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[online version](http://www.charltonslaw.com/sfc-to-implement-securities-collateral-re-pledging-limit-in-2-phases-and-hkfe-announces-revised-margins-for-h-shares-index-and-petrochina-futures-contracts/)

# SFC to Implement Securities Collateral Re-pledging Limited in 2 Phases

The SFC published a press release on February 6, 2006 confirming its intention to proceed immediately with its proposal to set a securities collateral re-pledging limit in light of the general support by members of the Legislative Council Panel on Financial Affairs.

A repledging limit proposal was originally included in the report of a working group made up principally of securities practitioners in 2004 and the public was consulted on the group's proposals in the same year. The SFC now proposes to implement a repledging limit of 180% as soon as possible after completion of the legislative process. After a further period of 12 months, the repledging limit will be fixed at a level of between 130% and 150%. This is intended to give brokers about 18 months to prepare for compliance with the 130% - 150% re-pledging limit.

According to the SFC, the proposed re-pledging limit would only apply to the 84 Hong Kong broker firms (out of a total of 431 as of September 2005) that re-pledge client securities. Of those 84, most apparently already comply with the proposed re-pledging limit. Accordingly, only a limited number of broker firms should be affected by the proposal.

The full text of the press release and Mrs Alexa Lam's speaking notes are available on the [SFC website](http://www.sfc.hk).

# HKFE Announces Revised Margins for H-shares Index and Petrochina Futures Contracts

Hong Kong Futures Exchange ('HKFE') has announced that with effect from February 6, 2006, the minimum margins to be collected by an Exchange Participant from its clients in respect of their dealings in the following futures contracts will be as outlined in the table below.

**Futures Contract**

**Margin Rate**

**Initial Margin(HK$)**

**Maintenance Margin(HK$)**

H-shares Index

Full Rate

21,750/lot

17,400/lot

Spread Rate

6,525/spread

5,220/spread

PetroChina Company Limited

Full Rate

1,166/lot

933/lot

Spread Rate

350/spread

280/spread

HKFE emphasises that the above are minimum rates and that Exchange Participants should set their margin requirements according to their clients' individual circumstances.

*The purpose of this newsletter is to provide a summary only of the proposals outlined in press releases of the SFC and Hong Kong Stock Exchange. The full text of those press releases is available on the* [*SFC website*](http://www.sfc.hk) *and the* [*Exchange's website*](http://www.hkex.com.hk)*. Specific advice should be sought in relation to any particular situation.*

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