Roundup: More U.S., China financial cooperation expected by industry insiders

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by Xinhua writer Liu Yanan

The United States and China have cooperation potential in the financial sector given China's further opening-up, bilateral collaboration between regulators and shared interests in fighting climate change, according to industry insiders and experts.

COOPERATION POTENTIAL

China and the United States could further promote cooperation between their financial institutions, such as in the opening up of financial markets to each other and in currency affairs, said Mingzhi Liu, professor of economics and finance at Tsinghua University PBC School of Finance.

The financial cooperation between the United States and China benefits the two economies and the world at large, said Liu at a panel discussion organized by the American Chinese Finance Association (ACFA) on Thursday.

"Together, China and the United States can do many things," said Liu, citing cooperation in the transition to green energy, financial digitalization and safeguarding stability in the financial markets.

Liu added that the two countries could cooperate in helping emerging markets and developing countries transition toward a greener future through financial means, a view echoed by Jeffrey Ball, scholar-in-residence at Stanford University's Steyer-Taylor Center for Energy Policy and Finance.

To the extent that China decarbonizes its outbound investment, there will be an increased opportunity in markets abroad, not just for Chinese firms but also for American firms, said Ball at the panel.

"There are things that the United States can do given its role in international institutions to support rather than thwart the greening of China's outbound investment," said Ball.

Ball said the desire for people on both sides of the Pacific to cooperate is strong.

"I believe the door of Chinese financial industry opening will be wider and wider, said Liu, "and I hope cooperation between China and the United States in the financial sector will become broader."

OPENING-UP ADDS ATTRACTIVENESS

The further opening-up of China's financial sector will bring more opportunities for U.S. players, said Liu.

Liu noted that U.S. financial players have performed well in China, with some expanding businesses in China.

China's switch to a registration-based initial public offering (IPO) system means that China's regulator is allowing the market to play a much bigger role in IPO price discovery and price setting, said Bryan Lin, CEO of Huatai Securities (USA), Inc.

Since the introduction of the qualified foreign institutional investors program in the early 2000s, the Chinese government has made the program more flexible, more user-friendly and therefore more attractive as a tool for foreign investors, Lin said at the panel discussion.

According to Lin, northbound trading under Shanghai-Hong Kong Stock Connect program now accounts for 10 percent to 12 percent of total turnovers in the Shanghai Stock Exchange, up from 2 percent to 3 percent in early 2018.

"Offshore investors' ability to invest was significantly expanded, and we see a lot of activities by international investors," Lin said.

Lin also highlighted the attractiveness of Chinese onshore equities as investors allocate assets globally and seek relative value.

Moreover, the China Securities Regulatory Commission(CSRC) has recently clarified what Chinese companies must do to list overseas, with the variable interest entity structure allowed to continue, said Lin.

Chinese firms issue bonds and stocks in the United States, bringing investment opportunities to U.S. investors and financial institutions, according to Liu.

Last year, North American investors were the largest and most active investors trading in Chinese equities and paying commissions, including the Chinese American depositary receipts listed in the United States, echoed Lin, citing third-party data.

As the U.S. subsidiary of a leading Chinese securities house, Huatai Securities (USA) is expanding its operations, including in hiring more professionals, according to Lin.

The U.S. Public Company Accounting Oversight Board (PCAOB) confirmed in December 2002 that it was able to completely inspect and investigate the accounting firms headquartered in the Chinese mainland and Hong Kong in 2022, and thus vacating its relevant determinations made in 2021.

The PCAOB decision, which came a few months after China and the United States entered into an audit oversight cooperation agreement, marked a "watershed event" as it removed the threat of forced delisting and reopened the door to further Chinese IPOs in the form of depository receipts, said Lin.

In the past two years, the two sides have conducted multiple rounds of discussions and negotiations regarding financial regulatory cooperation, which is a good thing, Lin noted.

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