

First Chinese –Swiss Financial Round Table

Development and Outlook of China Asset Management Sector

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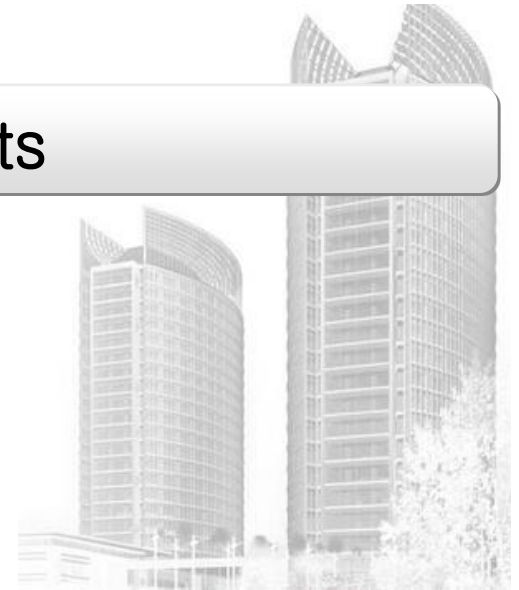
June 27, 2014



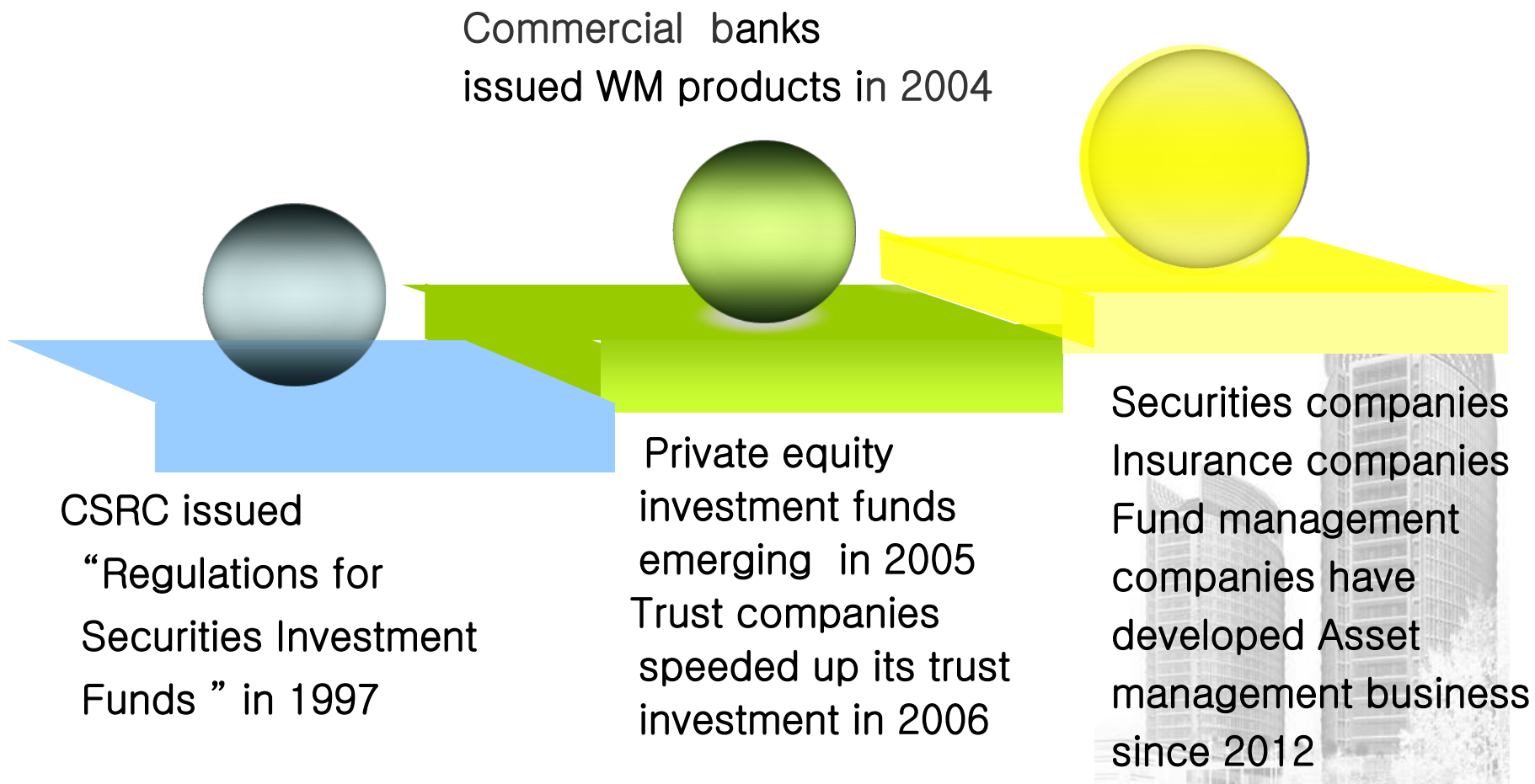
01 China's asset management development profile

