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

Date: 19 Apr 2012

SMI Markets: China

CMIRR Markets: China

CSRC Lowers Risk Capital Reserve Requirement for Securities Companies

The China Securities Regulatory Commission (CSRC) will revise the standards for calculating the risk capital reserves and decrease the risk capital reserve requirements for Chinese securities firms. The changes include:

- The risk capital reserve ratios of securities firms self-dealing in equities and fixed income securities will be reduced from 20% to 15%, and from 10% to 8%, respectively;
- The risk capital reserve ratios for special / set / specific limits / directional asset management businesses will be lowered from 8% / 5% / 5% / 5% to 4% / 3% / 2% / 2%, respectively;
- The risk capital reserve ratio of securities companies based on the value of customers transactions will be reduced from 3% to 2%.
- The risk capital reserve will be reduced from RMB 5 million to RMB 3 million;
- Class A securities companies (in terms of risk management) who have maintained that status for three consecutive years will see their risk capital benchmark ratio lowered from 0.6 times to 0.4 times.

The CSRC announcement is available here (in Chinese only): CSRC Lowers Risk Capital Reserve Requirements for Securities Companies.

CSD Risk Impact

SD&C Shenzhen Branch (China)

CSD Rating: A-
CSD Flash Impact: Negative

Impacted Risk Type: Counterparty Risk
Current Rating = AA-
Flash Impact = Negative

According to the regulator, securities companies have stepped up their effort to improve risk management, and this relaxation is aimed at releasing funds and encouraging securities firms to innovate and develop the industry. However, from a counterparty risk perspective, this move will decrease liquidity reserves to cover potential defaults, and as such, will affect the quality of participants in the market. This has a 'Negative' impact on Counterparty Risk.

SD&C Shanghai Branch (China)

CSD Rating: A-
CSD Flash Impact: Negative

Impacted Risk Type: Counterparty Risk
Current Rating = AA-
Flash Impact = Negative

According to the regulator, securities companies have stepped up their effort to improve risk management, and this relaxation is aimed at releasing funds and encouraging securities firms to innovate and develop the industry. However, from a counterparty risk perspective, this move will decrease liquidity reserves to cover potential defaults, and as such, will affect the quality of participants in the market. This has a 'Negative' impact on Counterparty Risk.

Market Information Impact

China

This newsflash is for information only.

Infrastructure Risk Ratings Impact

China

Market Rating: A-
Market Flash Impact: Negative

Impacted Risk Type: Counterparty Risk
Current Rating = A+
Flash Impact = Negative

According to the regulator, securities companies have stepped up their effort to improve risk management, and this relaxation is aimed at releasing funds and encouraging securities firms to innovate and develop the industry. However, from a counterparty risk perspective, this move will decrease liquidity reserves to cover potential defaults, and as such, will affect the quality of participants in the market. This has a 'Negative' impact on Counterparty Risk.

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