



TRAINING & CONSULTANCY



A CASE STUDY

EU-China Financial Services Co-operation project

A CO-OPERATION PROJECT BETWEEN THE EUROPEAN UNION AND CHINA
TO ASSIST IN THE DEVELOPMENT OF A SOUND, TRANSPARENT AND EFFICIENT
FINANCIAL SECTOR



Financial Services Co-operation Project
中国 - 欧盟金融服务合作项目



EU-China Financial Services Cooperation Project – First hand knowledge of the Chinese market



On 31 December 2006, ESG completed a four year contract on behalf of the European Commission (EC) and the Government of the PR of China (PRC), the EU-China Financial Services Cooperation Project. The aim of the project, which was originally agreed between the EC and PRC in 2000, was to contribute to a sound, transparent and efficient financial sector through providing assistance to strengthen Chinese regulatory and supervisory authorities, improving training methods and materials and

broadening and deepening organisational relationships.

Areas of EU-Chinese cooperation can be found e.g. in accounting standards and the implementation of the Basle II agreement. The promotion of EU Internal Market rules in China will assist regulatory convergence between the EU and China. A comprehensive system of consultation and information on regulations, standards and certification procedures implemented by both parties will in the long term help to eliminate obstacles to trade and investment between Europe and China. This goes in line with the new China Strategy of the EU set out in October by EU Trade Commissioner Peter Mandelson.

The EU-China Financial Services Cooperation Project draws upon European best practices and was provided by a six-headed consortium. ESG was the lead partner of the consortium consisting of four of its member organisations – Lloyds TSB Bank (UK), Swedbank (Sweden), Savings Banks Foundation for International Cooperation (Germany) and Caisse Nationale des Caisses d'Epargne (France) – and two specialist external providers (Vienna Stock Exchange and the German Insurance Association).

Counterparts and implementing partners were the Chinese central bank, the China Banking Regulatory Commission (CBRC), the China Securities Regulatory Commission (CSRC) and the China Insurance Regulatory Commission (CIRC). The Chinese government was represented by the Ministry of Finance and Commerce (MOFCOM).

Scope of the project

The assistance provided by the project targeted regulators and industry staff of the banking, insurance and securities sector and covers the following broad areas:

- policy advice for regulators and supervisors aiming at the improvement of the legal framework and the methods applied for supervision
- training for industry staff of the three sectors to raise awareness for financial risks and international standards by helping to establish generalised systems of training and certification and adopting approaches with a multiplier effect
- addressing middle and senior management across all three sectors through seminars and workshops

Furthermore, roundtables, symposiums, study tours, internships and joint research activities provided a forum for discussions on financial issues and established sustainable personal contacts between stakeholders.

One important event organized by the project was the roundtable and concomitant workshop on corporate governance and policy discussions with the Shanghai Stock exchange held in 2005 and bringing together *"Fifty of China's and the EU's most senior financial services regulators and practitioners, to discuss the global challenges associated with regulating financial markets, the effective supervision of financial services and how to foster better international regulatory co-operation between China and the EU"* (Barry Livett, ESG teamleader).

"Both key actions identified at the Roundtable - the further development of cross border supervision and consideration of issues surrounding cross border investment – have been followed up with project activities." (Chris Thomas – Project Director- Banking) It is very likely that another roundtable will be held in 2007 tying in to the success of the previous one.

A significant number of symposia have been held which have provided important and timely input into the development of Chinese and European policy and assisted with the deepening of understanding. For instance in 2005 there were important European Central Bank symposia about *payments systems oversight* and *the use of modern monetary policy instruments* and more recently there has been a symposium on Asset Management Companies (AMCs) and operation and supervision of *postal savings institutions* in Hainan (see Box), and on *Asset Backed Securities* in Beijing.



Workshop on AMCs and operation and supervision of postal saving institutions in Hainan

This symposium was attended by the Presidents or Vice Presidents of all Asset Management Companies, and senior staff of Chinese postal savings banks, as well as

DG of relevant supervisory department of CBRC. The symposium had 130 participants and guest speakers came from ESBG, one ESBG consortium Member (CNCE), one ESBG Member (Romanian Postal Bank) and involved experts from UGC Banca Italy and Stater Belgium. The objective was to share EU countries' experience, models and practice in the commercialization of Asset Management Companies and risk management and to assist the discussion of the strategy and risk management framework of China's Asset Management Companies in their transformation. Another objective was to learn from the EU countries' experience in the reform, operation and supervision of postal savings institutions, in order to find out an effective operational and supervisory model for China's postal savings institute. The symposium was important for the development of supervision policy and practice in China against the background of the reform of the postal savings system which is going to take a historical step with the setting up of the first Chinese postal savings bank in December 2006.