02 Opportunities and challenges

03 China-Swiss: Cooperation prospects

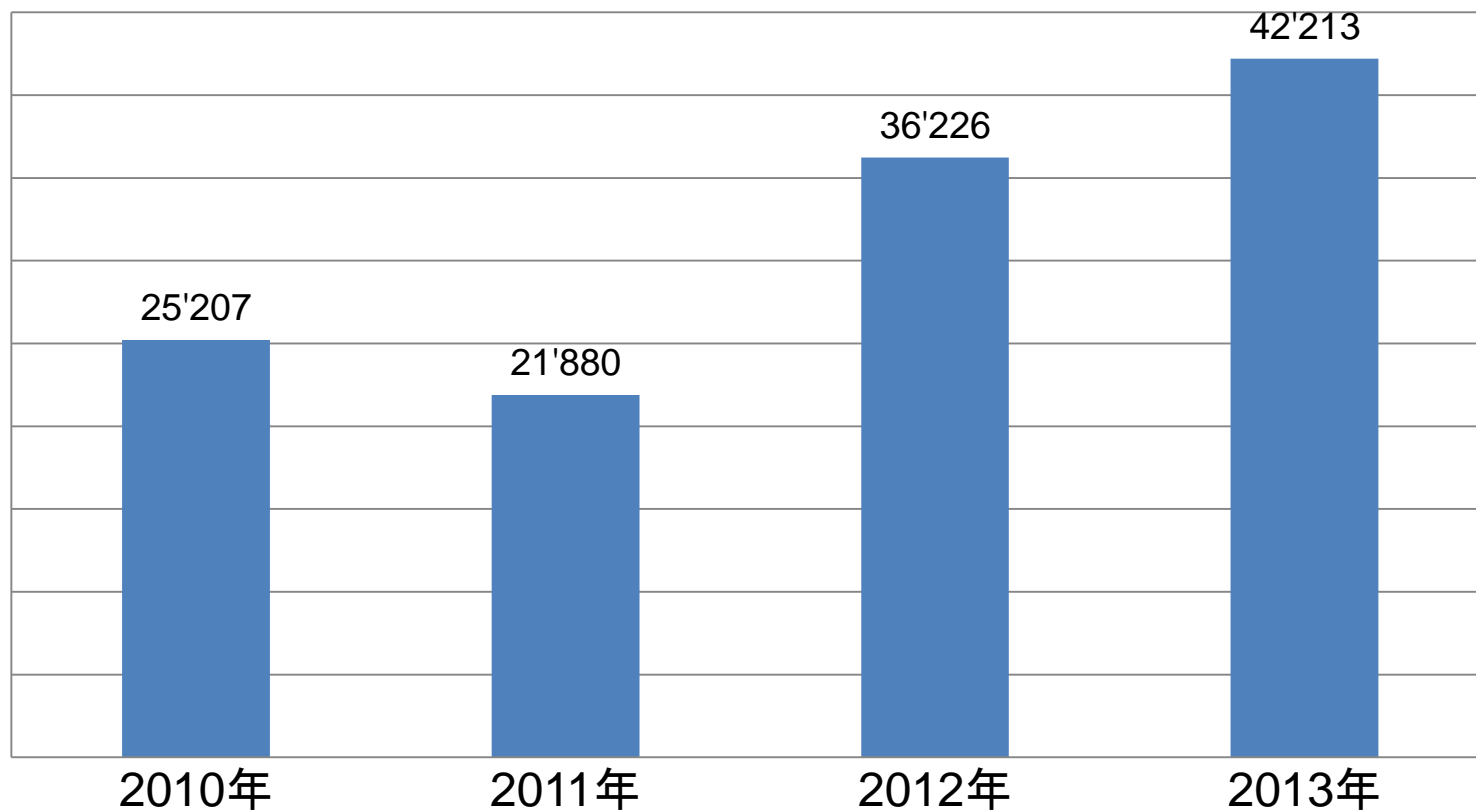


China's asset management development profile

