



*Your Gateway to Securities Standards !*

# **China Market Practice for Securities Lending and Borrowing & Refinancing for overseas investors**

*version 1.0*

Feb, 2021

# The Working Group

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With the strong support of the China Securities Market Practice Group (SMPG), the Working Group on Securities Lending and Borrowing & Cross-border Refinancing in China was established in November 2020. These deliverables were contributed and finalized based on the discussions of the working group.

The working group members are as follows:

## **Representatives from Committee member of CN SMPG:**

- Guotai Junan Securities
- CITIC Securities
- Deutsche Bank
- HSBC
- Citibank
- Industrial and Commercial Bank of China
- Agricultural Bank of China

## **Invited representatives from members of CN SMPG:**

- Shenwan Hongyuan Securities
- UBS Securities
- Guosen Securities
- China Construction Bank

# The Scope

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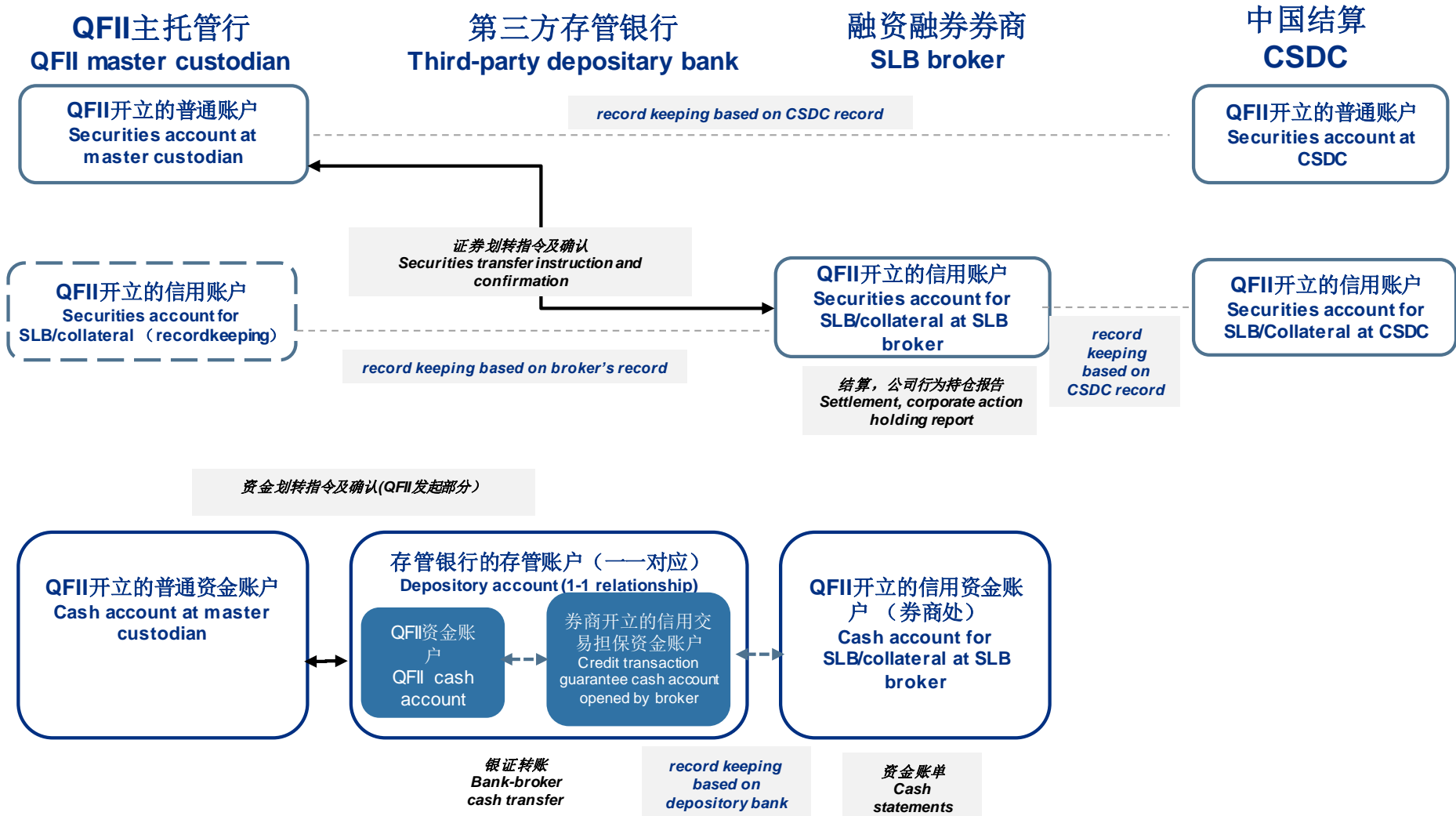
The scope of this document includes:

- **Securities Lending and Borrowing(SLB):** It refers to business activities of lending funds to customers for them to buy securities or lending securities to customers for them to sell the securities, and taking customers' collaterals as pledge. For the qualified institutional investor, i.e. QFII/RQFII , they can access to SLB after the broker conducts credit assessment on QFII, and then the customer's credit line will be issued after the customer transfers the collateral to broker. The business needs to be carried out under the “broker settlement model”.
- **Refinancing business:** It refers to business activities in which China Securities Finance Corporation (CSFC) lends its own funds and securities or those collected funds according to the law to brokers for them to engage in SLB business. For the qualified institutional investor, i.e. QFII/RQFII, is eligible for refinancing lending. The broker applies to CSFC and the Exchange for lending qualification and trading on behalf of QFII. This business is currently carried out under the QFII custodian mode. *(Note: There is no collateral give & take between the QFII and CSFC. The credit line only exists between CSF and the broker (provided by CSF) , and between the broker and the QFII (provided by broker), but does not exist between QFII and CSF.)*
- The market practice only cover the message flows between “QFII - Broker” , “QFII - Master Custodian” and “Broker - Master Custodian”. Any flows exchanged with CSDC or CSF are out of scope.

