

**THE ACQUISITION STRATEGY OF INTERNATIONAL
BANKS INTO CHINA AS AN EMERGING MARKET**

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Executive Summary

Subject matter and objective

The motivation of this paper is to find an effective strategy for international banks to enter the Chinese financial market and establish their business. The original hypothesis is if the market entry strategy of UBS would be suitable for other international banks.

Methodology

The hypothesis is examined in two parts. In the theoretical part, different market entry possibilities and their advantages and disadvantages are analyzed. In the second part, UBS' entry process into China's financial sector is studied and then, in the third part, compared with those of Credit Suisse and HSBC with additional inputs of other international banks.

Theoretical fundamentals and primary sources of information

The theoretical investment approaches are mainly based on the book of Vai and Tian.¹ For the analysis of UBS and other banks, the information was based on internet research with articles amongst others from The New York Times and Xinhua Financial Network News. In addition, homepage of the Chinese banking commission² was visited for regulatory information.

Findings

Except for HSBC, all international banks in this study have used a similar market entry strategy for the Chinese market. The first step has often been the establishment of a representative office, followed by the application of the Qualified Foreign Institutional Investor (QFII) license for the trade of RMB-denominated A-shares. Thereafter, based on the market demand and regulatory permissions, businesses in Investment Banking, Asset Management and Wealth Management were set up. All banks studied have established a securities joint venture with a domestic securities company. Furthermore, the comparison showed that UBS was in most of the businesses the first international bank and took a leading position that other banks followed. Therefore, these findings confirm the hypothesis that the market entry strategy of UBS is suitable for other international banks.

¹ See Vai / Tian 2005

² See <http://www.cbrc.gov.cn/english/home/jsp/index.jsp>, 15.08.08 (Date of enquiry)