

Brokerage firms still waiting for CSRC guidelines

The timetable of implementing the long-awaited margin trading and short selling may be delayed to next month since brokerage firms haven't received regulator's guidelines as planned.

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According to the regulations released by the China Securities Regulatory Commission (CSRC) on October 30, brokerage firms could apply to offer margin trading and short selling as of December 1. Yet as of the supposed starting date, brokerage firms said they were still waiting for the specified guidelines from the regulators, meaning the application of the new measures cannot start on time.

So far, the CSRC hasn't explained the reason for this delay or elaborated on the requirements for the new measures. Insiders said the list for brokerage firms in the first-batch of pilot units can be expected next month.

It's widely accepted that the pilot units in the first batch must be selected from the 11-brokerage firms that have successfully finished on-line testing with China Securities

Depository & Clearing Corp and stock exchange.

On October 25 and November 8, 11 brokerage firms have finished on-line testing in two batches, including Citic Securities, Haitong Securities, Orient Securities, Everbright Securities, Shenyin & Wanguo Securities, Huatai Securities, China Galaxy Securities, Guosen Securities, GF Securities and China Merchants Securities. To cope with potential risks, these companies are all large-scale brokerage firms, with net capital above 5 billion yuan (\$726.2 million).

Insiders said Orient Securities might be out of the final pilot list, since its performance in the first half of this year was the worst among the brokerage firms, with a loss of 875 million yuan in net profits in the first six months.

Haitong Securities, the largest brokerage by market capitalization, said in a report that about five to eight brokerage firms of the 11 are likely be in the final list of the pilot units. On Nov 18, Haitong said its operation costs in margin trading and short-selling will not exceed 4 billion yuan, about 11.22 percent of the company's net capital (As of June 30, the company's net capital had amounted to 35.66 billion yuan).

Haitong also predicts the yet-to-be launched new business will likely account for about 20 percent of these brokerage firms' net capital and the revenue from interest spread may reach about 2.69 billion yuan in 2009.

Besides the 11 securities firms, Xinjiang-based Hong Yuan Securities and Shandong-based Qilu Securities also announced they are actively preparing for the new business and the proposal have been approved at the general meeting of shareholders.

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