
# Shanghai launches insurance exchange to boost hub ambition

**Ye Zhen**

SHANGHAI officially launched the long-awaited insurance exchange yesterday at the Lujiazui Forum, as part of efforts to build the city into an international insurance center.

With an initial registered capital of 2.24 billion yuan (US$341 million) contributed by 91 companies, the exchange will facilitate trading of insurance products and insurance derivatives. It will focus on international reinsurance, shipping insurance, bidding for mega insurance deals and special risk insurance.

First mooted in 2010, the insurance exchange, the first of its kind in China, adds to current exchanges that trade stocks, bonds, commodities and currencies in Shanghai.

"The new bourse will further diversify the functions of Shanghai financial markets while gathering international insurers and reinsurers in the city and boost Shanghai's voice in the global insurance industry," Shanghai Executive Vice Mayor Tu Guangshao said at the launch ceremony.

The exchange will help local businesses align with global insurance practices and channel risks outside the insurance market.

"It's an important step to promote the upgrading of China's insurance industry," said Chen Wenhui, vice chairman of the China Insurance Regulatory Commission.

"The new exchange should play an active role in increasing supply of insurance products to meet increasingly diversified market demand and boost the coverage of insurance services."

The exchange is set to collaborate with China's 300 billion yuan national insurance investment fund to develop infrastructure in the country, and meet Shanghai's goal of becoming an international insurance center by 2020.


**Shanghai Mayor Yang Xiong (right) and Xiang Junbo, chairman of the China Insurance Regulatory Commission, launch the Shanghai Insurance Exchange Co in the city yesterday. — Wang Rongjiang**

# London seeks more offshore yuan volume

**Feng Jianmin**

THE recent weakening of the yuan will not deter its internationalization as London is ready to handle a greater volume of cross-border yuan business, a City of London official said on the sidelines of the Lujiazui Forum.

"Yuan internationalization implies that the currency respond to market movements," said Mark Boleat, chairman of policy and resources committee of the City of London.

"This will not lead to reduction in the use of yuan. Our main concern in developing the market has always been facilitating financing of trade, rather than long-term investments. What is needed there is simply liquidity of the market."

Boleat, the main person tasked with building London into an offshore yuan center since 2012, said the work has been basically completed and the British capital is well prepared to embrace more cross-border activities such as issuance of yuan-denominated bonds and a connect with the Shanghai Stock Exchange.

"We probably have done everything that needs to be done in terms of having the necessary market infrastructure," said Boleat.

"But there is still scope to significantly increase the volume of business, and that will happen as companies get used to dealing in the yuan."

# Solvency system insures city's status

**Jane Feng**

SHANGHAI'S status as a global insurance center will rise following the Chinese insurance sector's shift to a risk-based solvency system and deeper reforms in the bond market, AIA Group CEO and President Mark Tucker told Shanghai Daily yesterday.

"The newly implemented Chinese risk-oriented solvency system achieves a focus on risks, the quality of being international, and the ability to support market order," said Tucker. "It has been the most significant and necessary of the reforms put in place."

The new solvency system, known as C-ROSS, officially started this year, and it assesses insurers' solvency based on risks rather than the size of their business unlike in the previous system.

The C-ROSS sets minimum capital requirement based on insurance, market and credit risks augmented by measures to enhance insurers' internal management of capital and liabilities.

Tucker said the C-ROSS is risk-oriented, market-based and internationally comparable, and will not discriminate against foreign insurers unlike in the old system.

"I think this system risk-based, so whether you're a domestic or international company, you'll have the same opportunities and the same challenges," said Tucker.

"It's a system where you are incentivized, effectively as a participant of the market, to do the right things. And I think this is definitely a significant and important improvement."

Tucker also said that reforms in the bond market will help Shanghai become a first-class global financial center.

"The depth of the bond market is important, the bond market needs to be deep and transparent in its operations," Tucker emphasized.

# Gaining without any pain seems 'illusionary'

**Leng Cheng**

NO pain, no gain — that's what a former Chinese central bank official emphasized yesterday at the Lujiazui Forum as she cautioned China's policy-makers that it's time to halt uncalled-for support for certain sectors and let the market play its role.

With China's real economy remaining sluggish and domestic consumers shifting their demand to overseas, the Chinese government has been accelerating its efforts since last year to combat overcapacity in sectors such as steel and encouraging new industries such as innovation to be the catalyst to revive the economy.

Such change hurts but the pain is a necessary process as Wu Xiaoling, former deputy governor of the People's Bank of China and now dean of the PBC School of Finance at Tsinghua University, said in a panel discussion on supply-side reforms, financial innovation and macro prudential regulations at the forum.

"Monetary stimulus or credit easing is not a long-term plan," Wu said. "It's illusionary for someone to imagine a bright future without growing pains."

# Better-linked capital markets pledged

**Vera Ye**

CHINA and Britain want to boost the connectivity between their capital markets by aiming to launch a stock connect and a program of mutual fund recognition, their financial officials told the 2016 Lujiazui Forum yesterday.

Britain also hopes that a program to allow British and Chinese fund houses to sell products in each other's market will be realized, Lord Ashton of Hyde, special representative of the Chancellor of the Exchequer, or finance minister, said in a speech at the forum at which Britain is the guest country of honor.

Similar to the current Mainland-Hong Kong Mutual Recognition of Funds program, the one between China and Britain is likely to allow asset-management companies in China to sell funds in Britain while offering their British counterparts access to the Chinese market. The program will further boost cross-border investment between the two countries.

Last year, China and Britain agreed to a feasibility study on a stock trading link between the London and Shanghai exchanges, but did not elaborate.

"China' stock market is dominated by retail investors, while in London more than 90 percent of investments come from institutional investors," Xavier Rolet, CEO of London Stock Exchange Group, said at the forum.

"The Shanghai-London connect will work to increase the rate of institutionalization of the Chinese market."

Both sides also pledged to boost cooperation in financial market regulations.

"As China continues to open up, we should learn from British financial regulators about how to improve supervision and manage risks in a liberal market," said Qi Bin, director-general of the Department of International Affairs of the China Securities Regulatory Commission.