

Joint Statement of the 2nd China-Germany High Level Financial Dialogue

Expanding two-way opening-up and deepening pragmatic cooperation to bring the China-Germany financial relations to a new high

January 18th, 2019, Chinese Vice Premier Liu He and German Vice Chancellor and Minister of Finance Olaf Scholz co-chaired the 2nd China-Germany High Level Financial Dialogue in Beijing. Both sides emphasized that this dialogue mechanism is a key platform for bilateral communication and policy coordination on strategic, overarching, and long-term issues in the fiscal and financial fields. Under the dialogue framework, both sides are committed to expanding two-way opening-up and deepening pragmatic cooperation to bring the China-Germany bilateral financial relations to a new high. Both sides reaffirm that they will strengthen macroeconomic policy coordination and pragmatic cooperation in the fiscal and financial fields and expand strategic cooperation. The two sides will make joint efforts to improve international economic governance, maintain the global multilateral system, combat trade protectionism, support the rule-based multilateral trading system with the WTO as its center and promote an open world

economy, as well as global economic growth. Both sides reached the following consensus during the dialogue:

1. Both sides agree to strengthen cooperation on global economic governance, including improving the financial structure, promoting the reform of major international financial institutions, and strengthening multilateral and bilateral communication, in order to enhance global confidence and achieve strong, sustainable, balanced, and inclusive growth of world economy.

2. Both sides support the role of the G20 as the premier forum for international economic cooperation, and are committed to implementing the outcomes of the G20 summits in Buenos Aires, Hangzhou and Hamburg. Both sides support the G20 in promoting dialogue and cooperation in such areas as structural reform, sustainable development, infrastructure investment, international financial architecture, financial sector reform and the digital economy. Both sides are committed to safeguarding the multilateral trading system, and strengthening cooperation on emerging technology applications and digital transformation to meet related challenges.

3. Both sides support the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards broader inclusion of emerging creditors. Both sides welcome the work of the IMF and the World Bank on strengthening public debt transparency and welcome the recommendations. Both sides welcome the G20 Operational

Guidelines for Sustainable Financing and call for their follow-up.

4. Both sides welcome the Report by the Eminent Persons Group (EPG) and look forward to follow up under the Japanese Presidency.

5. Both sides reaffirm their support for the rules-based, non-discriminatory, open, inclusive and transparent multilateral trading system with the WTO at its center. Both sides will work with other members on WTO Reform to improve the WTO in its three functions (rule making, dispute settlement, monitoring), to help it meet current and future challenges.

6. Both sides will continue to maintain close cooperation to jointly cope with and combat cross-border tax evasion and to strengthen communication and cooperation on implementing the G20/OECD Tax Base Erosion and Profit Shifting Action Plan. Both sides will continue their work to improve tax certainty, and work with the OECD to address the tax challenges raised by the digitalization of the economy. Both sides will continue to support the G20 commitment on tax transparency and automatic exchange of tax information, and call on all jurisdictions to comply with internationally recognized standards of tax transparency and to exchange information in the tax area within the committed time frame, so as to build a fair and modern tax system together. Both sides are pledged to help developing countries, especially low-income countries in a variety of ways to strengthen their capacity building in tax policy and administration.

7. Both sides agree that German-Chinese cooperation is beneficial to the economies of both countries and, as such, strengthening existing economic ties could be of mutual advantage. Both sides are committed to ensuring a non-discriminating, open market access environment and a stable institutional framework, and to easing existing market access and investment barriers to improve business environment for foreign companies in both countries.

8. Both sides are committed to deepening cooperation in the International Monetary Fund (IMF) and to strengthening the global financial safety net with a strong, quota-based, and adequately resourced IMF at its center. Both sides are committed to concluding the 15th General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for dynamic economies in line with their relative positions in the world economy and hence likely in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members.

9. China and Germany have been maintaining close, regular, and good cooperation in the preparation, development and operation of AIIB. Both sides will continue strengthening bilateral coordination and all-round cooperation under the framework of AIIB. Together with other members, China and Germany will focus on the strategic priorities of the future development of AIIB as a new multilateral institution, and fully draw on existing good practices of multilateral development

banks to actively build AIIB's own value position and characteristics to constantly improve its institutional capabilities. Joint efforts will be made to support AIIB's ongoing build-up and provision of client-oriented financing and services, including cooperating through AIIB's Special Fund to further encourage AIIB to bring in national development experts of AIIB members.

10. Both sides look forward to furthering multilateral development financing cooperation, and support improving infrastructure connectivity.

