

China may open door to hedge funds

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China is likely to soon allow foreign hedge fund companies to raise money in the domestic capital market, Oliver Barron, general manager of Greater China at the London-based brokerage house North Square Blue Oak, told the Global Times Wednesday.

If the government follows through with this plan, it would be one of the country's boldest moves yet to create channels for Chinese capital to flow abroad, according to Barron, who claimed to be close to the matter.

Since as early as 2010, when Shanghai announced its intention to launch a qualified domestic limited partner scheme in the city, there has been talk about China opening up to overseas hedge funds for its domestic investors, Qu Wenqian, a cross-border market analyst from Z-Ben Advisors, told the Global Times.

Qu was also careful to point out that the government has yet to officially give its nod for these aggressively managed funds to enter the country due to the high risks they could pose for the local capital market.

Disappointed with the country's consistently underperforming stock market and the weak bond market, many domestic investors have been left with a limited array of investment options at home and few ways to send their capital to foreign markets, said Qiu Yanying, chief analyst with Beijing-based Tianxiang (TX) Investment Consulting.

The government recently started fast-track approvals for domestic investors to enter overseas markets, yet these investors can only access fixed-income products and equities abroad, while high-risk vehicles with the potential for high returns are still off limits, said Qu.

Apart from keeping with the country's pledge to gradually liberalize its capital accounts, more offerings of investment opportunities tied to overseas markets will diversify the investment vehicles available to China's capital market and reduce investors' incentives to find loopholes in the country's capital outflow regulations, said Qu.

Although the plan has yet to receive official approval from the government, a number of global hedge funds have already expressed interest in entering the Chinese market, said Oliver.

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