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Financial Times

JPMorgan forms China IPO joint venture

JPMorgan Chase unveiled a Chinese securities joint venture Wednesday in the latest move by a global investment bank to tap the mainland's lucrative capital markets.

The venture will be allowed to underwrite initial public offerings on the mainland bourses of Shanghai and Shenzhen, but not to trade stocks in China's booming secondary market.

Arranging IPOs in China can be lucrative. Last year mainland bourses raised \$31bn in stock market listings, more than in any other country.

JPMorgan signed an agreement with First Capital Securities, a small state-owned mainland broker, at a ceremony attended by Jamie Dimon, chief executive.

The US bank is seeking to own 33 per cent of the newly created company, the maximum foreign investment permitted, with the remainder to be held by First Capital. Each partner is expected to contribute staff and tens of millions of dollars in capital to the venture.

Foreign banks are banned from operating their own securities units. Beijing is taking a gradualist approach to the opening of financial services.

New foreign-backed securities ventures will need to wait about five years before applying for a licence to trade stocks.

Goldman Sachs and **UBS** were the only global investment banks to secure minority positions in mainland ventures with full-service securities platforms before a moratorium on fresh foreign investment in the sector was imposed.

European banks including **Deutsche Bank** and **Credit Suisse** have been granted approval to launch mainland securities joint ventures in the past two years, but these have been restricted to IPO underwriting.

US banks have failed to make inroads in China because Beijing has used market access as a bargaining chip in its relationship with Washington.

Morgan Stanley, **Bank of America**, **Merrill Lynch** and **Citigroup** are among US groups that are looking to strike agreements to launch mainland securities joint

ventures.

JPMorgan spent four years searching for a partner and was in talks with Liaoning Securities and then Bohai Securities.

JPMorgan runs a locally incorporated bank in China that is able to offer renminbi products to local companies and has asset management and futures and options ventures.

The bank also assists Chinese companies on capital raisings and mergers and acquisitions outside of the mainland.

First Capital, founded in 1993 and based in the southern Chinese boom town of Shenzhen, was China's 33rd-largest brokerage by investment banking revenue in 2009. It has 12 sales branches nationwide.

The joint venture is subject to regulatory approval, which analysts say could take several months. If successful, the move could accelerate plans by other US banks to launch similar ventures.

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