

Money

CSRC issues futures guidelines for brokerages, funds

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BEIJING - The China Securities Regulatory Commission (CSRC) on Friday issued guidelines for securities firms and equity funds to trade stock index futures in a move to regulate their investments and manage potential trading risks.

Securities firms should trade index futures for hedging purposes in their principal investment business and they are not allowed to engage in speculative trading until relevant rules are issued, the regulator said.

The guidelines also required that in aggregate asset management business, securities firm must not have long holdings of index futures contracts that exceed 10 percent of the net value of their assets nor should they hold short positions that exceed 20 percent of the total value of their stock holdings.

The regulator also limited the trading volume of securities firms by requiring that the total value of securities holdings and derivative products including index-futures contracts should not exceed 100 percent of their net assets.

Meanwhile, the CSRC said it will soon unveil the regulations for qualified foreign institutional investors (QFII) to trade index futures. The rules will be more relaxed as QFII investors usually have higher risk tolerance than domestic investors.

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According to the guidelines, domestic equity funds, similar to securities firms, should trade index futures for hedging rather than speculative purposes.

The total value of index futures contracts held by an equity fund by the end of a trading day cannot exceed 10 percent of the fund's net book value.

The regulator also sought to control investment leverage by requiring that the total value of index futures contracts and securities held by open-end funds should not exceed 95 percent of their net assets. For

exchange-traded funds and close-end funds, the value cannot exceed 100 percent of their net assets.

To prevent frequent single-day trading, the regulator limited the daily turnover of the index futures trading of a fund companies to less 20 percent of their net assets in the previous trading day.

"We believe that the current regulations meet the demands of fund companies and we will make adjustments gradually after a period of smooth running of index futures trading," said a CSRC official.