Throughout its existence, the project has worked in areas identified in the annual EU-China financial services dialogue and played an important part in securing the accounting memorandum of understanding between China and Europe in 2005. Most recently the project assisted the extension of this dialogue by facilitating the EU Chinese dialogue in arranging *the first EU-Chinese insurance dialogue* held in October 2006 in Beijing.

Markus Weyer
project director insurance



Markus Weyer - project director insurance summarizes the impact of the Insurance Symposium (October 2006): *"This symposium is the beginning of institutional*

dialogue between CEIOPS and CIRC, thus enhancing long lasting improvement of Sino-EU co-operation on supervision and regulation on the insurance side."

This position was supported by participating authorities suggesting to: *"consider the EU – China Dialogue on insurance to be started from now on"* (Mr. van Hulle, Head of Insurance Unit at the EU Commission), to: *"establish a mechanism to develop and deepen relations between CIRC and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)"* (CIRC Vice Chairman Mr. Li Kemu), to: *"immediately fix topics for 2007 to catch the momentum of the meeting. This would allow defining the role of insurance in the up-coming pension reform in the Peoples Republic of China."* (CIRC Assistant Chairman Mr. Chen Whenhui).

ESBGs associated partner GDV adds: *"we are proud and grateful for the fact that our successfully completed project has contributed substantially to the development and strengthening of a stable and trustful dialogue between Chinese and European institutions like CIRC on the one side and CEIOPS and BaFin (the German financial supervisor) on the other side. We would be grateful for the opportunity to further enhance this important goal which would also benefit our members and other European insurance companies."*

Another important component of the project has been internships, study tours and joint research activities not only providing Chinese officials with insight into European financial services and regulatory institutions but also helping EU operators to obtain a more thorough knowledge of the Chinese market. A high number of institutions hosted study tours and internships, shared experiences and also maintained contacts afterwards. Identifying such institutions has been possible through the ESG consortium.

Andrea Enria - Secretary General
Committee of European Banking
Supervisors (CEBS)

Feedback of CEBS' Secretary General, Andrea Enria, on the visit of the PBC study tour group to its office in June 2005: *"It was definitely an interesting opportunity also*

for us to take a look beyond the boundaries of the EU, where all our efforts are now focused. As we still are a rather new organisation it is very important for us that we have opportunities to explain what we are doing and as we are starting to work on conglomerates it was very useful to see the issues also from another perspective and to exchange experiences and thoughts."

Mr Enria continued in November that *"extending our regulatory dialogue with China and other relevant non-EU jurisdictions is becoming a high priority in our work programme"*; and it is expected that the project can contribute to deepening the Chinese counterparts' relationships with EU Insurance, Securities and Banking Regulators further in 2006.

In terms of training material and methods, according to Chris Thomas – Project Director Banking, substantial innovation has been encouraged. The project has for instance worked with the Bank for International Settlements (BIS) and its e-learning project teams to localize into Chinese part of the FSI Connect banking supervisor and central bank training material. It also worked with CBRC to use its new videoconferencing network, providing the first foreign experts to broadcast a training workshop on Asset Backed Securities throughout CBRC's provincial offices. An AML e-learning product has been developed and business simulation bank strategy and management training has been run.

One of the most active members involved in project activities is the Savings Banks Foundation for International Cooperation (Sparkassenstiftung, Germany) providing assistance and advice in the fields of: cooperation between central bank and banking supervision, strategic investments in the financial sector, anti money laundering, workshops on derivatives and product development, management training and various study visits.

Ferdinand Feldgen
Sparkassenstiftung

Sparkassenstiftung's experts were very impressed by the serious attitude of the Chinese counterparts and their very active engagements in the discussions.