# Part 1: Securities Lending and Borrowing

**Securities Lending and Borrowing(SLB):** It refers to business activities of lending funds to customers for them to buy securities or lending securities to customers for them to sell the securities, and taking customers' collaterals as pledge. For the qualified institutional investor, i.e. QFII/RQFII , they can access to SLB after the broker conducts credit assessment on QFII, and then the customer's credit line will be issued after the customer transfers the collateral to broker. The business needs to be carried out under the “broker settlement model”.

# Account structure and the instruction flows

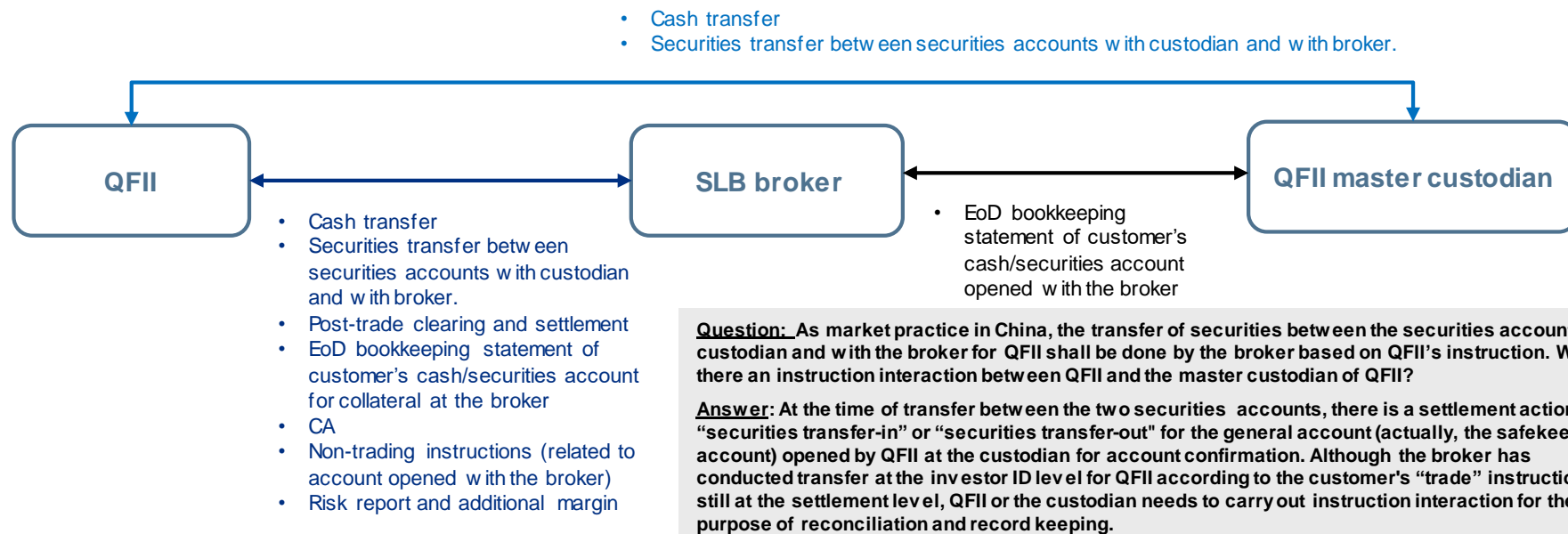


# Key Operational Flows for SLB

## Business scenario:

- All data in terms of collateral transfer, clearing and settlement, corporate actions and reconciliations related to SLB will directly be exchanged between QFII and its SLB brokers. The data will not be routed indirectly through the QFII master custodian.
- The main operational flows between the QFII master custodian and QFII in the SLB business include: cash transfer from custodian to a third party depository account; securities transfer from custodian to SLB broker.
- The main operational flows between the QFII broker and the master custodian in the SLB business include: for the purpose of accounting, recording keeping and regulatory reporting, the custodian may need obtain the holding report, cash statement, etc. from the QFII SLB broker for the QFII's securities and cash account opened with the broker.

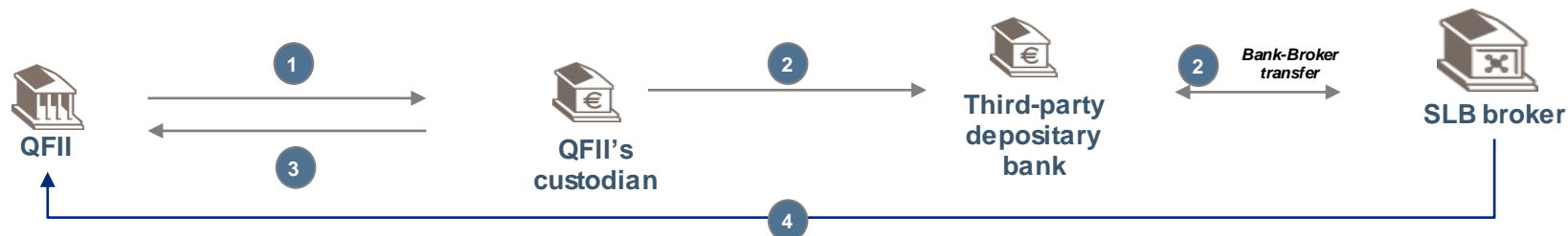
## MT message interaction possibly involved:



