

CSDs: SD&amp;C Shenzhen Branch (China), SD&amp;C Shanghai Branch (China)

Date: 22 Feb 2010

SMI Markets: China

CMIRR Markets: China

## Margin Trading and SBL Approved - Update

Further to our previous market newsflash, the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) have disclosed the list of securities eligible for the initial stage of the margin trading and securities lending pilot programme. The list of securities eligible as collateral and the corresponding discount ratios have also been published.

The eligible stocks for margin trading and securities lending are constituents in SSE 50 Index (50 stocks) and SZSE Component Index (40 stocks). The types of acceptable collateral include listed A shares, funds and bonds.

However, it has not been made clear whether Qualified Foreign Institutional Investors (QFIIs) will be allowed to participate in margin trading and securities lending.

More details are available here:

[Notice on Scope of Underlying Securities and Qualified Securities Representing Margin in Initial Stage of Piloting Margin Trading and Securities Lending \(SSE\)](#)

[SZSE Officially Release Name-list of Target Securities and Collaterals Scope for Initial Stage of Pilot Margin Trading and Securities Lending Business \(in Chinese\)](#)

## CSD Risk Impact

### SD&C Shenzhen Branch (China)

CSD Rating: A-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = On Watch

The introduction of SBL in the market will help mitigate liquidity risk by making securities available to cover shortfalls in securities, consequently reducing the number of settlement fails in the market. At this stage, it is not clear if non-resident investors will be allowed to participate in the SBL scheme. The impact on Liquidity risk is set "On Watch" pending further developments on this matter.

### SD&C Shanghai Branch (China)

CSD Rating: A-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = On Watch

The introduction of SBL in the market will help mitigate liquidity risk by making securities available to cover shortfalls in securities, consequently reducing the number of settlement fails in the market. At this stage, it is not clear if non-resident investors will be allowed to participate in the SBL scheme. The impact on Liquidity risk is set "On Watch" pending further developments on this matter.

## Market Information Impact

### China

This information affects the data contained in the Stock Lending and Repos sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### China

Market Rating: A-

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = BBB

Flash Impact = On Watch

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Related Flash: [Margin Trading and SBL Approved, 12/01/2010 \(click to view\)](#)

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