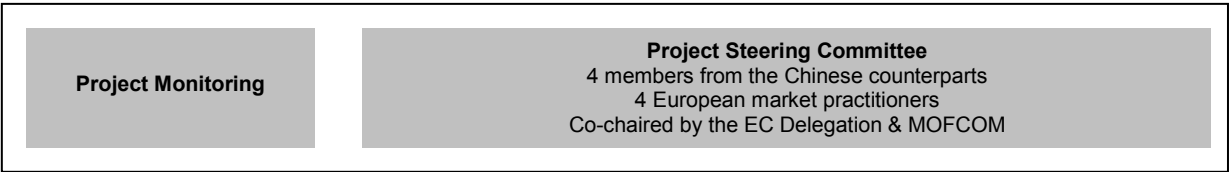
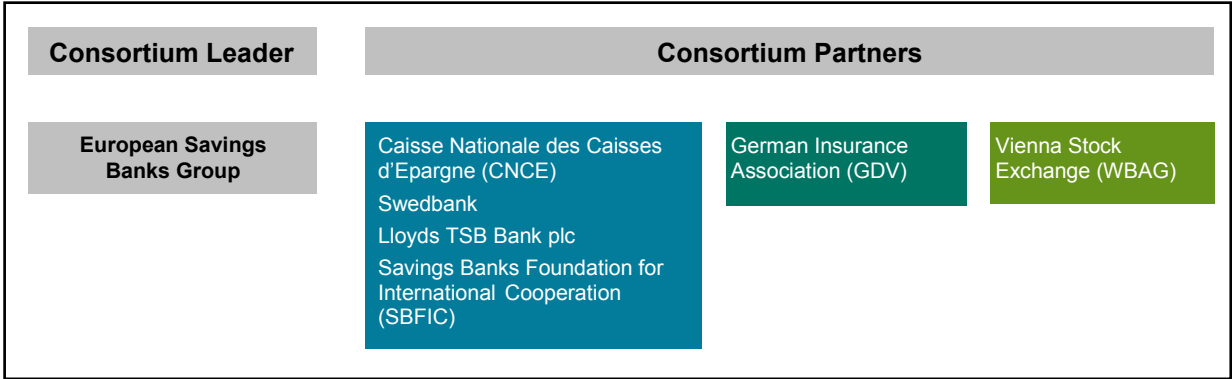
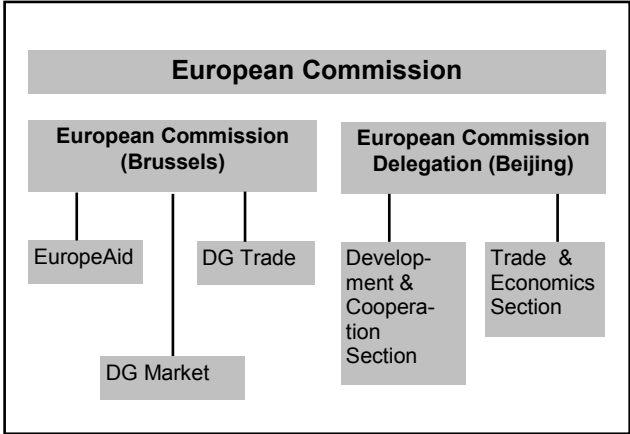
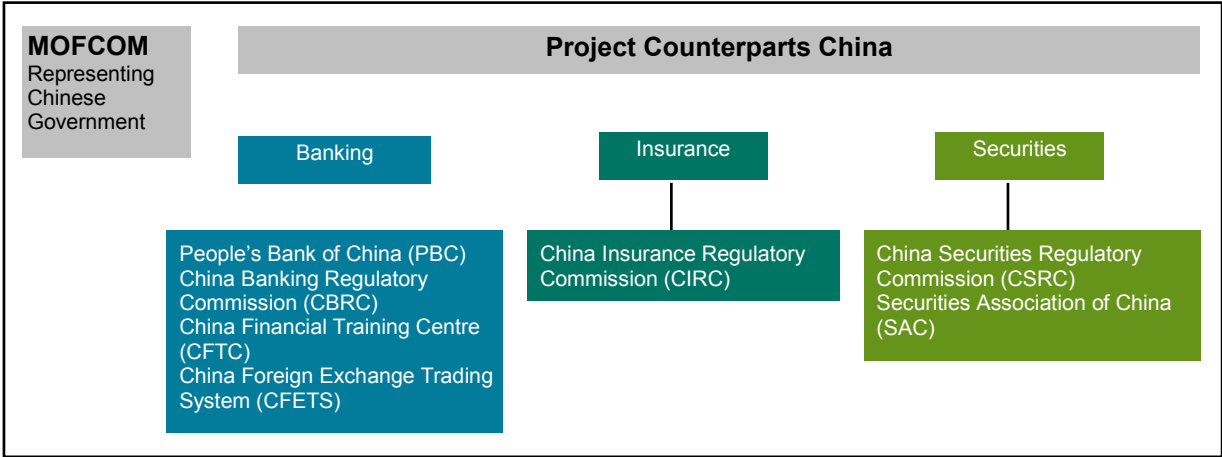
"Thanks to a very good cooperation between the beneficiaries, the EU-delegation in Beijing, the project management office in Beijing, the European Savings Banks Group as leader of the consortium and the consortium members, the aims of the projects could be achieved."