# Key business process that may involve MT messages

	QFII	Broker	Custodian	Messages that may be involved
<b>Cash transfer in</b>	QFII sends a cash transfer instruction to the custodian or the broker	Transfer from account with custodian to account with broker: the broker shall send a credit message to QFII as required by the customer.	The custodian transfers cash according to QFII's instruction: 1. Transfer to the cash account opened by QFII with the depository bank. 2. Transfer to the cash account opened by QFII with the broker.	<b>MT599, MT900, MT910 MT202, MT103, MT9xx Cash transfer out and other details, please refer to Slide 8&amp;9.</b>
<b>Collateral securities transfer between general account and account for collateral</b>	QFII sends a securities transfer instruction to the custodian and the broker	<ul style="list-style-type: none"> <li>Transfer from general account to account for collateral: The broker process the receive free instruction and send QFII with settlement confirmation.</li> <li>Transfer from account for collateral to general account: The broker accept the Deliver Free instruction and confirm the securities delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Transfer from general account to account for collateral: The custodian accept the Deliver instruction and confirm the securities delivery.</li> <li>Transfer from account for collateral to general account: The custodian accept the Receive instruction and confirm securities receipt</li> </ul>	<b>MT54x</b>
<b>Post-trade clearing and settlement</b>	QFII sends a settlement instruction to the broker (ordinary A-share trading)	The broker proceeds the settlement instruction and confirms the settlement result to QFII.	N.A (some custodians might want to maintain a mirror account and require the settlement information being copied to them. It is optional.)	<b>MT54x</b>
<b>End-of-day holding and cash statement of customer's cash and securities account at the broker</b>	-	<p>The broker needs to send holding statements to QFII for the accounts opened with the brokers.</p> <p>Upon the request from QFII and its custodian, the broker may also need to send such information to QFII's custodian.</p>	<p>Scenario 1: When regulatory reporting is required, the custodian shall record the reports based on the account for collateral records sent by the broker to meet the regulatory reporting requirements. (Required)</p> <p>Scenario 2: After receiving the statements sent by the broker, record the SLB trading of QFII at the broker in the custodian's system for bookkeeping, and the custodian is responsible for sending various SWIFT messages to QFII (according to the needs of QFII, not required)</p>	<b>MT53x, MT940/950</b>
<b>Corporate Action (related to account opened with broker)</b>	QFII sends relevant instructions (if any)	The broker sends messages on corporate actions according to the customer's requirements, and the final execution instruction requires the customer to issue or receive the SWIFT message of QFII through the trading channel, to do the operation of relevant corporate actions.	N.A (some custodians might want to maintain a mirror account and require the CA information being copied to them. It is optional.)	<b>MT564, MT565, MT566, MT567, MT568</b>
<b>Risk report and additional margin</b>	--	The broker needs to provide them to QFII	--	<b>Out of scope in accordance with the decision of the working group</b>
<b>Others</b>	--	--	--	<b>See details in later slides.</b>

# SLB business - 1) Cash transfer-in

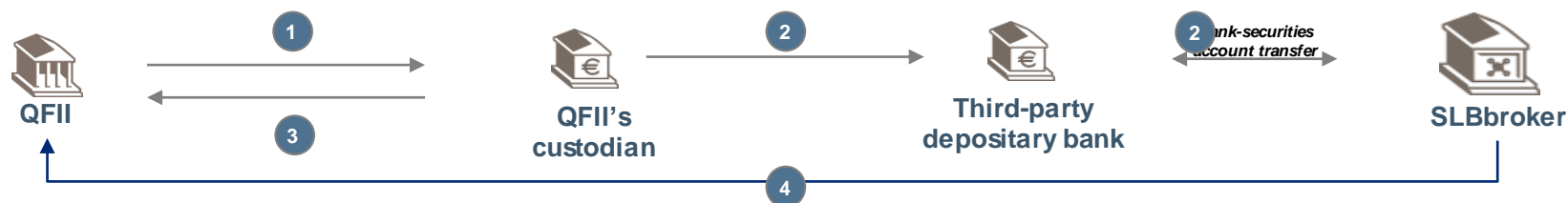


NO.	Business description	Sender	Recipient	Process description	Message type
1	Cash transfer-in	QFII	QFII's custodian	QFII sends an instruction to the custodian, and transfers funds from the account opened by QFII with the custodian 1) to the account of the same name with the third-party depository bank and 2) further transfers to the cash account for collateral opened by the broker with the third-party depository bank (involving <b>two transfer actions</b> )	MT599 Or. MT103 (Step 2 can be indicated at 52 field: Account number of the same name of QFII with the third-party depository bank, 57 field: the third-party depository bank's BIC, 59 field: cash account for collateral opened by QFII with the broker)
2	Cash transfer-in	QFII's custodian	Third-party depository bank	QFII's custodian transfers funds to the cash account opened by QFII with the third-party depository bank according to QFII's instruction, and further transfers them to the cash account for collateral opened by the broker with the third-party depository bank (at present, message is generally not utilized, so QFII's custodian needs to complete the transfer via the third-party depository bank's online banking)	<b>Out of scope in accordance with the decision of the working group</b>
3	Confirmation of cash transfer (transfer-out)	QFII's custodian	QFII	QFII's custodian completes the cash transfer-out, and sends a confirmation of debit on QFII's general cash account to QFII	MT900
4	Confirmation of cash transfer (transfer-in)	SLB broker	QFII	After receiving the funds transferred by QFII, SLB broker sends a confirmation of credit on QFII's cash account for collateral at the broker	MT910
--	Confirmation of cash transfer	Third-party depository bank	QFII	If QFII requires to obtain the notice of cash transfer from the third-party depository bank, the confirmation shall be sent by the third party depository bank, but it is rarely provided in practice at present (this part of application will not be considered in this discussion).	<b>Out of scope in accordance with the decision of the working group</b>