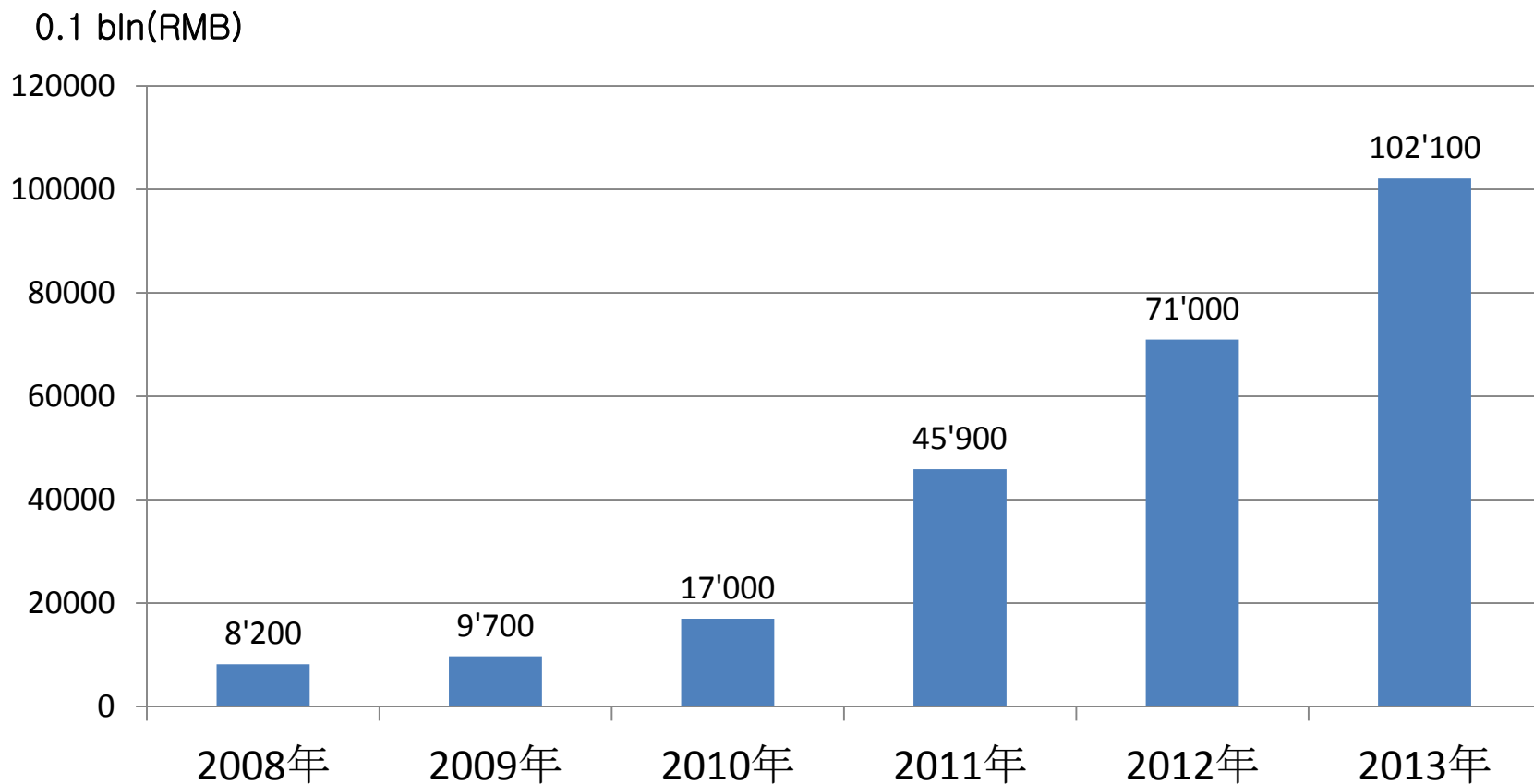


Asset Under Management (AUM) growth of Fund Management Companies

0.1 bln Yuan (RMB)

