Asia Insights

Economics - Asia ex-Japan

China: A shift to market-defending mode

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Asia Economics

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On 2 November, the PBoC convened two meetings with the National Financial Regulatory Administration (NFRA) and the China Securities Regulatory Commission (CSRC) to speed up the use of two existing facilities and curb the recent onshore stock market selloff. Following the meetings, the PBoC announced it will launch the third round of SFISF operations on 3 November to supply funding for brokers and asset managers to support stock markets, with the requested quota exceeding RMB100bn. The relending interest rate under the share buyback program will be lowered from 1.25% to 1.0%, marking the lowest rate across all PBoC relending programs. One state bank has already reportedly (source: Securities Times) planned to allocate an additional RMB200bn in buyback loan quota to two national team funds. Meanwhile, the CSRC also eased some share buyback rules, vowed to push companies to ramp up share buybacks, encourage active ETFs to accelerate their investment deployment, and optimize the margin financing ratio in due course.

As the SFISF and the share buyback program were introduced *two years ago*, their impact should not be exaggerated. That said, we think the latest meetings and actions signal that Beijing is concerned about the sustained decline in stock markets and its adverse impact on the financial system and the broader economy, especially considering leverage positions may face a high risk of margin calls. In the near term, the performance of stock markets will hinge heavily on the degree of intervention by the national teams.

Securities, Funds, Insurance company Swap Facility (SFISF)

The PBoC announced it will start to conduct the third round of SFISF operations on 3 November. A total of 31 brokers and asset managers have submitted applications, and the combined amount requested has already exceeded RMB100bn, which is close to the combined amount for the first two rounds. PBoC plans to further increase the number of participating institutions, appropriately lower swap fees, and optimize the operational model.

For the past two operations, the first one was conducted in October 2024, with an amount of RMB50bn and the swap fee at 20bp. The second one was in January 2025, when the operation amount increased to RMB55bn and the swap fee was lowered to 10bp. In the past two rounds, a total amount of RMB105bn was conducted, with 28 brokers and asset managers involved.

Securities, Funds, Insurance company Swap Facility (SFISF) is one of the two new facilities introduced in *September 2024* to support stock markets. It allows eligible brokers, asset managers and insurers to pledge bonds, equity ETFs and CSI300 constituent shares to swap into central-bank bills and other high-grade liquid assets, which can be used to finance capital market activity and support stock markets.

Stock buyback relending program

The PBoC announced to cut the relending interest rate for the stock buyback program by 25bp to 1.0% from 1.25%. After the cut, the buyback program will have PBoC's lowest relending interest rate, compared to the interest rate of 1.25% for all other relending programs, such as relending programs for SMEs and technology innovation.

By end-October 2026, the requested loan quota has reached a total of RMB440bn, with RMB280bn distributed. This includes loans extended to China Reform Holdings and China Chengtong, two central state-owned capital operation platforms (i.e., two national teams).

Although the planned quota for the latest round is not disclosed, one major state bank has already planned to provide additional RMB200bn in buyback loan quotas to these two national teams, with RMB100bn for each institution, according to the Securities Times. In addition, those quotas may exceed the initial quotas provided by this state bank to these

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two national teams in 2024.

Moreover, today the CSRC also announced a slew of measures to stabilize stock markets, including relaxing restrictions for share buyback, pushing corporates to speed up their share buybacks, and encouraging active ETFs to accelerate their investment deployment and portfolio arrangement. For instance, "market-defending buyback" can be allowed when stock prices fall below their IPO prices, and the requirement of "a company must be listed for at least six months" is removed.

Margin financing ratio could be optimized

Other than PBoC's two programs, today the CSRC also stated that it will work with stock exchanges to guide brokerages to comprehensively study and optimize risk control metrics, including margin ratios, haircut rates for collateral securities, and maintenance margin ratios, keeping them flexible and resilient. In January 2026, to cool the stock market rally, the minimum margin requirement ratio for margin buying was raised to 100% from 80%. In *August 2023*, this ratio was lowered to 80% from 100% to bolster stock markets.

Fig. 1: Falling stock prices



Source: Wind, Nomura Global Economics.

Fig. 2: A sharp decline in outstanding margin trades



Source: China Securities Finance Corporation, Wind, Nomura Global Economics.

Appendix A-1

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