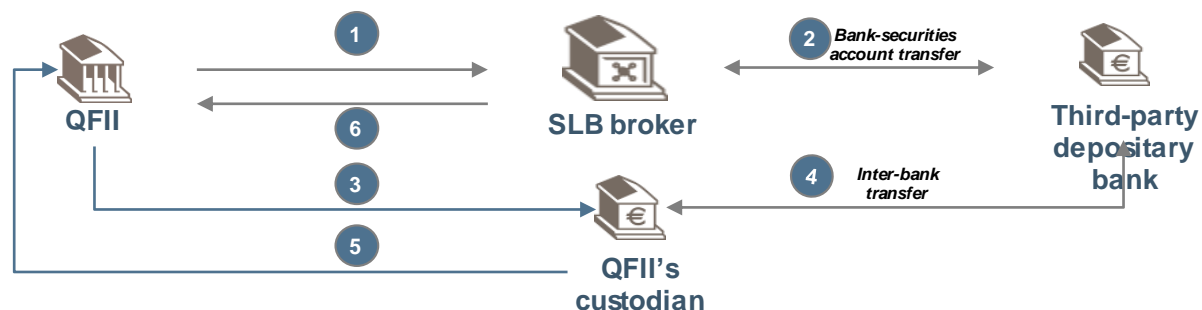
## SLB business – 2) Cash transfer-out (Method 1: through custodian)

In terms of cash transfer-out, it can be initiated by the custodian or by the broker according to QFII's instruction, depending on the agreement among the parties. Therefore, the working group studied and summarized both methods. However, at present, cash transfer out through a custodian is more common in the market.



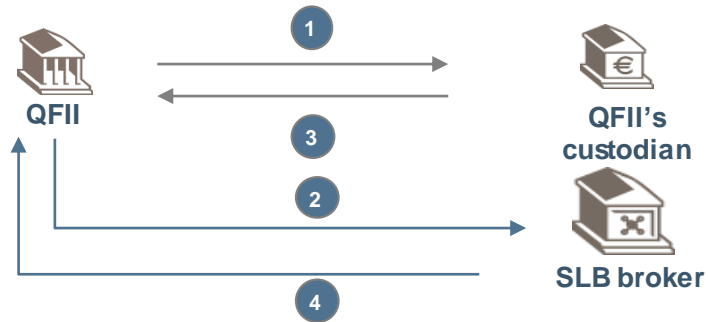
NO.	Business description	Sender	Recipient	Process description	Message type
1	Cash transfer-out	QFII	QFII's custodian	QFII sends two instructions to the custodian, requiring the transfer of cash back to the cash account opened by QFII with the custodian through bank-broker transfer. The cash are transferred to 1) the account of the same name with the third-party depository bank first and then to 2) the cash account opened by QFII with the custodian through inter-bank transfer.	MT599 MT202
2	Cash transfer-out	QFII's custodian	Third-party depository bank	QFII's custodian further sends an instruction according to QFII's instruction to transfer QFII's cash to the cash account opened by QFII with the third-party depository bank (through online banking, bank-broker account transfer) and further transfer them to the account opened by QFII with the custodian through inter-bank transfer (at present, message is generally not accepted, so QFII's custodian needs to complete the transfer via the third-party depository bank's online banking)	<b>Out of scope in accordance with the decision of the working group</b>
3	Confirmation of cash transfer (transfer-in)	QFII's custodian	QFII	After receiving the funds transferred in, QFII's custodian sends a confirmation of credit on QFII's cash account to QFII	MT910
4	Confirmation of cash transfer (transfer-out)	SLB broker	QFII	After funds are transferred out from the broker, the broker sends a confirmation of debit on QFII's cash account for collateral at broker to QFII	MT900
--	Confirmation of cash transfer	Third-party depository bank	QFII	If QFII requires to obtain the notice of cash transfer from the third-party depository bank, the confirmation shall be sent by the third party depository bank, but it is rarely provided in practice at present (this part of application will not be considered in this discussion).	<b>Out of scope in accordance with the decision of the working group</b>

