | | | | |
| London-Shanghai Stock Link | | <ul style="list-style-type: none"> Try to open a stock trading link with the London Stock Exchange, allowing Chinese investors to access stocks listed in London and vice versa | By December 31, 2018 | |