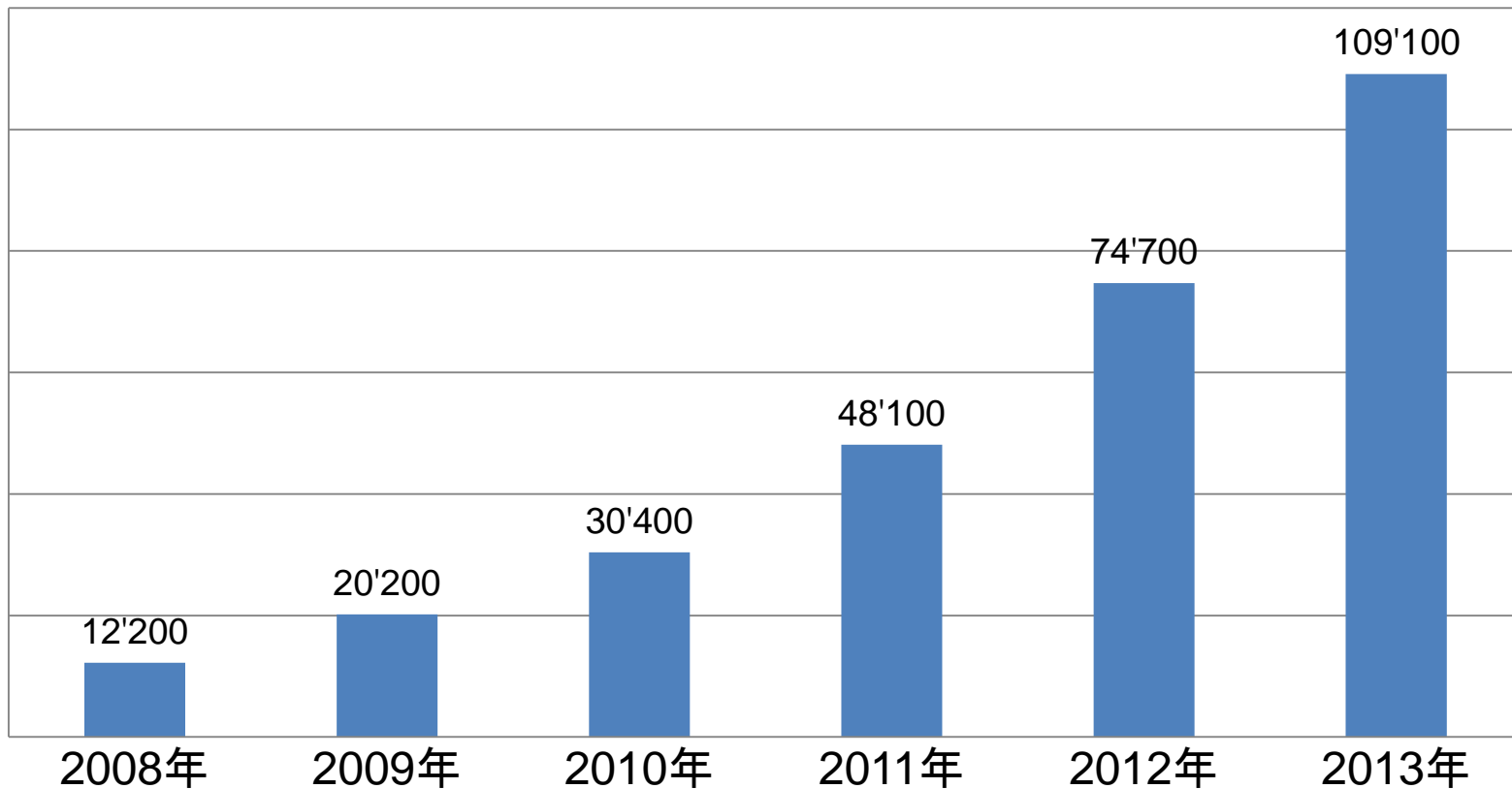


AUM growth of Commercial banks



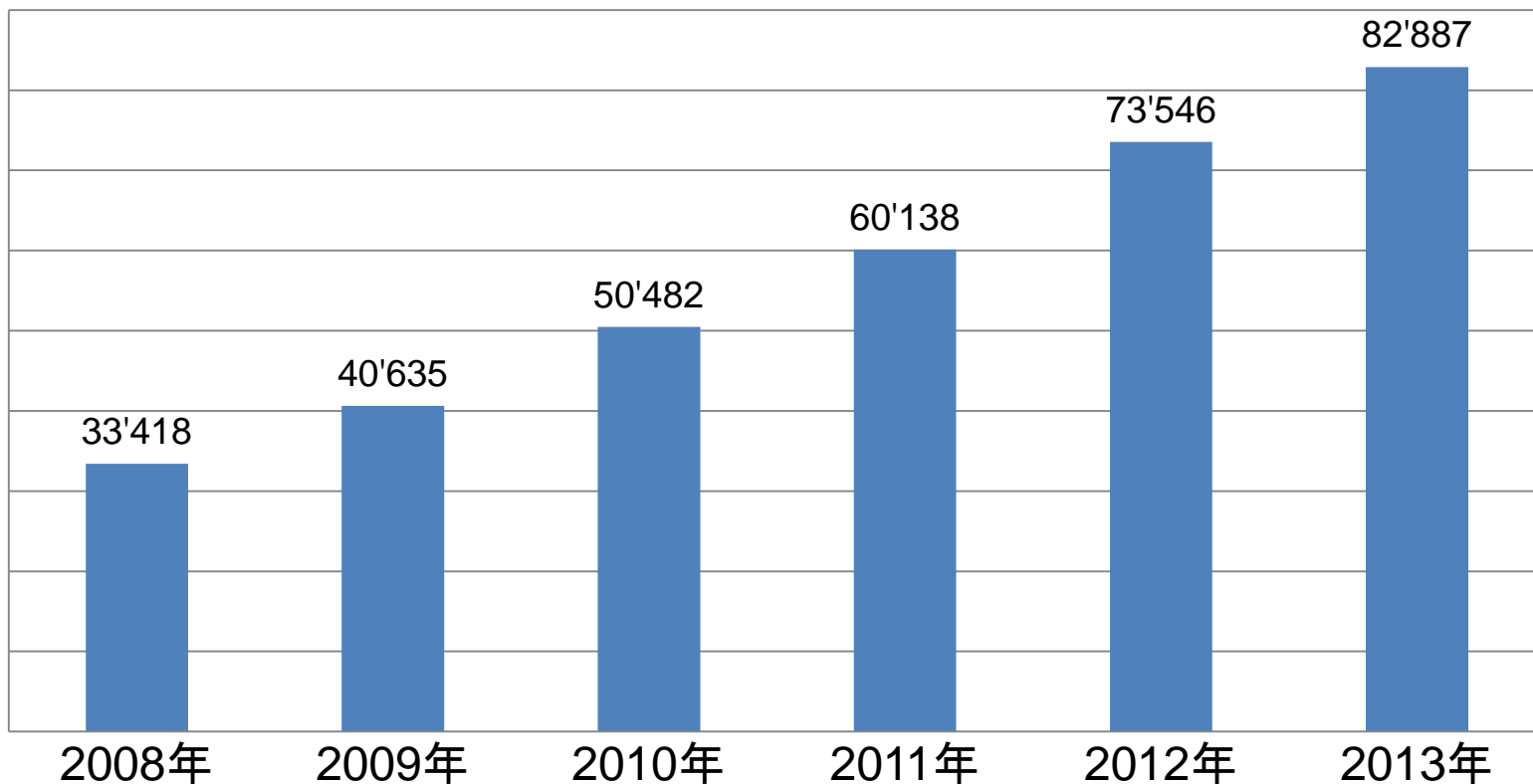
AUM growth of Trust Companies

0.1 bln (RMB)