11. Both sides will support the China-EU connectivity platform's efforts in identifying synergies between the Belt and Road Initiative and the EU's strategy for connecting Europe and Asia as well as European infrastructure planning. Such cooperation should abide by the shared principles of transparency, economic sustainability, as well as the law of the countries benefitting from the projects and sound financial practices that respect the viability of their debt, while taking into account their respective policies and individual situations.

12. Both sides recognize the potential of cooperation in the financial sector and are open to financial enterprises deepening their cooperation in third countries based on transparency and sustainability. Cooperation decisions are made by enterprises and financial institutions based on commercial criteria.

13. Both sides welcome the deepening cooperation between official German export credit and investment insurance institutions and the China Export Credit Insurance Corporation,

to explore how joint insurance or reinsurance support for projects involving exporters from both countries can be provided on the basis of the 2016 Euler Hermes–China Export Credit Insurance Corporation re-insurance agreement to support cooperation between our companies in third-party markets.

14. The two sides welcome further development of innovative financing mechanisms for SMEs by financial institutions of both countries.

15. Both sides are willing to strengthen communication and cooperation on international development, promote global poverty reduction, jointly address global challenges such as public health, food security and climate change, and promote growth and development in low income countries (LICs). Both sides intend to maintain close communication and cooperation on implementing the Sustainable Development Goals (SDGs) and 2030 Agenda and promised to take further action to implement the 2030 Agenda at national and international levels.

16. Both sides agree that structural reform, growth and stability-oriented macroeconomic policies will contribute to long-term and sustainable economic growth. Sound and transparent public finances are a key ingredient of the former.

17. Both sides appreciate the mechanism for policy research cooperation, and the format for exchanging of views established by the two Ministries of Finance since the first dialogue. In the spirit of mutual learning, four bilateral expert sessions took place, focusing on the challenges for sustainable development of social systems posed by demographic change.

Both sides are willing to continue in-depth exchange on important issues such as structural reforms and modern economic governance systems, on the basis of existing good cooperation while keeping a focus on fiscal sustainability in the context of an ageing society, to study and cooperate on socio-economic issues with shared concern. In order to further deepen the cooperation, a joint project on the management, evolution and sustainability of respective systems for old age provision in the demographic context should lead to conclusions, which are to be presented at the next Dialogue.

18. Both sides agreed to exchange information and public policy on housing issues with emphasis on government's fiscal and tax policy support, supervision, and policy effects.

19. Germany welcomes China's efforts to broaden market access. Germany welcomes China continuing to effectively further open up its financial sector. The Chinese side welcomes qualified German financial institutions into the Chinese market, and the German side welcomes qualified Chinese financial institutions into the German market.

20. Both sides agree to initiate negotiations for the cooperation on bilateral audit supervision on the premise of mutual respect for sovereignty and domestic laws and regulations of each other to provide an institutional guarantee for cross-border stock and bond issuance, and to advance the interconnection of capital markets between the two countries. The Chinese side welcomes and supports the issuance of panda

bonds by German companies and is willing to provide convenience in audit supervision.

21. Both sides support the communication and cooperation between stock exchanges and financial industry associations of the two countries, to help financial institutions and investors to improve their understanding on the capital markets and regulation rules of each other, in order to create favorable conditions for bilateral cooperation and the sound, steady development of the capital markets in both countries. The two sides support the Asset Management Association of China (AMAC) and its German counterparts to conduct seminars on China's capital market issues.

22. Both sides recognize the value of participation of foreign firms in China's insurance market to help increase financial inclusion, resilience and tackle demographic change in China. Both sides welcome qualified German insurers to set up wholly-owned insurance holding companies in China, and welcome Chinese insurers and reinsurers to carry out reinsurance business in Germany within the existing legal and regulatory framework. Both sides commit to timely processing of license applications of foreign and national insurance companies in the spirit of pragmatic cooperation and effective market opening. China commits to continued granting of national treatment for foreign insurance companies and a level playing field for domestic and foreign insurance companies. China welcomes qualified German insurance companies to apply for operational licenses in areas they specialized in, and

welcomes qualified German insurers to help drive innovation for the benefit of Chinese customers and to extend their business scope in digital insurance areas in China in line with relevant rules and regulations.

23. Both sides welcome and support the establishment and development of the offshore RMB market and local RMB clearing banks in Frankfurt. Both sides also welcome and support the German RMB Qualified Foreign Institutional Investor (RQFII) to enter the Chinese market. Both sides welcome financial institutions to issue RMB bonds in Germany.

