

CCB Becomes First “Big Four” Bank to Allow WMP Trading

Summary

China Construction Bank (CCB) has started to allow its clients to trade wealth management products (WMP) on its platform, as reported by Caixing Global on January 9. As of late December, CCB is the first of China’s “big four” commercial banks to introduce WMP trading. This allows investors to sell WMP products before they mature. The introduction of this new service by CCB follows the regulatory overhaul of asset-management products finalized on April 27, and new regulation on the sale of WMPs introduced on December 2. As of now, it is unclear as to whether the other three of China’s largest state-owned commercial banks will follow suit.

Analysis

CCB’s development of this trading platform is good news to PBoC, which has expressed concerns regarding a mismatch between WMP durations and the maturity of their assets. New regulations introduced in April require banks to issue long-term WMPs to match their long-term investments. As Caixing Global reports, customers prefer short-term investments because they assume there is less risk attached to them. The development of the secondary market for WMPs will improve liquidity and generate demand for longer-term products, ultimately helping banks adapt to the new regulation set to take hold in 2020.

Links:

<https://www.caixinglobal.com/2019-01-09/banks-gear-up-to-let-customers-trade-wealth-management-products-101368297.html>

<http://www.chinabankingnews.com/2018/12/06/new-rules-bank-wealth-management-subsidiaries-permit-direct-investment-shares/>

<https://www.caixinglobal.com/2018-12-03/banks-wealth-management-rules-take-effect-101354986.html>

<https://www.scmp.com/business/banking-finance/article/2102341/chinas-28tr-yuan-wealth-management-products-under-mounting?fbclid=IwAR3aGw1D8XLVIEdh2G87S27kEk3n4uTWM9422khyGDd8gHSbACcdPy2kSY>

https://www.reuters.com/article/us-china-regulation/china-steps-up-regulations-on-wealth-management-products-asset-management-business-idUSKBN1KA19C?fbclid=IwAR3xIRRbvhlCWmQV861GgVAAtZs_L_4vWwsGTduRMYR7vqc1ZZyAZmWek4tY