

### **China's securities fee pool forecast to reach RMB 708 billion (USD 103 billion) by 2023, underpinned by ongoing market liberalisation efforts**

*Quinlan & Associates sees the new securities JV measures as a game changer for international banks, given the ability to secure management control*

**Hong Kong, 15 August 2018** – Quinlan & Associates, a leading independent strategy consultancy specialising in the financial services industry, has released a report looking at the liberalisation of China's securities JV market.

The report, titled *Traversing The Great Wall: A New Era For Sino-Foreign Securities JVs*, looks at the recently announced measures by the China Securities Regulatory Commission ("CSRC") in relation to Sino-foreign securities JVs, as part of the Chinese government's efforts to further open its financial services industry to foreign competition.

'The recently announced reforms in the securities space are true game changers for foreign players. In addition to providing foreign banks the ability to exercise management control, the relaxation of business scope and domestic partner requirements provide an attractive gateway for aspirant firms to establish a JV on the mainland, while also addressing many challenges faced by incumbent players,' said Benjamin Quinlan, CEO & Managing Partner and lead author of the report. 'The recent spate of announcements by foreign aspirants to set up a securities JV onshore, as well as a number of incumbents stating their desire to ramp up their onshore commitments (such as securing a 51% equity stake), are clear indications of the scale of these new reforms.'

'However, it is important to recognise that the recent regulatory changes are simply levelling the playing field between foreign and domestic players,' Mr. Quinlan continued. 'In fact, many JVs remain extremely subscale relative to leading domestic counterparts and continue to run at painfully high cost-to-income ratios.'

The authors of the report believe China's securities market is about to ride its next wave of structural growth. 'Ongoing liberalisation of Chinese financial markets will provide opportunities to bring more innovative products to the domestic securities market, with the growing sophistication of domestic institutional investors and corporates driving considerable demand for new investment and funding solutions,' said Yvette Kwan, COO & Partner and co-author of the report. 'We also see considerable opportunities arising from greater financial connectivity between China and the rest of the world, including a considerable increase in cross-border investments, on the back of various Stock and Bond Connect Scheme, as well as the inclusion of China A shares in the MSCI Emerging Markets Index,' added Hugo Cheng, co-author of the report.

Against the backdrop of these new liberalisation measures and continued structural growth of the Chinese securities market, the authors forecast the total securities revenue pool to reach RMB 708 billion (~USD 103 billion) by 2023, up from RMB 311 billion (~USD 45 billion) in 2017, representing a CAGR of 15%.

Notwithstanding the attractive headline numbers offered by China's securities market, Mr. Quinlan said, 'effectively monetising the onshore JV opportunity necessitates an in-depth understanding and review of the full spectrum of strategic, financial, operational, and implementation considerations that come with setting up a securities business on the mainland. Each of these need to be carefully examined by both aspirant players and incumbents in order to make an onshore securities presence a viable, long-term proposition.'

With the Chinese securities market on the verge of explosive growth, supported by a broad range of liberalisation measures, the authors believe international players who can successfully develop and execute an effective end-to-end JV proposition should prepare to traverse the Great Wall.

#### **About Quinlan & Associates**

Quinlan & Associates is a leading independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

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