## SLB business – 2) Cash transfer-out (Method 2: through broker)



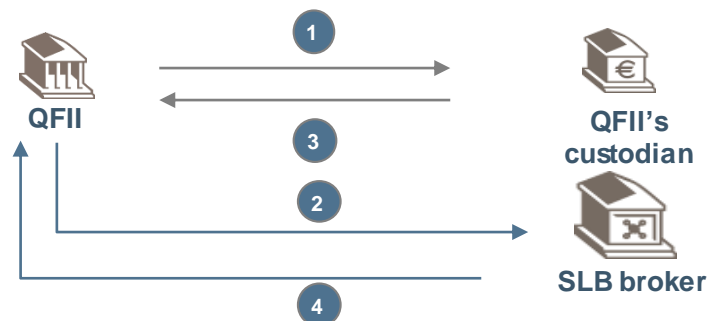
NO.	Business description	Sender	Recipient	Process description	Message type
1	Cash transfer-out	QFII	SLB broker	QFII sends an instruction to broker, requiring the transfer of funds back to the account of the same name opened by QFII with the third-party depository bank through bank-broker account transfer	MT599 MT202
2	Cash transfer-out	SLB broker	Third-party depository bank	The broker further sends an instruction according to QFII's instruction to transfer QFII's cash to the cash account opened by QFII with the third-party depository bank (through online banking and bank-broker account transfer) (currently, message is generally not utilized, so the broker needs to complete the transfer through the third-party depository bank's online banking. In addition, some depository banks do not support bank-broker account transfer initiated by brokers)	<b>Out of scope in accordance with the decision of the working group</b>
3	Cash transfer-out	QFII	QFII's custodian	After confirming that cash has been remitted to QFII's cash account, QFII sends an instruction to QFII's custodian to transfer the cash to the cash account opened by QFII with the custodian	MT599 MT202
4	Cash transfer-out	QFII's custodian	Third-party depository bank	QFII's custodian further sends an instruction according to QFII's instruction to transfer QFII's cash from the cash account opened by QFII with the third-party depository bank to the cash account opened by QFII with the custodian through inter-bank transfer (at present, message is generally not accepted)	<b>Not discussed for the moment in accordance with the decision of the working group</b>
5	Confirmation of cash transfer (transfer-in)	QFII's custodian	QFII	After receiving the cash transferred in, QFII's custodian sends a confirmation of credit on cash account to QFII	MT910
6	Confirmation of cash transfer (transfer-out)	SLB broker	QFII	After cash are transferred out from the broker, the broker sends a confirmation of debit on QFII's cash account of collateral at the broker	MT900
--	Account change	Third-party depository bank	QFII	If QFII requires to obtain the notice of cash transfer from the third-party depository bank, the confirmation shall be sent by the third party depository bank, but it is rarely provided in practice at present (this part of application will not be considered in this discussion).	<b>Out of scope in accordance with the decision of the working group</b>

# SLB business – 3) Scenario I: collateral securities transfer from custodian to broker



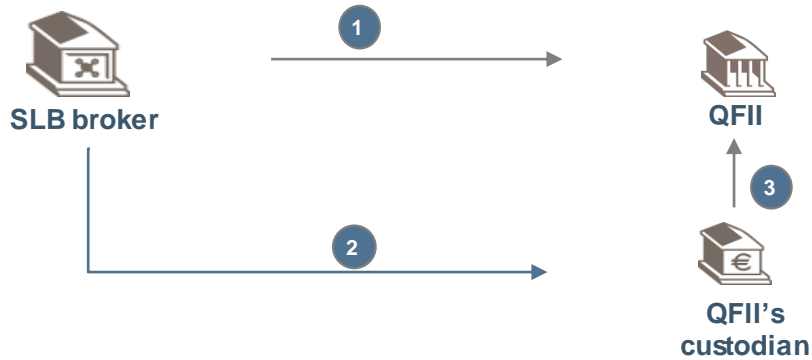
NO.	Business description	Sender	Recipient	Process description	Message type
1	Collateral transfer-out	QFII	QFII's custodian	QFII sends an instruction to the custodian to transfer securities from QFII's general securities account at the custodian to the securities account for collateral at the broker.	MT542 (COLO)
2	Collateral transfer-in	QFII	SLB broker	QFII sends an instruction to the broker, requiring it to receive securities transferred from the custodian	MT540 (COLI)
3	Confirmation of collateral transfer-out	QFII's custodian	QFII	After completing the transfer-out, QFII's custodian confirms it with QFII	MT546
4	Confirmation of collateral transfer-in	SLB broker	QFII	After completing the transfer-in of securities, the broker confirms it with QFII	MT544

## SLB business – 3) Scenario II: collateral securities from broker to custodian



NO.	Business description	Sender	Recipient	Process description	Message type
1	Collaterals transfer-out	QFII	SLB broker	QFII sends an instruction to the broker to transfer securities from QFII's securities account for collateral at the broker to its general securities account at the custodian.	MT542 (COLI)
2	Collateral transfer-in	QFII	QFII's custodian	QFII sends an instruction to QFII's custodian, requiring it to receive securities transferred from the broker	MT540 (COLO)
3	Confirmation of collateral transfer-out	Margin financing & refinancing broker	QFII	After completing the transfer-out of securities, the broker confirms it with QFII	MT546
4	Confirmation of collateral transfer-in	QFII's custodian	QFII	After completing the transfer-in of securities, QFII's custodian confirms it with QFII	MT544

# SLB business - 4) End-of-day reconciliation: cash and securities



NO.	Business description	Sender	Recipient	Process description	Message type
1	Day-end cash report, holding report, and transaction report	SLB broker	QFII	The SLB broker sends a cash report, a holding report and a transaction report on <u>QFII's cash account for collateral and securities account for collateral at the broker</u> to QFII	<b>MT535, MT536 MT940/950</b>
2	Day-end cash report, holding report, and transaction report	SLB broker	QFII's custodian	The SLB broker sends a cash report, a holding report and a transaction report on <u>QFII's cash account for collateral and securities accounts for collateral at the broker</u> to QFII's custodian.	<b>MT535, MT536,MT940/950</b>
3	Day-end cash report, holding report, and transaction report	QFII's custodian	QFII	QFII's custodian sends a cash report, a holding report and a transaction report on QFII's general cash account and securities account at the custodian to QFII	<b>MT535, MT536,MT940/950 (Same as the current process)</b>

According to the preliminary discussion of the working group, the statements of QFII's account with the third-party depository bank will not be considered for the time being.