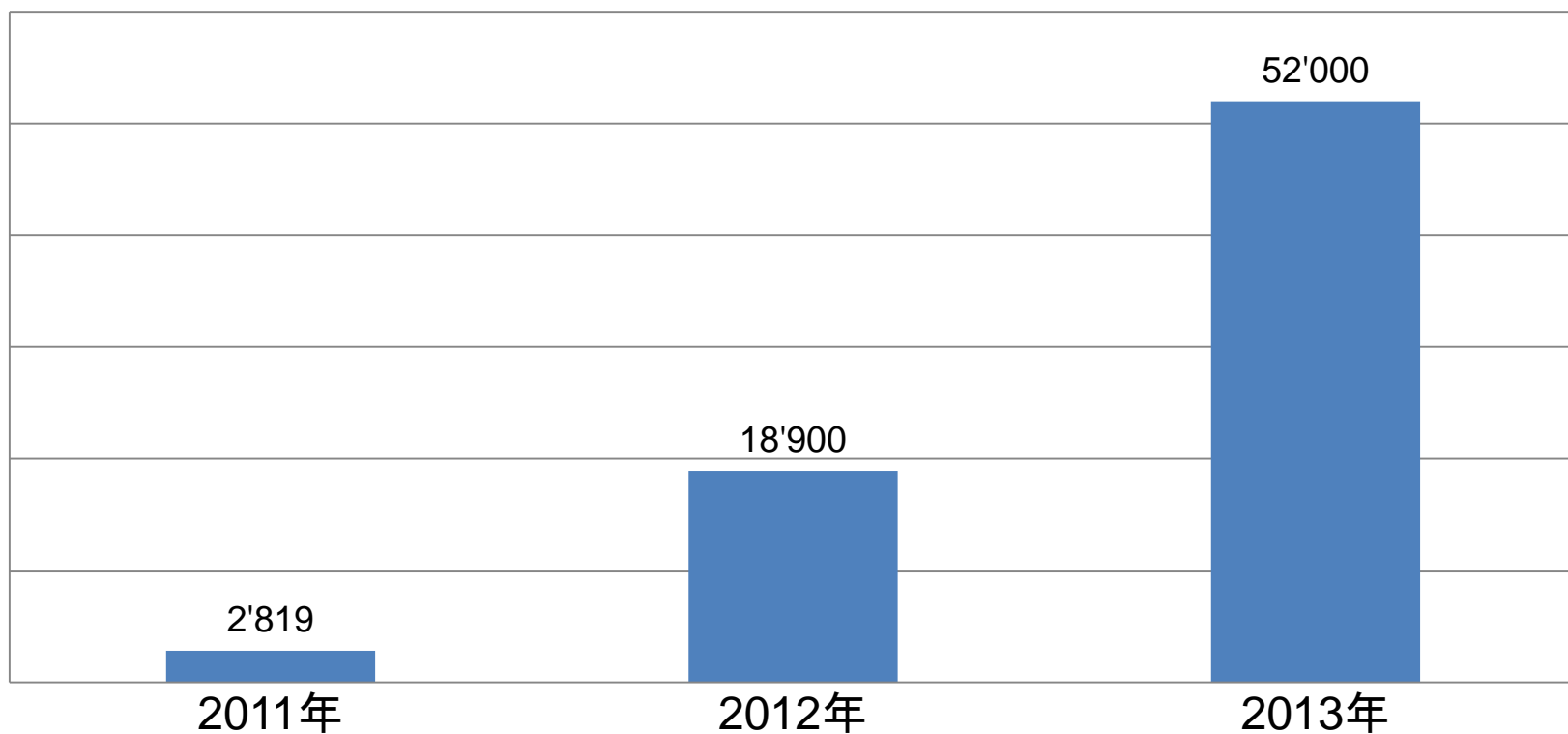
AUM growth of Insurance Companies

0.1 bln (RMB)

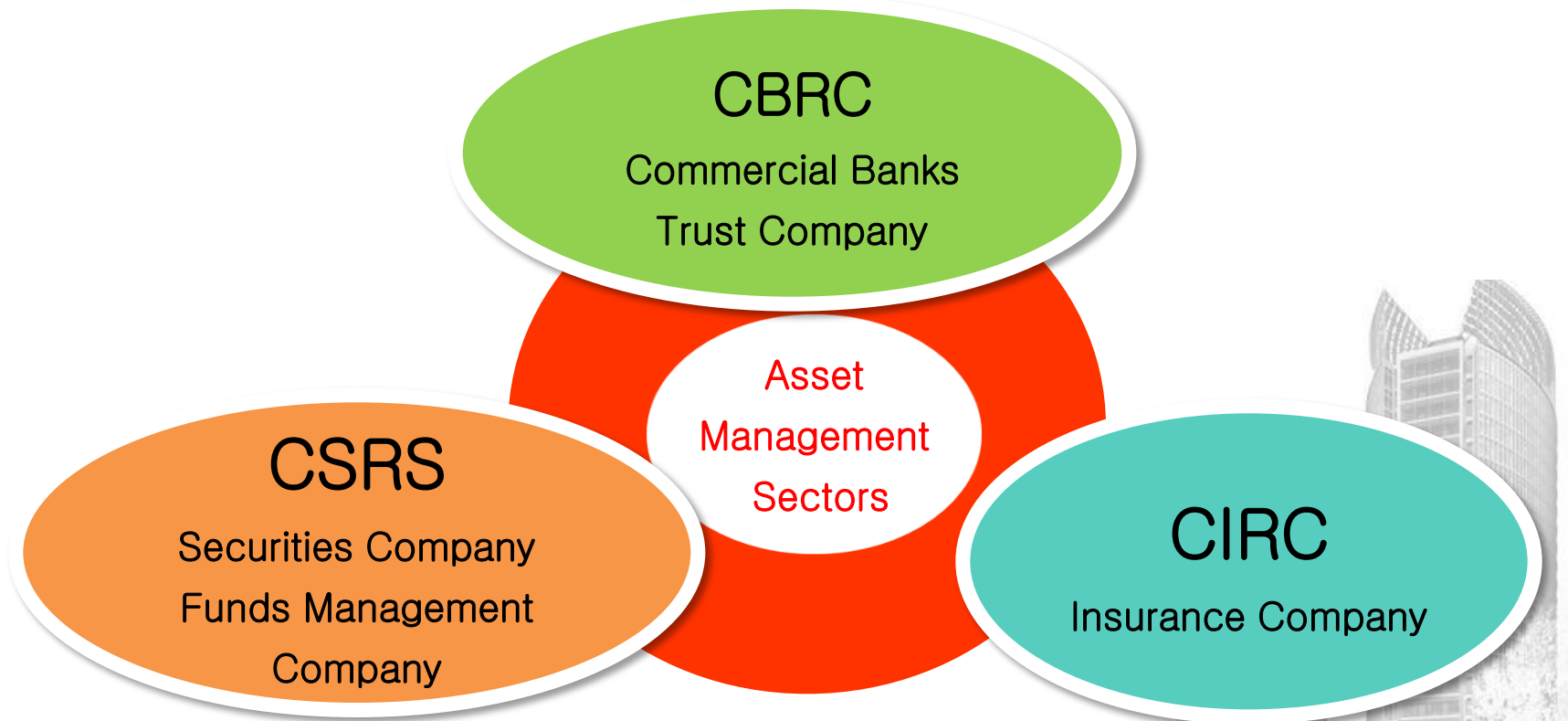


AUM growth of Securities Companies

0.1 bln (RMB)

