

Federal Reserve's Comprehensive Consolidated Supervision Determination for Chinese Banks Has Broader Implications

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The Federal Reserve's decision this week to confer Comprehensive Consolidated Supervision status to three state-owned Chinese banks has been long awaited and paves the way for major Chinese banks to enter retail commercial banking in the United States by acquiring U.S. banks. We view the Federal Reserve's decision, which is the first CCS determination with respect to a major jurisdiction in nearly 10 years, as encouraging for banks from other emerging economies that wish to expand their activities in the United States by acquiring U.S. banks or electing to become financial holding companies. Since many developed economies have attained CCS status, the key markets that might, over time, indirectly benefit from the China CCS determination include Dubai, India, Malaysia, Saudi Arabia, Singapore and South Africa. Brazilian and Mexican banks already benefit from earlier CCS determinations. There are, however, a few lessons to be learned from the Chinese experience.

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