# SLB business - 5) Corporate actions



NO.	Business description	Sender	Recipient	Process description	Message type
1	Data of corporate actions	Information service provider	SLB broker	The information service provider provides the broker with information on corporate actions	<b>Out of scope of this discussion</b>
2	Notice of corporate actions/notice of rights and interests	SLB broker	QFII	The broker sends the pre-notice of corporate actions and rights & interests to QFII	<b>MT564 / MT568</b>
3	Corporate action instructions*	QFII	SLB broker	For corporate actions with options, QFII sends corporate action instructions to the broker	<b>MT565</b>
4	Execution status of corporate action instructions*	Margin financing & refinancing broker	QFII	The broker sends the corporate actions status to QFII	<b>MT567</b>
5	Confirmation of account behaviors	Margin financing & refinancing broker	QFII	The broker sends the information of account change finally caused by corporate actions to QFII	<b>MT566</b>

\* Only applicable to corporate actions with options

## SLB- Other possible trading related operational flows

The following scenarios all take place between QFII and QFII broker, because the information interaction related to settlement instructions or reconciliation resulting from transactions will take place before QFII and QFII broker and is generally irrelevant to QFII's master custodian (data exchange required by individual custodians for the purpose of customer service or regulatory reporting requirements is not covered in this discussion). If transfer between a general securities account and a credit account is involved, See Slide 10:

Description	Instructions	Message	STCO	SETR	COLE*	COLA*	Note
<b>Securities buy via securities account for collateral</b>	Securities Buy	MT 54x		MT 54x			QFII sends a trade instruction to the broker; it is basically consistent with the logic of general A-share trading. (This scenario specifically refers to normal securities trading and does not involve "outstanding financing liabilities")
<b>Securities sell via securities account for collateral</b>	Securities Sell	MT 54x		MT 54x			
<b>Borrowing cash to buy in securities</b>	Margin Buy	MT 541		MT 541	<b>COLA</b>	<b>REPO</b>	<b>A financing contract is generated at the same time of securities buy-in, and the cash are directly transferred from the broker's account for settlement.</b>
<b>Selling securities for repayment</b>	Sell to Repay	use MT 543 DVP		use MT 543 DVP	<b>COLA</b>	<b>REPO</b>	The cash are firstly used to repay QFII's financing liabilities and transferred into the broker's financing account, and the remaining cash are left in QFII's cash account for collateral. It is necessary to send a trading instruction to the broker. <b>In fact, this trading instruction contains two parts, "selling transaction" and "repayment", but it is processed in one step in practice.</b>
<b>Borrowing securities to sell them out</b>	Short Sell	MT 543	<b>SHOR</b>	MT 543	<b>COLA</b>		QFII sends a short selling instruction to the broker, which is similar to A-share trading, except that a liability (short selling) contract is generated and no repayment is involved in short selling. After this short selling, the cash are credited to QFII's cash account at the broker. After the day-end clearing, the balance will increase in QFII's cash account, resulting in the statement of QFII's cash account for collateral.
<b>Purchase of securities for coverage</b>	Buy to cover	MT 54x	<b>BUTC</b>	MT 54x	<b>COLA</b>		After buying securities for coverage, the balance in QFII's cash account for collateral will decrease, and the purchased securities are automatically transferred to the broker's short selling account.

Qualifier COLE and COLA are Optional.

Qualifier COLE with COLA is used to indicate the transaction is related to collateral management

Qualifier COLA with REPO is to indicate this is a repo arrangement for the margin

Qualifier COLA with PAYM indicates the securities settlement; it should be a DVP settlement, the fund received for this settlement is for the cash repayment

# Case Study: sell to repay

On 12 Jan 2021, QFII instructs its broker to sell 1,000 shares of the stock “ABC”, and then the settlement amount is 1,000 yuan. The 1,000 yuan shall be allocated to two different accounts:

- 400 yuan to repay the financing offered by the broker, and the cash account is the broker’s financing cash account.
- 600 yuan to QFII’s cash account with broker.

Base Message					Deliver Against Payment (2020.November)				
Lv	Name	Mult	Type / Code	Min Mand					
0	543 Deliver Against Payment (SR2020)			Yes					
1	General Information (A)			Yes					
2	16R Start of Block	(1..1)	GENL	Yes	:16R.GENL				
2	20C Reference	(1..1)	:4c/16x	Yes	:20C.SEME/S2PAYIN S101				
2	23G Function of the Message	(1..1)	4c/41c	Yes	:23G.NEVM				
2	98a Date/Time	(0..1)			:98A.:20210112				
2	Linkages (A1)	(0..1)	LINK						
3	16R Start of Block	(1..1)	LINK		:16R.LINK				
3	20a Reference	(1..1)			:20C.COLR/COL10000				
3	16S End of Block	(1..1)	LINK		:16S.LINK				
3	16S End of Block	(1..1)	GENL	Yes	:16S.GENL				
1	Trade Details (B)			Yes					
2	16R Start of Block	(1..1)	TRADDET	Yes	:16R.TRADDET				
2	98a Date/Time	(1..1)		Yes					
2	Settlement Date/Time (SETT)	(1..1)		Yes	:98A.:SETT/20210114				
2	90a Price	(0..1)							
2	Deal Price (DEAL)	(0..1)			:90B.:DEAL/ACTUICN Y1.				
2	35B Identification of the Financial Instrument	(1..1)	:ISIN1a12c[4*35x]	Yes	:35B.ISIN				
2	16S End of Block	(1..1)	TRADDET	Yes	:16S.TRADDET				
1	Financial Instrument/Account (C)			Yes					
2	16R Start of Block	(1..1)	FIAC	Yes	:16R.FISC				
2	36B Quantity of Financial Instrument	(1..1)	4c/41c/15d	Yes					
3	Quantity of Financial Instrument to be Settled (SETT)	(1..1)	4c/41c/15d	Yes					
4	36B			Yes	:36B.:SETT/UNIT/1000				
5	Qualifier	(1..1)	41c	Yes					
4	Quantity Type Code	(1..1)	41c	Yes					
5	Amortised Value		AMDR						
5	Face Amount		FAMT						
5	Unit Number		UNIT						
5	Quantity	(1..1)	15d	Yes					
2	97a Account	(1..1)		Yes					
3	Safekeeping Account (SAFE)	(1..1)		Yes					
4	97A				:97A.:SAFE/101010				
5	Qualifier	(1..1)	41c						
5	Account Number	(1..1)	35x						
3	Cash Account (CASH)	(0..1)							
4	97A				:97A.:CASH/202020				
5	Qualifier	(1..1)	41c						
5	Account Number	(1..1)	35x						
2	16S End of Block	(1..1)	FIAC	Yes	:16S.FISC				

