

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

Date: 29 Aug 2012

SMI Markets: China

CMIRR Markets: China

## Pilot Scheme on Centralised Margin Trading and Securities Lending

The China Securities Regulatory Commission (CSRC) has approved the rules of the pilot scheme on the centralised margin trading and securities lending / refinancing services. The China Securities Finance Corporation Limited (CSF) will serve as an agent between fund and securities lenders and borrowers. CSF has signed the agreement with 11 securities to start the pilot scheme.

The CSF, Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE) and the China Securities Depository and Clearing Corporation (SD&C) also issued the relevant measures regarding the trading, collateral management and settlement on 27 August 2012, with immediate effect. The key points are as follows:

- Participating securities companies are required to meet certain criteria, such as the qualification for providing margin financing and securities lending services, the relevant internal control / risk management procedures and technology systems of such services;
- CSF is responsible for the evaluation of credit status of securities companies, and will determine and adjust the credit line and margin requirement accordingly;
- Margins ranging from 20%-50% will be collected from securities companies for refinancing activities;
- The fee rates for securities refinancing (with reference to the benchmark interest rates for half-year loan for financial institutions) will be published on a daily basis;
- The list of underlying securities eligible for refinancing will be announced prior to the market opening on each trading day;
- CSF will implement a risk management mechanism for securities refinancing. If a securities company's ratio of net capital to the total risk capital reserves decreases to 100%, the securities company will be suspended for securities refinancing. The securities company can resume securities refinancing on the next trading day, provided that such ratio increases to 120%.

Please note that Qualified Foreign Institutional Investors are not permitted to join the scheme at this stage. The related official publications are available here: [CSF News](#), [SSE News](#), [SZSE News](#) and [SD&C News](#) (in Chinese only).

## CSD Risk Impact

### SD&C Shenzhen Branch (China)

CSD Rating: A-

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Positive

A centralised margin trading and securities lending facility in the market will help mitigate liquidity risk by making cash / securities available to cover shortfalls, consequently reducing the number of settlement fails in the market. However, due to existing restrictions, QFIIs are not able to benefit from this scheme.

### SD&C Shanghai Branch (China)

CSD Rating: A-

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Positive

A centralised margin trading and securities lending facility in the market will help mitigate liquidity risk by making cash / securities available

to cover shortfalls, consequently reducing the number of settlement fails in the market. However, due to existing restrictions, QFIIs are not able to benefit from this scheme.

## 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: Positive

Impacted Risk Type: Liquidity Risk  
Current Rating = BBB  
Flash Impact = Positive

A centralised margin trading and securities lending facility in the market will help mitigate liquidity risk by making cash / securities available to cover shortfalls, consequently reducing the number of settlement fails in the market. However, due to existing restrictions, QFIIs are not able to benefit from this scheme.

Related Flash: [Full Launch of Margin Trading and Securities Lending Scheme, 29/11/2011 \(click to view\)](#)

### 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](mailto: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 © 2012 Thomas Murray Ratings. All rights reserved. No reproduction without prior authorisation.*

