

**CHINA'S ANTI-CORRUPTION STORM
IN THE FINANCIAL SECTORS**

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Executive Summary

1. The unprecedented stock rout in the summer of 2015 had triggered a new round of anti-corruption investigation into officials and executives in China's financial sectors and to the detaining of at least eight officials in the China Securities Regulatory Commission (CSRC).
2. As China speeds up financial liberalisation, its weakness in financial regulation and supervision has become more apparent, with rampant inside trading and rent-seeking hurting the interests of ordinary investors. More professionals are needed to tackle financial crimes.
3. The CITIC Securities Company, a leading full-service investment bank in China that reportedly has good connections with the CSRC, was at the epicentre of the Central Commission for Disciplinary Inspection's (CCDI) investigations in the stock market.
4. The CCDI in 2015 dispatched inspection teams to various financial organisations, including the People's Bank of China, CSRC, China Insurance Regulatory Commission, China Banking Regulatory Commission, two stock exchange bourses (Shanghai and Shenzhen) and five major state-owned commercial banks.
5. A large number of officials and executives from these securities groups, banks, insurance companies, investment companies and other financial organisations have been placed under investigation.
6. Wang Qishan, head of the CCDI and a Politburo Standing Committee member, has abundant experience in the financial sectors. The CCDI established several new organisations, including the fourth discipline and inspection office which has the special mission of tackling financial corruption.

7. The anti-corruption storm in the financial sectors has been speculated as being politically motivated as President Xi aims to grab financial power, safeguard national financial security and propel financial reforms.
8. The fight against financial corruption may have implications for China's ongoing economic restructuring. The long-suppressed stock market has been deemed by the new leadership since 2012 as strategically important for redistributing financial resources and cutting the overreliance on bank loans.
9. Direct financing through stock markets was encouraged by the Party's Third Plenum in 2013, which planned to turn the current approval-based system of initial public offerings into a "registration-based" one.
10. However, the financial reform in China is more complicated than in many other countries because it involves not only financial liberalisation, but also the reshaping of the structure and functions of the state-dominated financial system.