

SZSE and SSE Officially Release Name-list of Target Securities and Collaterals Scope for Initial Stage of Pilot Margin Trading and Securities Lending Business

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The Shenzhen and Shanghai stock exchanges recently have released the “Notice on Name List of Target Securities and Scope of Securities Allowed to Be Served as Margin for Initial Stage of Pilot Margin Trading and Securities Lending Business”, clearly specifying the name list of target securities for the initial pilot stage, the scope of securities (collaterals) allowed to be served as margin, conversion rate and relevant matters. The move marks the further speeding-up in the pace of pushing out China’s margin trading and securities lending business.

According to the SZSE person in charge of the case, the determination of target securities and collaterals scope is one of cores in respect of margin trading and securities lending business. In the initial pilot stage, based on the effective control of market risks, the SZSE will prudently determines the name list of target securities and the scope of collaterals in light of the needs of pilot business. In addition, the two stock exchanges have made slight adjustment to the “Implementing Rules for Pilot Margin Trading and Securities Lending Business” promulgated in 2006 in terms of selecting standards for target securities in accordance with the relevant provisions.

The person also expressed that even though the scope of collaterals is a little wide, the SZSE will stringently control risks by setting different conversion rates. Meanwhile, the person specially reminds investors of that the scope of target securities released by the SZSE uncertainly refers to the scope of targets in which investors may make margin trading or securities lending. A securities company may determine the name list of targets to be actually provided to clients under margin trading and securities lending within the scope of target securities released by the SZSE in light of market situation and its own condition. With respect to the specific conversion rate of any collateral securities, a securities company may make the final decision on the basis of such factors as listed companies analysis and risk judgment of secondary market trading.

Lastly, the person stressed that the launching of margin trading and securities lending business will have the positive significance in improving market trading mechanism and boosting the steady development of the market. But, the business itself has certain operating risks; especially when major change or business adjustment occurs in a listed company of target securities, the margin trading and securities lending is likely to be affected. Investors shall know the relevant rules and requirements well and fully understand possible risks when engaging in the margin trading and securities lending business.