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China launches stock index futures trading accounts

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Chinese investors will be able to begin applying on Monday to open accounts for stock index futures trading, the China Financial Futures Exchange said, in a key step toward the long-awaited launch of index futures trade.

The exchange was set to begin taking applications at 9 am, state media reported.

Individuals will be required to have a minimum of 500,000 yuan (\$73,206) to open an account, while initial margins will be set at 15 to 18 percent.

China is launching stock index futures, along with margin trading and short selling of stocks and other reforms, to deepen its financial markets with hedging tools and new products while improving liquidity, as it aims to build Shanghai into a global financial centre over the next decade.

The Xinhua state news agency on Saturday quoted a regulatory official as saying that rules for stock index futures trade had received formal approval and that the way would be cleared to start opening accounts within the next few days.

Regulators have said, however, that it was likely to take about three months to prepare for the launch of stock index futures trade following the initial announcement of regulatory approval in January.

The Shanghai and Shenzhen stock exchanges are also moving forward with preparations for a pilot programme for margin trading and short selling of stocks, recently setting the scheme's initial basket of eligible stocks to include the 50 shares of the Shanghai 50 Index and the 40 shares of the Shenzhen Component Index.

The exchanges also set rules for using stocks, exchange-traded funds, and other instruments as collateral.

Stock index futures are an agreement to buy or sell an index at a certain price on an agreed date. Index futures will give investors a mechanism to profit from declines in stock prices, allow them to hedge risks and help ease market fluctuations.

China's A-share stock bourses in Shanghai and Shenzhen will resume trade Monday. They stayed closed during the one-week Spring Festival, the most important Chinese traditional festival for family reunions.

Source:China Daily

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