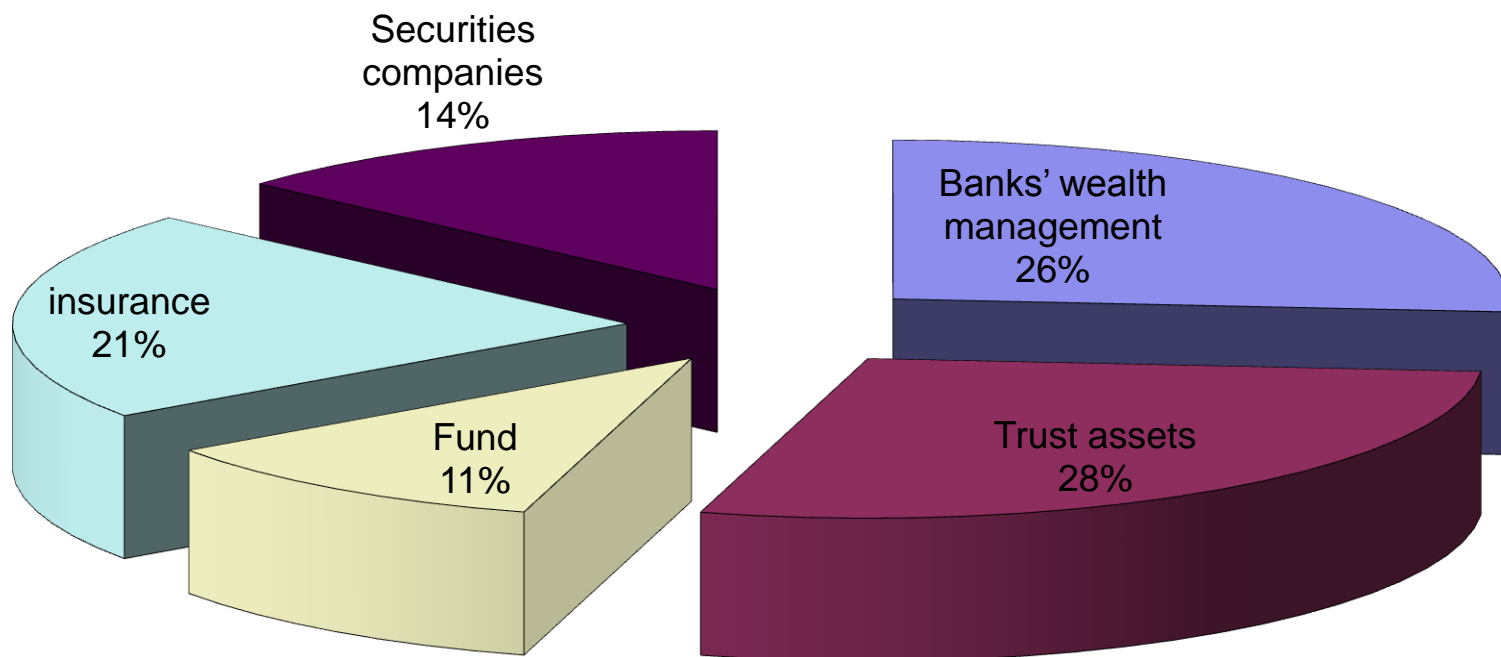


The regulatory framework for asset management sectors



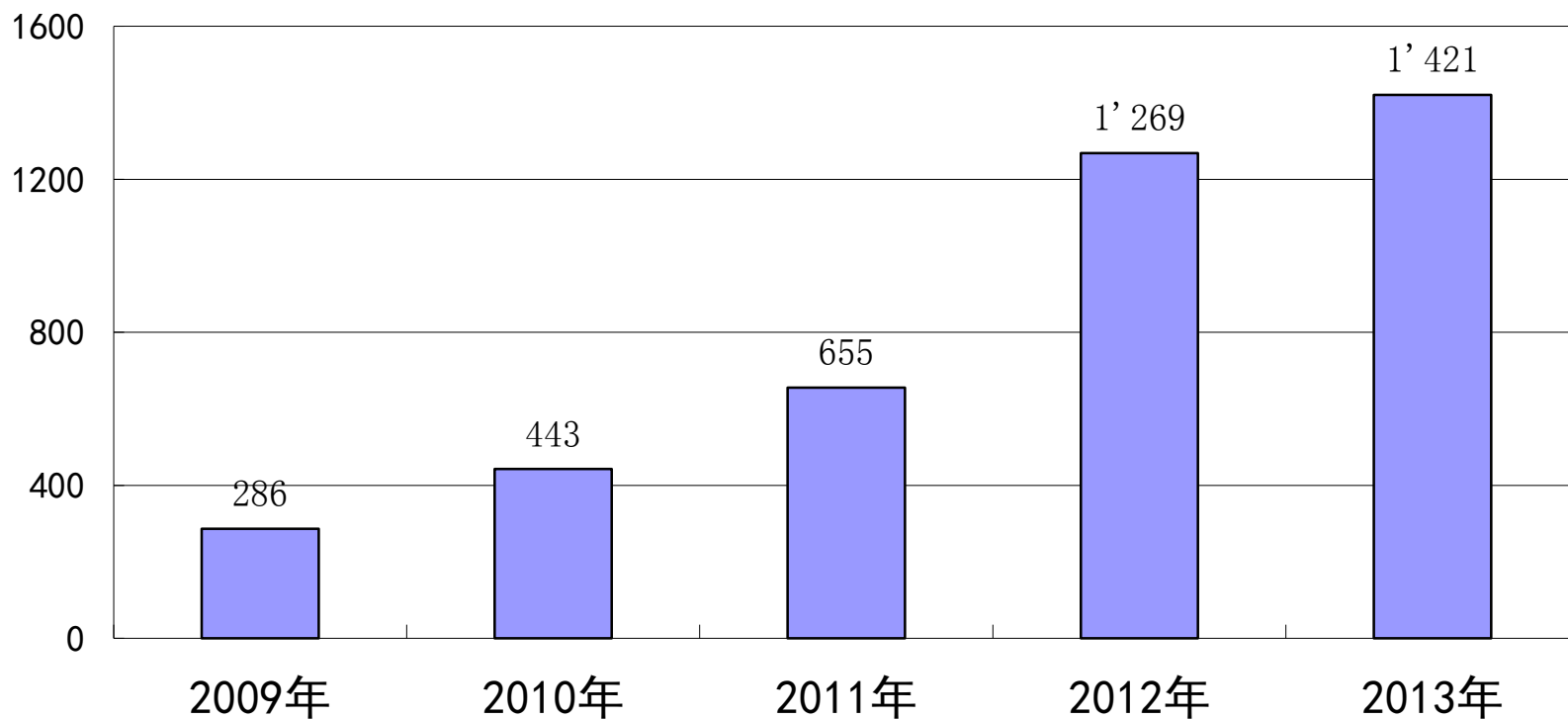
Asset management market structure

