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China Equity Strategy

PBoC and CSRC steps: not a bazooka, but a firmer floor

China & HK Equity strategy

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What's new: On November 2, the PBoC, NFRA and CSRC met with brokers, funds, and insurance companies to discuss fuller use of the two structural policy tools introduced in September 2024. The PBoC and CSRC subsequently outlined the following measures, including proposed changes to share buyback rules:

- **Third SFISF operation:** Thirty-one brokers and funds have been approved to take part in a third SFISF (Securities, Funds and Insurance Companies Swap Facility), with applications exceeding Rmb100bn. That is broadly in line with the Rmb105bn raised across the first two operations combined in Oct 2024 and Jan 2025.
- **Buyback relending facility made permanent:** The facility will become a long-term arrangement, with its rate reduced from 1.25% to 1%. Cumulative buyback relending has reached Rmb440bn. **The CSRC will encourage broader participation, particularly among index heavyweights and leading technology** companies, and urge companies with announced plans to accelerate execution.
- **Around Rmb155bn of the initial Rmb800bn combined quota would remain after this round:** The two tools were introduced in September 2024 with a combined initial quota of Rmb800bn. Of that, Rmb105bn has been used through the SFISF and Rmb440bn has been applied for under buyback relending (of which Rmb280bn has been disbursed). The third SFISF operation would account for a further Rmb100bn, leaving roughly Rmb155bn.
- **Proposed changes to 护盘式回购 defensive buyback rules:** The CSRC plans to ease execution of buybacks intended to protect company value and shareholder rights while strengthening related obligations. Proposed changes would add a share price below the IPO price as a trigger, remove the six-month post-listing restriction and permit orders during opening and closing auctions. Companies listed within the past three years would be required to honor IPO price-stabilization commitments, while those with excess IPO proceeds would be required to repurchase shares promptly. Companies would also establish dedicated buyback funds using a portion of annual dividends, excess IPO proceeds and gains from reselling repurchased shares. **Ahead of the rule changes, the CSRC will encourage index heavyweights and leading technology companies to act.**
- **Potential easing of margin-financing requirements:** The CSRC said it would review the margin requirements (which were raised from 80% to 100% in January 2026), collateral haircuts and maintenance margin ratios, with a view to "moderately releasing financing room" to support liquidity.
- **Active ETFs:** The first 18 funds have raised more than Rmb35bn and will be guided to deploy capital promptly.

Our take: We view the announcements as **a clear signal of policymakers' intent to support the equity market**. Although no new headline quotas were announced for the SFISF or buyback relending facility, the third SFISF operation should provide incremental liquidity. The proposed buyback changes may also help

See page 3 for analyst certification and important disclosures.



address investor concerns about shareholder returns. In particular, the CSRC's emphasis on action by index heavyweights and leading technology companies, and faster execution of existing plans, is particularly notable, given the STAR 50 ~50% correction since the end of June 2026.

As we highlighted in Risk-reward attractive from here - key stocks to buy, the recent buying by state-backed funds, together with the PBoC and CSRC meetings, may help establish a floor for China equities. **MSCI China and CSI 300 forward P/E multiples are only around 9% above their September 24 levels, leaving risk-reward attractive in our view. We expect the onshore IT sector to remain the main beneficiary**, given: (1) its sharper valuation correction; MSCI China A IT trades at 22x 12mf P/E, down from 47x in June 2026 and back near its late-2024, pre-DeepSeek level, despite expected earnings growth of 40–50% and the continuing AI-localization trend; (2) state-backed buying in October has been concentrated in ChiNext and STAR 50 ETFs rather than CSI 300 ETFs; and (3) the CSRC is pressing leading technology companies to accelerate buybacks. **Brokers should also benefit from the larger SFISF operation, the potential easing of margin financing and any recovery in turnover.**