

## First JV Securities Firm Approval under CEPA: many more to come?

On March 14th 2016, the China Securities Regulatory Commission (CSRC) issued an official statement regarding the very first approval for a multi-licensed joint venture securities company pursuant to Supplement X of the Closer Economic Partnership Agreement (CEPA). Supplement X has added a range of services to the closer partnership arrangement signed between Mainland China, Hong Kong and Macau, including several express references to financial services. This development represents the first opportunity for a securities company with foreign shareholders to be subject to the same general applicable law a wholly owned Chinese company would be subject to. The new joint venture, Shengang Securities Co., has been granted licenses to perform the following services: (i) securities brokerage; (ii) securities underwriting and sponsorship; (iii) proprietary account transactions; and (iv) securities asset management. Three investors from Hong Kong are involved with a combined stake of 34.85% of total registered capital, and eleven investors from Mainland China will take the remaining 65.15%. This approval could trigger other foreign players to use Hong Kong as a stepping stone in order to establish financial services in the Mainland. According to the CSRC official statement applications of two other joint ventures are currently being processed.