

BANKING/ FINANCE

Wall Street Wants to Conquer China. Here's What May Go Wrong



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Bloomberg News

China's financial opening could be a classic case of be careful what you wish for.

The opportunity of making inroads in the world's second-largest economy is prompting the likes of Goldman Sachs Group Inc. and JPMorgan Chase & Co. to detail expansions that some estimate will see \$1 trillion plowed into China. Plans to throw open the \$45 trillion market were expedited last week after China said it will hasten the entry for securities firms, rating companies and credit-card providers as part of a trade deal with the U.S.

Yet, a bevy of hurdles still promise to complicate the efforts of U.S. banks and financial services firms. China is home to the world's four largest banks by assets, the biggest global fintech company and other formidable competitors. Its tightly controlled system is opaque and arbitrary when it comes to licenses, and the regulation burden is heavy. Recruiting talent has already proved tricky with experienced local executives often preferring state-backed companies.

"It'll be tough for foreign companies to crack the domestic market, owing to how entrenched the incumbents are," said Nick Marro, the Hong Kong-based global trade lead at the Economist Intelligence Unit.

COMPETITION

The market is vast and difficult to navigate. It's loaded with more than 130 brokerages, thousands of state-backed lenders, big insurance conglomerates and massive financial technology firms with entrenched customer bases. Industrial and Commercial Bank of China Ltd. — the largest — has more than 600 million retail clients. It along with its peers oversee \$3.2 trillion of wealth management products, making them the nation's biggest asset managers.

Commercial banking presents a sobering picture. After decades of a limited opening, foreign lenders saw their market share fall to 1.3% in 2017 from 2.4% a decade ago, prompting some to cut branches. Citigroup Inc. had 25 outlets in China as of April last year, down by half from the end of 2015, while HSBC Holdings Plc saw its loss in the China retail banking and wealth management unit widen in 2018 from a year earlier, according to their annual reports.

Wealth managers have hardly fared better. Since an opening three years ago, BlackRock Inc., Man Group Plc and 20 other firms licensed to run private securities funds for high-net-worth individuals manage just 0.2% of China's \$362 billion in hedge fund assets.

APPROVALS & REGULATIONS

Waiting for approvals to do business can be a tortured affair. JPMorgan and Tokyo-based Nomura Holdings Inc. waited more than 10 months for a green light to take majority control of local securities firms. Morgan Stanley is still awaiting a decision on an application submitted in August.

The process is also shrouded in secrecy, and layers of regulation. An application can be rejected without explanation or just left sitting with regulators. Debt rating company Moody's last year shelved its plan to take control of China's largest ratings company amid regulatory inaction, people with knowledge of the matter have said.

The trade deal offers some respite for those struggling through the slow process. China has pledged to review banking licenses on an "expeditious basis," accept applications from credit card companies within five working days of submission, review and approve credit raters in 90 days, and treat U.S. asset managers the same as Chinese companies when granting licenses.

"Having clearer timelines is quite positive, because in the end it boils down to China's willingness to actually dole out these approvals," said Marro.

TALENT HUNT

The biggest hurdle could be finding enough qualified people.

Goldman wants to double its staff over five years, with UBS Group AG is in the midst of a similar plan for its investment banking business. Nomura is looking to get to 500 employees in China by 2023 and JPMorgan has signaled it's adding staff, expanding by a third its office space in China's tallest skyscraper.

"All of us are trying to get to 100%, so the race for talent is going to be significant," said Todd Leland, co-president of Goldman's Asia-Pacific operations outside of Japan, in a recent interview. "Whether or not you're able to compete and compensate people and find the right individuals that are a fit, that's by far the biggest challenge."

MIAMI BEACH

NOTICE BY THE CITY OF MIAMI BEACH, FLORIDA, OF THE CITY'S INTENT TO USE THE UNIFORM METHOD OF COLLECTION OF NON-AD VALOREM ASSESSMENTS

NOTICE IS HEREBY given that the City of Miami Beach ("City") intends to use the uniform method for collecting the non-ad valorem assessments to be levied by the City pursuant to Section 197.3632, Florida Statutes, with regard to the Biscayne Beach Security Guard Special Taxing District ("Special Taxing District"). The City Commission will hold a Public Hearing on this matter on **February 12, 2020 at 2:01 P.M.** at City Hall, 1700 Convention Center Drive, 3rd Floor, Commission Chambers, Miami Beach, Florida, 33139.

The purpose of the Public Hearing is to consider the adoption of a Resolution authorizing the City to use the uniform method of collecting non-ad valorem assessments to be levied by the City pursuant to Section 197.3632, Florida Statutes. The City intends to use the uniform method for collecting non-ad valorem assessments after the transfer of control of the Special Taxing District from Miami-Dade County to the City in accordance with Section 18-3.1 of the Miami-Dade County Code.

The City may levy non-ad valorem assessments for the purpose of the continued operation and maintenance of the Biscayne Beach Guard Special Taxing District, including but not limited to the making of infrastructure and security improvements. The area or boundaries of Biscayne Beach Security Guard Special Taxing District are as follows:

A portion of Sections 3, Township 53 South, Range 42 East, Dade County, Florida; being more particularly described as follows:

Lots 1 thru 52, Block 15; and Lots 5 thru 58, Block 16 of "Biscayne Beach Second Addition" according to the Plat thereof, as recorded in Plat Book 46 at Page 39.

All the aforementioned plats being recorded in the Public Records of Dade County, Florida.

The City intends to use the uniform method of collecting non-ad valorem assessments for a period of more than one year. This non-ad valorem assessment will be levied by the City for the first time; however, Miami-Dade County has previously levied the non-ad valorem assessment for the Special Taxing District.

The City's non-ad valorem assessments shall be subject to the same discounts and penalties, and the issuance and sale of tax certificates and tax deeds, for non-payment as for the non-payment of ad valorem taxes. The non-payment of such non-ad valorem assessments will subject the property to the potential loss of title.

INTERESTED PARTIES may appear at the Public Hearing, or be represented by an agent, to be heard regarding the use of the uniform method of collecting such non-ad valorem assessments, or may express their views in writing addressed to the City Commission, c/o the City Clerk, 1700 Convention Center Drive, 1st Floor, City Hall, Miami Beach, Florida 33139. This item is available for public inspection during normal business hours in the Office of the City Clerk, 1700 Convention Center Drive, 1st Floor, City Hall, Miami Beach, Florida 33139. This item may be continued and, under such circumstances, additional legal notice need not be provided.

Pursuant to Section 286.0105, Fla. Stat., the City hereby advises the public that if a person decides to appeal any decision made by the City Commission with respect to any matter considered at its meeting or its hearing, such person must ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. This notice does not constitute consent by the City for the introduction or admission of otherwise inadmissible or irrelevant evidence, nor does it authorize challenges or appeals not otherwise allowed by law.

To request this material in alternate format, a sign language interpreter (five-day notice required), information on access for persons with disabilities, and/or any accommodation to review any document or participate in any City-sponsored proceedings, call 305.604.2489 and select 1 for English or 2 for Spanish, then option 6; TTY users may call via 711 (Florida Relay Service).

City of Miami Beach
Rafael Granado, City Clerk
305-673-7411