Lv	Name	Mult	Type / Code	Min Mand					
1	Settlement Details (E)			Yes					
2	16R Start of Block	(1..1)	SETDET	Yes					
2	22F Indicator	(1..1)	SETDET	Yes	:16R.SETDET				
2	22F Indicator	(1..1)	SETDET	Yes					
4	Type of Settlement Transaction Indicator	(1..1)	41c/8c/41c	Yes	:22F.:SETR/TRAD				
4	22F			Yes					
5	Qualifier	(1..1)	41c	Yes					
5	Data Source Scheme	(0..1)	8c						
5	Indicator	(1..1)	41c	Yes					
6	Trade		TRAD						
3	Collateral Pool Indicator (COLE)	(0..1)	41c/8c/41c		:22F.:COLE/COLA				
4	22F								
5	Qualifier	(1..1)	41c						
5	Data Source Scheme	(0..1)	8c						
5	Indicator	(1..1)	41c						
2	Settlement Parties (E1)			Yes					
3	16R Start of Block	(1..1)	SETPRTY	Yes	:16R.SETPRTY				
3	95a Party	(1..1)		Yes					
4	Buyer (BUYR)				:95P.BUYR/WAAAACNSH				
5	95P				:41c/41a21c[31c]				
6	Qualifier	(1..1)	41c						
6	Identifier Code	(1..1)	41a21c[31c]						
4	97a Account	(0..1)			:97A.:SAFE/200200200				
4	Safekeeping Account (SAFE)	(0..1)							
5	97A				:41c/35x				
6	Qualifier	(1..1)	41c						
6	Account Number	(1..1)	35x						
3	16S End of Block	(1..1)	SETPRTY	Yes	:16S.SETPRTY				
3	16R Start of Block	(1..1)	SETPRTY	Yes	:16R.SETPRTY				
3	95a Party	(1..1)		Yes					
4	Place of Settlement (PSET)	(1..1)			:95P.:PSET/WDDCCCNB1				
3	16S End of Block	(1..1)	SETPRTY	Yes	:16S.SETPRTY				
3	16R Start of Block	(1..1)	SETPRTY	Yes	:16R.SETPRTY				
3	95a Party	(1..1)		Yes					
4	Receiving Agent (REAG)	(1..1)			:95P.:REAG/WCCCCNSH				
3	16S End of Block	(1..1)	SETPRTY	Yes	:16S.SETPRTY				
3	16R Start of Block	(1..1)	SETPRTY	Yes	:16R.SETPRTY				
3	95a Party	(1..1)		Yes					
4	Seller (SELL)				:95P.:SELL/BBBBBCNB1				
3	16S End of Block	(1..1)	SETPRTY	Yes	:16S.SETPRTY				
2	Amounts (E3)			Yes					
3	16R Start of Block	(1..1)	AMT	Yes	:16R.AMT				
4	Other Amount (OTHR)	(1..1)	41c/[N]31a15d		:19A.:OTHR/CNY400.				
5	19A				:41c/[N]31a15d				
6	Qualifier	(1..1)	41c						
6	Sign	(0..1)	N						
6	Currency Code	(1..1)	31a						

Lv	Name	Mult	Type / Code	Min Mand					
4	Other Amount (OTHR)	(1..1)	41c/[N]31a15d		:19A.:OTHR/CNY400.				
5	19A				:41c/[N]31a15d				
6	Qualifier	(1..1)	41c						
6	Sign	(0..1)	N						
6	Currency Code	(1..1)	31a						
6	Amount	(1..1)	15d						
6	98a Date/Time	(0..1)							
3	16S End of Block	(1..1)	AMT	Yes	:16S.AMT				
3	16R Start of Block	(1..1)	AMT	Yes	:16R.AMT				
4	Settlement Amount (SETT)	(1..1)	41c/[N]31a15d		:19A.:SETT/CNY600.				
5	19A				:41c/[N]31a15d				
6	Qualifier	(1..1)	41c						
6	Sign	(0..1)	N						
6	Currency Code	(1..1)	31a						
6	Amount	(1..1)	15d						
3	16S End of Block	(1..1)	AMT	Yes	:16S.AMT				
3	16S End of Block	(1..1)	SETDET	Yes	:16S.SETDET				



## Margin trading business - Other possible non-trade operational flows

The following scenarios all take place between QFII and QFII broker, because the information interaction related to settlement instructions or reconciliation resulting from transactions will take place before QFII and QFII broker and is generally irrelevant to QFII's master custodian (data exchange required by individual custodians for the purpose of customer service or regulatory reporting requirements is not covered in this discussion). If transfer between a general securities account and a credit account is involved, See Slide 11/12:

