

## Jesse Wang interview

A Conversation with Jesse Wang, Chairman, China Jianyin Investments Ltd.  
(with Nick Hope, Director, Stanford Center for International Development)

Dr. Wang began the conversation by noting that he wanted to use this opportunity not just to discuss “what” is happening in China’s financial sector, but “why” various policies and steps are being taken.

Dr. Wang stated that in his view the most important reforms taking place in the Chinese financial sector related to the development of the domestic capital market. He noted that a “two-wheeled system”—namely an economy that could rely on both a healthy banking sector and robust capital markets—afforded greater economic resilience. As a case in point, he contrasted the inability of the Japanese economy versus the U.S. economy to recover from economic downturns, and attributed the rapid U.S. recoveries to the strength and depth of the U.S. capital markets. With regards to China, he recognized that the non-tradable share reforms represented a major step in the development of the domestic capital market.

He was, however, quick to point out that the government scheme to compensate non-tradable shareholders was misguided because it emphasized compensation for losses, and not improved regulation. He argued that the public interest will be better served in future if regulators ensure a more transparent and informed market. Increasing awareness by regulatory authorities of their role in preserving market integrity, combined with the steady issuance of tradable equities, should continue to increase investor confidence.

In the banking sector, Wang spoke of ongoing reforms as “building on a stronger base” that will eventually create quality and sophisticated service. Already, reforms have brought Chinese banks sufficiently in line with international standards that they have successfully sold shares in international markets and attracted significant foreign investment. He pointed to the important role played by foreign investors in the banking system:

- Helping to make state-owned banks more independent
- Improving corporate governance through greater board independence
- Introducing new products and services to boost fee-based business
- Training of management and staff

Wang responded to the final series of questions on China’s sovereign wealth fund philosophy by pointing out that the investment company is still in its infancy. Asset managers have not been hired yet and risk parameters have not been clearly defined. He did say that the fund intended to be a passive investor with the goal of maximizing investment returns on a risk adjusted basis. He cited the Blackstone deal as indicative of the kind of investments the fund would make in the future, noting that the investment was in non-voting shares, and is structured to be low enough to be under any threshold that would trigger a review by the US Treasury Department’s Committee on Foreign Investment in the US (CFIUS).