<u>WSC Summaries and Conclusions</u>

Financial Services, Insurance and Pension

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Three themes were explored :-

1. Financial service industries should plan ahead to respond to economic and demographic change. This was especially true of pensions which increasingly needed to be portable between companies and, although this was more difficult, across national boundaries.

2. Differences in regulatory practice, and weakness in regulation, created problems for the financial services industry. Closer contact between regulators and the regulated would help, as would the WTO debate on domestic regulation, although on both there was a long way to go. It was a mistake for regulators to try to protect consumers by limiting competition. They should rather focus on balance sheets and where true risk lay, and base their conclusions on accurate financial information.

3. Positive factors to support the development of capital markets in China included large domestic savings which could be mobilised for privatisation, while negative factors included non-performing loans at 25-35% of bank lending and serious problems of solvency.

There was a big requirement for training regulators in China, with which experts from Hong Kong were helping. Liberalisation of financial services would among other benefits help to resolve problems of privatisation and solvency, because overseas providers of financial services were used to, and would bring into China, high standards of investment protection. The development of regulation in China was still in its early stages but the presence of experienced financial service providers from overseas would help to put it on the right track, while any discrimination in favour of domestic providers would be a prima facie breach of WTO rules.