



17 August 2018

## Circular to licensed corporations

### Securities margin financing review and consultation on related guidelines

The Securities and Futures Commission (SFC) would like to draw licensed corporations' attention to a [report](#) on securities margin financing activities and a related [consultation paper](#) on its Proposed Guidelines for Securities Margin Financing Activities, both published today.

The report summarises the findings of the SFC's recent review of brokers' securities margin financing activities which showed that total margin loans increased ninefold between 2006 and 2017, reaching \$206 billion. The review also found that margin loan quality had deteriorated and risk controls were slack, leading to excessive concentration of exposure to individual margin clients and collateral stocks. Some brokers also failed to promptly collect outstanding margins and did not regularly perform proper stress testing.

To address these risks, the SFC has launched a two-month consultation on proposed guidelines to clarify, codify and standardise risk management practices for securities margin financing. The proposed guidelines consist of qualitative requirements and, where appropriate, quantitative benchmarks, covering the following key areas:

1. Total margin loans controls
2. Margin client credit limit controls
3. Securities collateral concentration controls
4. Margin client concentration controls
5. Haircuts for securities collateral
6. Margin calls, stopping further advances and forced liquidation
7. Stress testing

Comments on the proposed guidelines may be submitted to the SFC on or before 18 October 2018 via the SFC website ([www.sfc.hk](http://www.sfc.hk)), by email to [2018\\_SMFconsultation@sfc.hk](mailto:2018_SMFconsultation@sfc.hk), by post or by fax to 2523 4598.

Should you have any queries regarding the contents of this circular, please contact the case officers in charge.

Intermediaries Supervision Department  
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