

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

Date: 25 Oct 2011

SMI Markets: China

CMIRR Markets: China

Launch of China Securities Finance Company

In an update to our previous newsflash, the China Securities Finance Co Ltd (CSF) was launched on 19 October 2011 with a registered capital of CNY 6 billion (approximately USD 0.94 billion). The CSF will serve as an agent between fund and securities lenders and eligible securities companies, who will then lend to securities and funds borrowers.

The shareholders of the CSF include the Shanghai Stock Exchange, Shenzhen Stock Exchange and the China Securities Depository and Clearing Co. (SD&C).

The China Securities Regulatory Commission had finished the public consultation on the draft regulations for securities financing. The finalised administration rules are expected to be released shortly. Please note that it is still unclear whether or not Qualified Foreign Institutional Investors will be allowed to participate at the initial stage. Further information will be advised in due course.

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 may not be able to benefit from this scheme.

The precise impact will be assessed once the project timeline, 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 may not be able to benefit from this scheme.

The precise impact will be assessed once the project timeline, regulations and the infrastructure are put in place.

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

Impacted Risk Type: Liquidity Risk

Current Rating = BBB

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 may not be able to benefit from this scheme.

The precise impact will be assessed once the project timeline, regulations and the infrastructure are put in place.

Related Flash: [CSRC Consults on Rules for Securities Financing, 25/08/2011 \(click to view\)](#)

For further information contact:

Ana Giraldo - Americas and Eurasia

Barry Morales - Asia Pacific

Guillaume Viteau - Western Europe (incl. EU)

Sinang Chrea - Africa, Middle East

Tel. +44 (0) 20 8600 2300 | Fax. +44 (0) 20 8741 7468

Email: cmiqueries@thomasmurray.com

Whilst reasonable care has been taken in the compilation of this information, neither Thomas Murray, its affiliates or information contributors shall have any liability for any errors, omissions, delays or inadequacies in the information or for any loss or damage however occasioned (whether arising directly or indirectly), to any person or company relying on this information, or any decision made, action or inaction taken by any party in reliance upon this information (except to the extent permitted by law). Copyright © 2011 Thomas Murray Ratings. All rights reserved. No reproduction without prior authorisation.