by the end of 2013

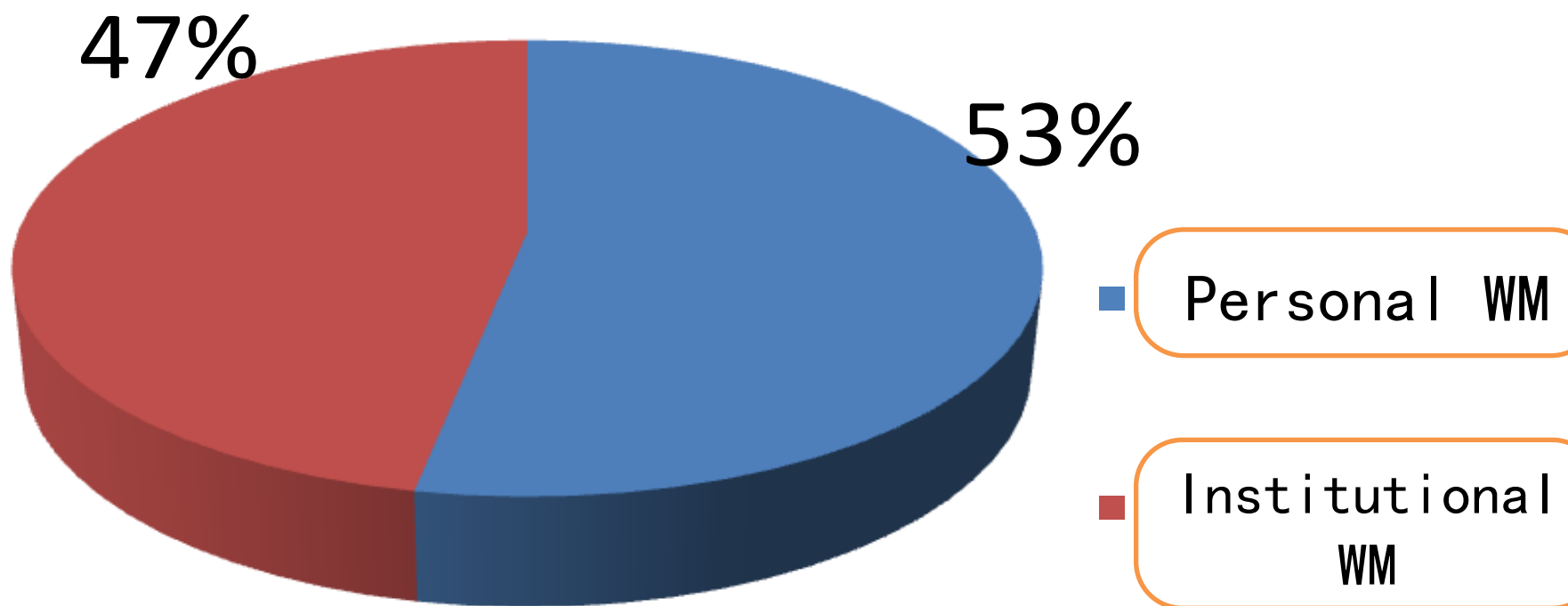


AUM growth of the Bank of Beijing

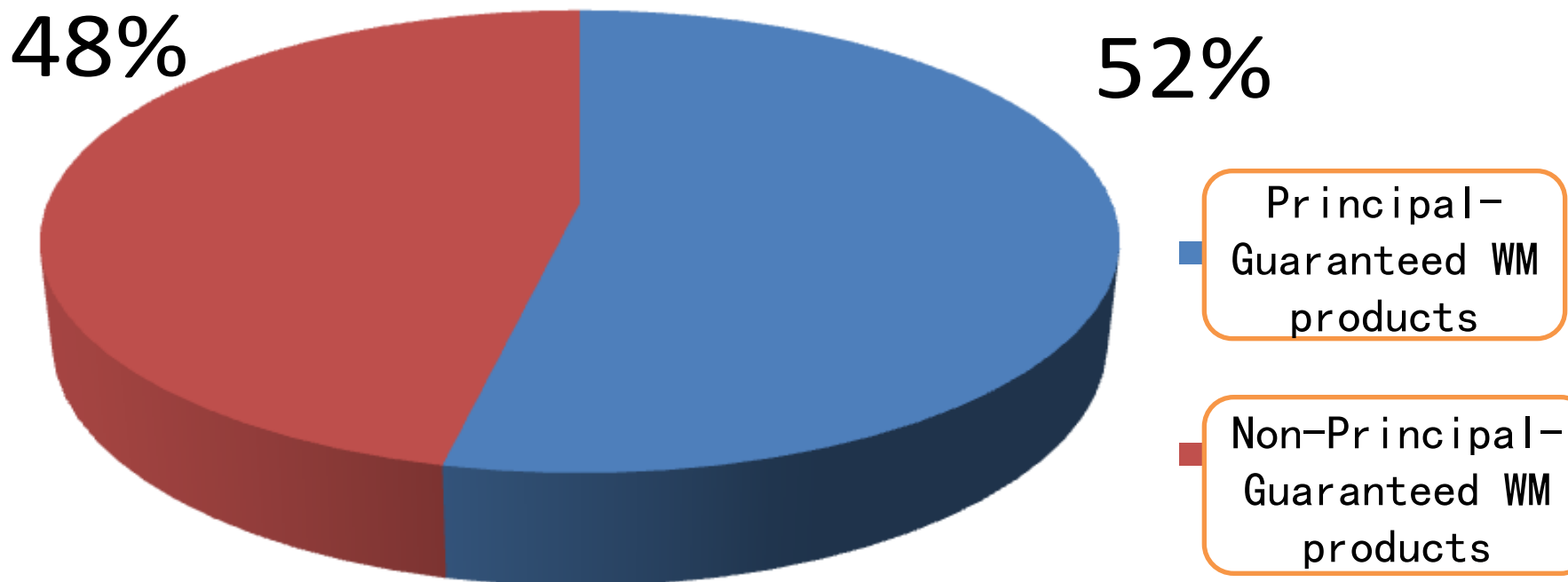
0.1 bln Yuan (RMB)



