

Huatai's Security Lending Platform

June 30, 2020

On June 30th, Huatai Securities released its online securities lending platform "HUATECH", which is the first online platform in China securities market focus on securities lending. HUATECH provides core functions such as market quotes and order placement and smart matching, committed to creating an integrated platform for securities lending cross the listed and unlisted venues as well as onshore and offshore borders.



The Chairman of the CSRC Yi Huiman pointed out at the 12th Lujiazui Forum during June 18th and 19th that a healthy market ecology is the fundamentals of a high-quality capital market for sustained development. It shall better protect the investors and enhance investors activity, to form a balanced development of investment and financing, with high market efficiency and transparency to encourage active participation of various types of investors.

Since the introduction of the margin financing for A-share, it has changed China's unilateral market environment in the past 10 years. The market-based pricing mechanism has been making more influence with promoted market price discovery and enhanced liquidity. Limited by the shortage of securities sources, low efficient and low transparent off-line matching, and lack of open markets, the securities lending business has developed relatively slowly but the market demand is getting stronger. According to public data, as of June 29, the securities lending market size was ¥31.039 billion (\$4.39b), doubled from the beginning of the year but less than 3% of total balance of margin trading. There is still a lot of room to grow to the 20%-30% share in other mature markets.

In 2019, a pilot registration system was firstly introduced to the Science and Technology Board. With improved trading mechanism, more flexible transfer, market-based declaration agreement and increased diversified lenders, it further broadened the securities sources. According to Wind statistics, as of June 29, the total margin financing balance in the Science and Technology Board was ¥18.274 billion (\$2.59b), of which the margin trading was 13.137 billion (\$1.86b), and the securities lending was



5.137 billion (\$727m). The proportion of the securities lending accounted for 28.11% of the total margin financing, which was more balanced than the traditional sectors.



Liu Ti, the vice president of the Shanghai Stock Exchange, said in this release that China capital market has started full fledging reform and entered into a fast lane. China market has accelerated its opening to attract international investment. As indicated in above picture, international investors hold ¥1.67 trillion (\$2.36t) stock value, 9.1% of total stock market value, and ¥2.43 trillion (\$3.44t) bond value. An efficient securities lending system is an extremely important part of capital market reform. There are many ways to improve the securities lending business. Huatai Securities' online lending platform is a significant creative attempt and innovation, using financial technology to connect the upstream and downstream participants of the securities lending market, contributing to a new ecology of margin trading in the industry. Through the joint efforts of all parties, the securities lending system, as an important basic component of the capital market offering, will surely make significant breakthrough and effectively change the current situation of limited supply in the secondary market.

Reference:

https://mp.weixin.qq.com/s/mYiOOTtIVRFT3mW7tYz_uA