

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

Date: 25 Aug 2011

SMI Markets: China

CMIRR Markets: China

CSRC Consults on Rules for Securities Financing

The China Securities Regulatory Commission (CSRC) has published a draft governing the regulation of securities financing for public consultation. The draft provides regulations for a central securities financing company which will be a non-profit entity responsible for lending securities to securities companies and other institutions for onward lending to investors.

The draft provides for the following:

- The legal relationship between the securities financing company and securities companies;
- The management of securities financing accounts;
- The ratios and definitions of guarantee funds for the security of the securities financing business; and
- The sourcing of the funds and securities.

Comments must be submitted by 5 September 2011. The official documents are available here (in Chinese only): [CSRC Consults on Rules of Securities Financing Company](#).

CSD Risk Impact

SD&C Shenzhen Branch (China)

CSD Rating: A-

CSD Flash Impact: Stable

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Stable

A centralised securities borrowing and lending facility 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. However, due to existing restrictions, qualified foreign institutional investors will not be able to benefit from this scheme.

This development is still in the consultation stage; the full impact can only be assessed once the regulations and the infrastructure are put in place.

SD&C Shanghai Branch (China)

CSD Rating: A-

CSD Flash Impact: Stable

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Stable

A centralised securities borrowing and lending facility 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. However, due to existing restrictions, qualified foreign institutional investors will not be able to benefit from this scheme.

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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: Stable

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Related Flash: [Launch of Pilot Scheme for Margin Trading and Securities Lending, 31/03/2010 \(click to view\)](#)

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