Structure of AUM by customers of the Bank of Beijing



Structure of AUM by products of the Bank of Beijing



Profile of WM business of the Bank of Beijing

1. Products Dept.

Asset Management Dept. is responsible for the unified management of the bank-wide WM business which including R&D of WM products ,investment of funds ,continuance operation and management of WM assets , WM products liquidity management.

2. Sales Dept.

Corporate business line, retail business line and regional branches, as sales management and sales departments, are responsible for the sales of WM products.



Profile of WM business of the Bank of Beijing

3. Investment Committee

Investment Committee for Wealth Management (HQ level) is responsible for review and approval of WM investment and credit risk management.

4. Issuance Committee

Issuance Committee for Wealth Management Product (HQ level) is responsible for approval of WM product issuance for proper individual and institutional customers.

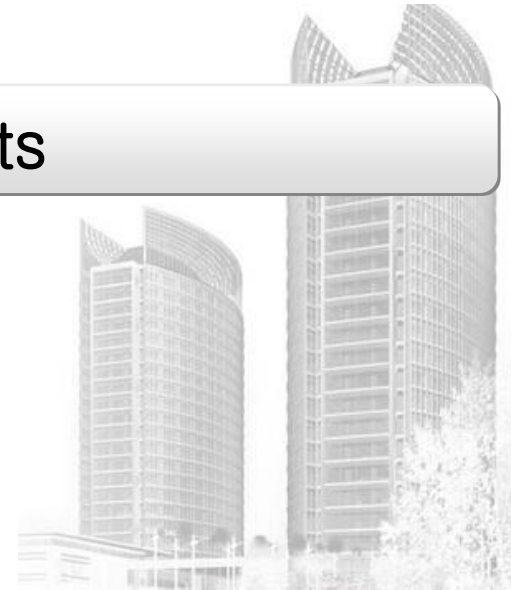
5. WM computer system

Advanced and Comprehensive WM computer system ,WM sales system and internet-banking sales system have developed and applied for years .

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WM Opportunities

1

- Rapid growth of GDP , individual and institutional wealth

2

- Deregulation of Interest rate control

3

- Development of financial markets

4

- Internationalization of RMB and Gradual open-up of capital items

1. Rapid growth of GDP , individual and institutional wealth

- Potential middle-high growth of GDP for the coming 20 years.
- Continuance rapid growth of Individual and institutional investors' wealth in the past 10 years.
- Individual and institutional investors have become more sensitive to interest rate, with more advanced knowledge of investment instruments.





2. Deregulation of Interest rate control

- Deposit rate may be up float 10% above the base rate.
- The yields of WM products are determined by the market .
- PBOC encourage big commercial banks to issue CDs





3. Development of financial market

- Asset securitization
 - PBOC and CBRC encourage commercial banks to issue ABS, MBS etc.
- Bond market
 - PBOC and CSRC encourage non-financial company to issue Notes, Bonds, etc
- Capital market
 - Preference share issue



4. Internationalization of RMB and Gradual open-up of capital items

- QDII amount to USD76.79 billion, including more than 100 qualified domestic institutional investors ,i.e., commercial banks, insurance company, security company and fund management company.
- QFII amount to USD150 billion, including 229 qualified foreign institutional investors.



WM Challenges

1

- Customer: Rigidity of principal payments

2

- AM Institutions: Proper sales and management capability

3

- AM Laws and Regulation :Imperfection of the law

4

- Regulatory Body: Nonunity

1. Customer: Rigidity of principal payments

- Individual investors may requires AMI, sales agent and even independent third-party custodian to pay principle and related revenue regardless investment failure and agreement.
- The individual investors and the medias pose pressure on AMI, related party and AMI regulators.



1. Customer: Rigidity of principal payments

- More than 20 investment loss cases reported, however none of these break the curse of rigidity of principal payment.



1.1 the negative effects of Rigidity of principal payments

- To promote the level of risk-free return rate
- To Weak the market discipline, encourage more speculation and more high risk bearing assets in the investor's asset portfolio
- To distort financial market , improve the level of the general yield curve, less investment in the bonds market and the stock market



2. AM Institutions: Proper sales and management capability

- Unauthorized sales
- Misleading sales
- Improper sales
- Unqualified sales people



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Asset management cooperation prospects

1

- Capital cooperation

2

- Financial Market investment cooperation

3

- Management and skills sharing

4

- Laws and regulations introducing

5

- Staff exchange and training

Financial Market investment cooperation

1

- Joint product development

2

- Entrusted investment management

3

- Investment consulting

4

- Value-added customer services