24. Both sides support the China Europe International Exchange (CEINEX) to play a positive role as an important platform to promote bilateral financial cooperation and RMB internationalization and China-Germany advanced manufacturing industrial interconnection and cooperation and to support the development of the offshore RMB market in Frankfurt so as to expand the cross-border use of RMB between China and Germany.

Both sides support their respective securities regulatory authorities to work out a bilateral Memorandum of Understanding for the supervisory cooperation on cross-border derivatives so as to support CEINEX to launch China A-Shares index derivatives in Frankfurt. Both sides welcome various German issuers to issue RMB-denominated bonds in CEINEX and welcome Chinese issuers to issue and list stocks and bonds in CEINEX while observing applicable financial reporting standards and supporting financial reporting enforcement.

Both sides welcome Deutsche Börse Group and Shanghai Stock Exchange to assess the feasibility of listing Depository Receipt (DR) products on their respective markets. China welcomes the qualified German-invested bank in China to apply for the depository business license for Chinese Depository Receipt (CDR).

Both sides welcome the signing of “Memorandum on D-share Project Cooperation” between the Bank of China and CEINEX, supporting Chinese enterprises to be listed in German financial market.

25. Both countries welcome the intensive dialogue and consultation on regulation, and welcome the signing of the “Letter of Intent” between competent Chinese and German authorities. Authorities intend to cooperate closely in order to achieve further progress with regard to the regulatory treatment of the respective banking sectors, with a view towards entering an agreement, which would help to overcome potential impediments concerning market access for bank branches and subsidiaries in the two countries. China expresses its willingness to encourage at least one bank headquartered in China to establish a subsidiary in Germany (Frankfurt/Main) as its European hub.

26. Both sides welcome the significant progress made in strengthening the foundations of green and sustainable finance, especially those made during China’s and Germany’s G20 Presidency. Both sides agree to continue their proactive collaborations in green finance, including devoting efforts for

the work under the Central Banks and Supervisors Network for Greening the Financial System (NGFS), encouraging financial institutions to conduct environmental risk analysis and to disclose financial information related to environment and climate according to the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations and relevant G20 framework, as well as promoting the discussion of sustainable infrastructure investment under the G20.

27. Both sides welcome the signing of a Memorandum of Understanding between the central banks of the two countries during the Dialogue, to further enhance cooperation on exchanging economic and financial developments, central bank business, technical support and personnel training.

28. Both sides support their respective securities regulatory authorities to enhance communication, and deepen their cooperation mechanism on securities and futures market supervision through a Memorandum of Understanding on regulatory cooperation and exchange of information. Financial regulatory authorities of both sides agree to improve cooperation on regulation and cross-border law enforcement, information sharing and emergency response and coordination plans under extreme market circumstances, and will work towards a memorandum on cooperation of cross-border derivatives supervision.

29. Both sides agree to enhance communication and cooperation in the field of financial technology.

30. The Chinese side welcomes more qualified German institutions to join the RMB cross-border payment system (CIPS) for cross-border RMB clearing and settlement business. The Chinese side welcomes capable and willing German-funded enterprises to enter the Chinese payment service market on a nationwide scale to enhance the overall strength of the industry.

31. Both sides agreed to continue to maintain close and trustful cooperation under the framework of the Financial Action Task Force (FATF) while seeking to support each other in the FATF context whenever possible. Both sides will work to promote the establishment of a bilateral anti-money laundering and counter-terrorism financing cooperation in relation to their respective Financial Intelligence Units, subject to an appropriate legal framework. Both sides look forward to explore further ways of intensifying their collaboration, for instance through regular consultations and working visits.

32. China welcomes qualified German banks to apply to become a primary dealer in the open market operations of the People's Bank of China.

33. The Chinese side welcomes qualified German financial institutions in China to apply for the panda bond lead underwriting license and the Fund Custodian License. China's National Association of Financial Market Institutional Investors (NAFMII) will launch a new round of market-based evaluation of bond underwriting qualifications, and NAFMII will positively consider German banks' application in this process in accordance with the Chinese procedures and standards.

34. China expresses its willingness to improve the business and regulatory environment for market access in the financial sector, for instance the provision of the minimum amount of RMB time deposit that a foreign bank branch may receive for each time from the Chinese citizens within the territory of China. In line with deepening the opening-up of financial sectors, China is willing to continue to review the current legal and regulatory framework and make proper amendment and adjustment where necessary, with an aim to foster safe and sound operations for foreign financial institutions in China.