One of the signals for a very positive assessment of the project work by the Chinese banks is the fact that Sparkassenstiftung has been asked to provide management training for some commercial banks in cooperation with the People's Bank of China. More than 15 trainings for more than 600 managers were carried out in China, financed by the partner banks without any financial support from public donors.

The People's Bank of China plans to purchase a licence for the training material and to use this material in future in order to improve the management skills in the commercial banks. Sparkassenstiftung is looking forward to continue the cooperation on the basis of bilateral agreements. Good relations between the institutions and the acting people have been established, which will be useful for both, Europeans and Chinese, in future.



Ferdinand Feldgen, trainer and deputy director Savings Banks Foundation for International Cooperation, and participants of a PBC Banking Simulation Workshop



Caisse Nationale des Caisses d'Epargne (France) provided assistance in another innovative industry training topic - Bank Fund Management. Two different workshops were organized, gathering more than 80 participants (potential fund managers and representatives of Chinese regulators), in cooperation with CFTC (China Financial Training Center of PBC) and Ecureuil Gestion – the fund management company of the French member in the Consortium.

There are many more examples where ESG and its partners have not only provided best European practices but also gained first hand experience in Chinese financial market issues, first hand contacts with Chinese people and regulatory bodies, have deepened or developed business cooperation by meeting new Chinese and European partners from the financial and the external business world.

Well over 50 different institutions (member banks, central banks, private businesses, and universities) have been involved to provide technical assistance in China, receiving study tours or internships and establishing or deepening Chinese counterpart relationships with European institutions.

Over the 4 year period, the project has provided all stakeholders involved with a fruitful and sustainable experience by delivering a project of high impact. The project has been rated very sustainable in terms of results, relations to the beneficiary institutions to the financial sector as a whole and to all stakeholders involved.

Christopher Thomas
project director banking



"Looking back, I think we have achieved the four objectives I have always had in mind. These were to share European experience and know how with China, sharing Chinese experience with Europe and assisting with the deepening and broadening of relationships between Chinese and European organizations and individuals. The fourth objective, the ESG consortium objective, has also been achieved. This was to execute the project using all the resources available under its contract to secure the first three objectives, the project objectives, with the project being regarded by all stakeholders as having been highly successful, having had significant and sustainable impact, the resources having been used efficiently and effectively."



Final discussion in a management training for managers of Chinese commercial banks in Beijing. From left to right: Julia Yuan, interpreter; Christopher Thomas, Co-director Banking module in the project management office, Beijing; Ferdinand Feldgen, trainer and deputy director Savings Banks Foundation for International Cooperation, Bonn; Professor Shun Wang, president of the training institute of the People's Bank of China (Central Bank); Lifeng Peng, Co-director Banking in the EU-China Financial Services Cooperation Project, People's Bank of China.

Barry Livett – ESG
teamleader and project
director securities



"Over the past four years, the EU-China Financial Services Project has developed a strong rapport between the financial services regulatory authorities of both countries and has proven to be a useful vehicle for the promotion of continued dialogue and interaction. The assignments undertaken in the banking, insurance and securities industries have helped to raise the levels of competence in all sectors, have assisted European financial institutions to gain market access to China and helped the Chinese organizations to be positioned better to meet the WTO accession obligations that required fulfilling in December 2006.

As the EU's first dedicated effort to provide capacity-building within China's financial services sector, the EU-China Financial Services Co-operation Project will certainly be viewed as having provided a solid foundation for the European Commission's continued engagement of China regarding financial services issues."

The sum of the extensive outcomes in the banking, securities and insurance sectors justifies the highly satisfactorily rated impact of the project. *"Implementing the project with the help of our members and partners' networks has once again proven to be a successful approach in the provision of technical advice and assistance in a financial sector of growing global significance, positioning all parties involved for new business opportunities arising in the future."* (Ian Radcliffe, ESG Director, Consultancy Services)

Serge Abou, Ambassador of the
EU Delegation of the European
Commission to China

Serge Abou, Ambassador of the EU Delegation of the European Commission to China, during the projects Closing Symposium held in Beijing on 15 December 2006:

"The project has provided a sound foundation upon which the EU can continue its interaction with China's regulators and market practitioners in the years ahead."

Further information on the project can be downloaded from the project website: www.eufscp.org.

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WSBI-ESBG

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