

## Beijing Municipal Government's Three-Year Action Plan to Boost Foreign Investment in China

***The Three-Year Action Plan includes action items that will encourage greater foreign investment in Beijing's media, technology, internet, and other industries.<sup>1</sup>***

Since the National People's Congress of China approved The People's Republic of China Foreign Investment Law on 15 March 2019 (FIL), China has issued several regulatory updates to execute on the promotion and protection of foreign investment. The recent 2019 Updates to the Negative List and the Encouraged Industries Catalogue opens new sectors that were previously closed or restricted to foreign investment. In the latest of ongoing efforts to lay the FIL groundwork, the Beijing Municipal Government (BMG) issued a Three-Year Action Plan on 15 August 2019 (《关于印发服务业扩大开放重点领域开放改革三年行动计划的通知》, BMG Action Plan). The BMG Action Plan announces directives across a number of market sectors that favorably impact foreign investment in specific pilot areas in Beijing.

As written, the BMG Action Plan directs relevant government bureaus and regional authorities to execute a policy framework that opens and/or strengthens additional markets previously prohibited or restricted to foreign investment. Many of these action items are mandated to be implemented by December 2019 with the remaining to follow in 2020.

While the BMG Action Plan does not provide in detail how its framework goals are to be implemented, it appears to signal the Chinese government's intention to relax restrictions on foreign investment. The BMG Action Plan further opens the door to China's market, sector by sector, which now includes: cloud services (e.g., IDC centers for cloud businesses), value-added communication services (e.g., VPN services, app store), entertainment (e.g., performance agencies, show venue operators), as well as technology, finance, education, culture and travel, medicine, professional services, commercial services. Impact to foreign investment is expected in the following non-comprehensive list of key sectors:

Industry Sector	Action Items	Implemented By
<b>Telecommunication Services / Internet</b>	(1) value-added telecommunications services, where foreign-funded enterprises (excluding China Hong Kong and China Macao) may conduct Internet data center (IDC) businesses and Internet resource collaboration services (public cloud) pursuant to the CEPA Agreement	December 2019

Industry Sector	Action Items	Implemented By
	(2) virtual private network (VPN) services, where foreign-funded enterprises up to a 50% equity ratio with a domestic partner may conduct VPN businesses	December 2019
	(3) information services, where foreign investment is permitted at 100% ownership for application stores	December 2019
<b>Finance</b>	(1) favorable conditions for international credit agencies and the establishment of foreign-funded bank card clearing institutions	December 2019
	(2) relaxing market entry for banking and insurance financial institutions, supporting establishment of joint venture banks (foreign-controlled), consumer finance companies, and joint venture local assets management companies	December 2019
	(3) relaxing market entry for financial securities institutions, supporting establishment of foreign-controlled security companies, foreign wholly-owned or jointly-owned asset management companies	December 2019
	(4) supporting establishment of group companies or holding companies by foreign-funded financial institutions	December 2019
	(5) allowing (i) foreign credit rating agencies in Beijing to obtain inter-bank bond rating business license; (ii) the establishment of foreign invested commercial wealth management entities/subsidiaries, pension management companies, currency brokerage companies and other institutions in Beijing; (iii) the implementation of the policies in Beijing regarding relaxing equity ratio requirement for foreign investment in life insurance and insurance management companies; (iv) relaxed market entry requirements for foreign invested insurance companies, including: cancellation of restrictions on foreign shareholding ratio of security companies, fund management companies and futures companies; and (v) foreign institutions in Beijing to obtain lead underwriter license (category A) in the inter-bank bond market	December 2020
	(6) permitting multi-national companies to (i) conduct centralized operation and management of cross-border capital; (ii) further simplify registration administration for foreign debt and overseas loans; and (iii) settle foreign exchange under capital account directly after recordal (pilot projects)	December 2019
	(7) expanding qualified domestic institutional investor (QDII) to include investment management agencies established by foreign institutions in Beijing	December 2019
	(8) development of RMB settlement for cross-border transactions of stated-owned property rights	June 2020
	(9) supporting qualified overseas companies to issue RMB bonds in China	December 2019

Industry Sector	Action Items	Implemented By
	(10) expansion in business scope of foreign-funded institutions, such as: (i) foreign-controlled or jointly invested security brokers to obtain bond connector market maker sponsor qualification (ii) foreign-funded bank participation in customs clearance tax payment and tax consolidation for imports and exports	June 2020 December 2019
	(11) supporting qualified foreign funded banks in Beijing to apply for open market business 1 <sup>st</sup> tier trader qualification	March 2020
<b>Culture/Travel</b>	(1) removing foreign equity ratio restrictions on establishment of operating entities of entertainment/performance venues	October 2019
	(2) permitting the establishment of foreign wholly-owned performance agencies to provide nationwide services	October 2019
	(3) permitting foreign wholly-owned travel agencies in Beijing to operate outbound (excluding to Taiwan region of China) travel services for Chinese citizens	December 2021
	(4) permitting foreign investment in audio-visual production businesses (restricted to certain areas in Beijing with Chinese partner leading the operation and having final right to review content)	October 2019
<b>Medicine / Elderly Care</b>	(1) carrying out a pilot for joint Chinese-foreign non-profit medical institutions	April 2019
	(2) supporting multi-venue practices to support foreign medical professionals	May 2019
	(3) lowering barriers to market entry for social service institutions for elderly care funded by foreign charitable donation	December 2019
	(4) completing, with foreign cooperation, several hospital projects located in Beijing, including a maternity ward and two international hospitals.	December 2020
<b>Professional Services</b>	(1) establishment of professional services cooperation among professional service agencies in Beijing, China Hong Kong, and China Macao that will serve as a launching pad for professionals to work in Beijing in fields including: accounting, management consulting, dispute resolution, intellectual property, and architectural design	December 2019
	(2) international cooperation of professional service agencies to form a consortium with focus in the architecture design industry	December 2019
	(3) establishment of pilot program for joint operation of law firms between domestic law firms and firms in China Hong Kong and China Macao	December 2019

Industry Sector	Action Items	Implemented By
	(4) establishment of foreign wholly-owned human resources service institutions throughout Beijing intended to support internationally renowned headhunting agencies registered in Beijing	December 2019
	(5) cancellation of previously required accreditation approvals and the three-year experience for foreign invested accreditation agencies	October 2019
	(6) relaxing application requirements for foreign invested investing companies, by decreasing the required foreign assets value to US\$200 million and removing the required number of domestic entities invested by each foreign investor	May 2019
<b>Business Services</b>	(1) encouraging foreign wholly-owned construction companies to undertake Chinese-foreign co-construction projects for Beijing municipal sub-center and Daxing international airport Linkong economic zone	December 2020
	(2) removing restrictions on project scope for construction companies invested by China Hong Kong, China Macao or Taiwan region of China for Beijing municipal sub-center and Daxing international airport Linkong economic zone	December 2020
	(3) supporting the establishment of foreign-funded convenience stores	December 2019

While online gaming and Internet audio-visual programming services are not specifically included in the BMG Action Plan, China's online media has issued releases that indicate BMG's intention to explore further relaxation of foreign investment restrictions in these industries.

Latham will continue to monitor developments around these evolving efforts to significantly increase foreign investment opportunities in Beijing in the coming weeks.

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