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# Trending Topics from J.P. Morgan Corp Fin Advisory | Week of June 11, 2018

## Easing of Chinese government restrictions represents the next step toward accessing the Chinese investor base

**Key takeaways:**

- China's government and regulators are actively encouraging corporate transparency, improving market accessibility and implementing financial reforms
- As a result, MSCI is adding large capitalization domestic Chinese equities to two of its benchmark Emerging Market indices
- The move reflects China's commitment to further opening up its domestic financial markets to global players
- In the future, western businesses may be able to list on mainland Chinese exchanges via Chinese Depository Receipts ("CDRs") thereby accessing a new investor base

China has recently published and implemented a set of policies that further open its financial markets to outside investors. These policies include the allowance for majority ownership of securities houses by foreign entities and the relaxation of restrictions on accessing the China A-shares market through "Stock Connect" programs. Chinese A-shares are equity interests in Chinese corporations that historically could only be owned by Chinese investors. The "Stock Connect" programs now allow for trading between China's mainland markets and the Hong Kong Stock Exchange, effectively enabling approved foreign institutional investors to own certain Chinese A-shares.

Effective June 2018, index provider MSCI began including over 230 Chinese A-shares companies in its Emerging Markets indices, giving foreign retail investors exposure to these Chinese corporations for first time. By the end of 2018, the completion of the London-Shanghai Stock Connect initiative will result in the further opening of the Chinese financial markets. This initiative paves the way for global corporations to list on Chinese exchanges as CDRs giving them access to the second largest capital markets in the world.

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