Process	Instructions	Sender	receiver	涉及报文	STCO	SETR	COLA	Note
Collateral transfer-in	Collateral Transfer In i.e. transfer securities from QFII's account with Custodian to QFII'S account with broker	QFII	QFII custodian	MT542		<b>COLO</b>		This scenario has been described in Slide 11/12, and occurs between QFII and QFII's custodian; QFII and broker.
		QFII	Broker	MT540		<b>COLI</b>		
Collateral transfer-out	Collateral Transfer Out i.e. transfer securities from QFII's account with broker to QFII's account with Custodian	QFII	QFII custodian	MT540		<b>COLO</b>		
		QFII	broker	MT542		<b>COLI</b>		
Direct repay	Cash Repay			payment message (MT 103 / 202)				MT 202 Field 21 Related Reference = Reference NO. of the underlying financing transaction OR MT103 Field 70 /ROC/ = ordering customer's reference or /RFB/= Reference for Beneficiary  Direct repayment is to transfer cash from the customer's cash account for collateral to the broker's financing account. The customer needs to submit an instruction, and the cash transfer is operated by the broker. If the balance of the customer's cash account is insufficient, QFII needs to send a transfer instruction to the custodian, which will conduct bank-broker transfer.
Repayment with existing securities	Securities Repay			use MT 542 Deliver Free		<b>TRAD</b>		It does not involve cash transfer, but involves the change of customer's securities account for collateral. The broker completes settlement with CSDC on the settlement date, and QFII directly buys collateral securities at the broker before repayment with existing securities
Credit Contract /Contract Extension	Credit Contract /Contract Extension			free format				As there are many ways of fee deduction related to contract extension, not every transaction involves fee deduction, so it is recommended to use the message of non-fund transfer.

# Part 2: Refinancing Business

**Refinancing business:** It refers to business activities in which China Securities Finance Corporation (CSFC) lends its own funds and securities or those collected funds according to the law to brokers for them to engage in SLB business. For the qualified institutional investor, i.e. QFII/RQFII, is eligible for refinancing lending. The broker applies to CSFC and the Exchange for lending qualification and trading on behalf of QFII. This business is currently carried out under the QFII custodian mode.

## Refinancing business: Business process that may involve SWIFT message

	QFII	Broker	Custodian	Messages that may be involved
<b>Non-trade securities transfer of general account (securities lending)</b>	QFII sends a non-trade securities transfer instruction to the custodian to transfer the securities to be lent out of the account	--	The custodian transfers the securities to be lent to the account designated by the broker according to QFII's instruction (the specific account is?) After completion, send a confirmation to QFII.	<b>MT542</b>
<b>Non-trade securities transfer of general account (securities returning)</b>	QFII sends a non-trade securities transfer instruction to the custodian, requiring it to receive the lent securities into the general account	--	--	<b>MT540</b>
<b>Notice of cash transfer-in</b>	--QFII send a transfer-in/transfer-out instruction	--	Send a notice on entry of <b>lent fees</b> into account to QFII	<b>MT599、 MT910</b>

# MT54x sample

**Recommendation: build a reference link between the securities has been lent and will be returned**

## MT542 Template for Lend Out

```
:16R: START OF BLOCK:      GENL
:20C: REFERENCE:           :SEME//XXXXXXXXXX
:23G: FUNCTION OF MESSAGE:  NEWM
:16R: START OF BLOCK:      LINK
:20C: REFERENCE:           :COMM//YYYYY
:16S: END OF BLOCK         LINK
:16S: END OF BLOCK:        GENL
:16R: START OF BLOCK:      TRADDET
:98A: DATE/TIME:           :SETT//YYYYMMDD
:98A: DATE/TIME:           :TRAD//YYYYMMDD
:35B: IDENTIFICATION OF FI: ISINXXXXXXXXXXXXX
:16S: END OF BLOCK:        TRADDET
:16R: START OF BLOCK:      FIAC
:36B: QUANTITY OF FI:      :SETT//UNIT/XXX
:97A: ACCOUNT:             :SAFE//XXX-XXXXXX-XXX
:16S: END OF BLOCK:        FIAC
:16R: START OF BLOCK:      SETDET
:22F: INDICATOR:           :SETR//SECL
:16R: START OF BLOCK:      SETPRTY
:95P: PARTY:               :REAG//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16R: START OF BLOCK:      SETPRTY
:95P: PARTY:               :BUYR//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16R: START OF BLOCK:      SETPRTY
:95P: PARTY:               :PSET//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16S: END OF BLOCK:        SETDET
```

## MT540 Template for Securities Return

```
:16R: START OF BOLCK:      GENL
:20C: REFERENCE:           :SEME//XXXXXXXXXX
:23G: FUNCTION OF MESSAGE:  NEWM
:16R: START OF BLOCK:      LINK
:20C: REFERENCE:           :COMM//YYYYY
:16S: END OF BLOCK         LINK
:16S: END OF BLOCK:        GENL
:16R: START OF BOLCK:      TRADDET
:98A: DATE/TIME:           :SETT//YYYYMMDD
:98A: DATE/TIME:           :TRAD//YYYYMMDD
:35B: IDENTIFICATION OF FI: ISINXXXXXXXXXXXXX
:16S: END OF BLOCK:        TRADDET
:16R: START OF BOLCK:      FIAC
:36B: QUANTITY OF FI:      :SETT//UNIT/XXX
:97A: ACCOUNT:             :SAFE//XXX-XXXXXX-XXX
:16S: END OF BLOCK:        FIAC
:16R: START OF BOLCK:      SETDET
:22F: INDICATOR:           :SETR//SECL
:16R: START OF BOLCK:      SETPRTY
:95Q: PARTY:               :SELL//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16R: START OF BOLCK:      SETPRTY
:95P: PARTY:               :DEAG//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16R: START OF BOLCK:      SETPRTY
:95P: PARTY:               :PSET//XXXXXXXXXX
:16S: END OF BLOCK:        SETPRTY
:16S: END OF BLOCK:        SETDET
```