

Update

China's CIRC permits private equity investment partnerships to invest in domestic insurers

On 17 April 2013, the China Insurance Regulatory Commission (**CIRC**) promulgated the *Notice on Relevant Issues regarding Investment and Shareholding of Limited Partnership Equity Investment Enterprises in Insurance Companies* ("**Notice**"). The Notice sets out the requirements for a limited partnership investment enterprise to invest in a domestic insurer as well as the application documents required by the CIRC. In accordance with Chinese insurance law, if the aggregate foreign shareholding in an insurance company is less than 25%, the insurance company is considered as a domestic insurance company.

According to the CIRC, the Notice applies to both domestic and foreign-invested limited partnership equity investment enterprises, which shall have limited partner(s) (**LP**) and general partner(s) (**GP**). Such limited partnership equity investment enterprises shall have also been duly filed with the National Development and Reform Commission (**SDRC**) or the authorities at the provincial level in accordance with the relevant regulations. The business scope of a qualifying limited partnership investment enterprise must include "equity investment".

The Notice imposes the following restrictions on the shareholding of limited partnership equity investment enterprises in domestic insurance companies: -

- the maximum shareholding of any one limited partnership equity investment enterprise in a domestic insurance company shall not exceed 5%
- the aggregate shareholding of all limited partnership equity investment enterprises in a domestic insurance company shall not exceed 15%
- a limited partnership equity investment enterprise cannot be the largest shareholder, controlling shareholder or actual controller of any domestic insurance company
- if a limited partnership equity investment enterprise has a limited operational period, it must transfer its equity interests in any domestic insurance company prior to the expiry of such operational period.

A limited partnership equity investment enterprise needs to submit its fiscal report for the previous year and its tax payment certificate for the three most recent years when applying to the CIRC for approval of its investment in a domestic insurance company. It is also required to submit a credit report issued by a credit investigation institution. However, the CIRC's requirements regarding the contents of such credit report remains uncertain.

This appears to be another effort of the CIRC to open further the insurance industry to private investment. On 9 April 2013, the CIRC had already promulgated the *Notice on Relevant issues regarding Article 4 of the Administrative Measures on Equity Interest in Insurance Companies*, which sets out the basis upon which 20% equity interest limit in a domestic insurance company may be exceeded.

Further information

If you would like further information on any issue raised in this update please contact:

Carrie Yang
Partner

E: carrie.yang@clydeco.com

Clyde & Co
Level 23, Shanghai Two IFC,
8 Century Avenue
Shanghai 200120
P R China

T: +86 21 6035 6188

F: +86 21 6035 6199

Further advice should be taken before relying on the contents of this summary.

Clyde & Co LLP accepts no responsibility for loss occasioned to any person acting or refraining from acting as a result of material contained in this summary.

No part of this summary may be used, reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, reading or otherwise without the prior permission of Clyde & Co LLP.

Clyde & Co LLP is a limited liability partnership registered in England and Wales. Authorised and regulated by the Solicitors Regulation Authority.

© Clyde & Co LLP 2013