

Analyse This: Over the Chinese Wall

Key fund domiciles explain their strategies in attracting Chinese investment



Ireland

Brian Dillon, partner, Dillon Eustace

On the 23rd of October, 2008 the Irish Financial Services Regulatory Authority (“IFSRA”) and the Chinese Securities Regulation Commission signed a Memorandum of Understanding (“MOU”) overseen by Brian Cowen, the Irish Prime Minister which will provide a framework for cooperation, mutual understanding and

exchange of information between the two regulators.

The MOU recognises the similar desires of both regulators to protect investors. Chinese Qualified Domestic Institutional Investors can now invest in Irish investment funds, regulated by IFSRA. At present we have some Chinese asset managers who hope to apply to IFSRA

and become approved to provide discretionary asset management services to Irish funds. There may also in the future be an appetite for Chinese managers, who operate joint venture management companies with non Chinese asset managers, to establish UCITS products or regulated alternative funds in Ireland.

There are already several China and Asia Pacific investment focused funds established in Ireland including one recently established by E.I Sturdza

Asset Management. Other promoters have China “A” Share funds planned.

The MoU should result in Ireland, which has already earned a reputation among asset managers globally as one of the leading jurisdictions for establishing regulated funds, becoming even more attractive, due to the fact that a fund established in Ireland will now be able to raise capital from Chinese domiciled investors. There is a double taxation treaty between China and Ireland in existence. ■



Jersey

Robert Kirkby, technical director, Jersey Finance Limited

The strong and well regarded regulatory stance of the Jersey’s financial services industry is proving valuable in China.

When Jersey officials visited Beijing last year, we demonstrated our commitment to appropriate supervision and regulation and our willingness to exchange information. We believe these factors, together with our close relationship with the City of London, will be immensely important in forming relationships in China.

Jersey Finance has already made six visits to China with more to come. Thirty Jersey-based financial service operations are already established in China and it is intended that Jersey Finance will also open a representative office. Building contacts and a local presence is vital if business is to grow.

Some of Jersey’s legal and finance professionals have established business activity with China in place, particularly the use of Jersey company structures to raise

capital through IPOs on AIM and other markets. Statistics show that about a quarter of all Chinese companies listed on AIM are Jersey companies.

Jersey also has the appropriate investment vehicles and structures for international investment transactions. Lawyers and finance professionals working with Chinese clients have turned to Jersey to provide structures for companies investing overseas and private equity and institutional investors seeking to invest in China.

Since the start of 2008, the UK has become prominent for Chinese financial trade due to the protectionist stance taken by American and Western

European governments on Chinese sovereign wealth funds. This adds to the business opportunities for Jersey in the region.

Naturally the credit crunch is having an impact on new business flows. However, it has sparked increased diversification too. As a result, we are finding new business opportunities originating from institutional and private client investors.

Jersey’s efforts will be trained on building the Island’s regulatory regime and international standing in Beijing, Shanghai and Hong Kong. With this and ‘on the ground’ representation, we hope to increase business flows in the region. ■