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**Beijing Stock Exchange and  
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by

*Dr Lerong Lu and  
Jiuqing Ye*

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# Beijing Stock Exchange and multi-tier capital markets: How China alters share listing and trading rules to promote SME finance?

Dr Lerong Lu

Jiujing Ye\*

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## Abstract

*In September 2021, China launched the Beijing Stock Exchange (BSE) in order to divert capital to the country's booming technology companies, especially those classified as small and medium-size enterprises (SMEs). The article introduces the historical background for establishing the BSE, and then analyses the key changes of China's securities laws, including the BSE's listing thresholds, the registration-based IPO regime, the information disclosure requirements, as well as the investors' suitability and accountability mechanisms. It also draws some comparison with the listing and trading rules for Shenzhen's ChiNext Board, Shanghai's Star Market, and NEEQ select tier to provide readers with a holistic view over the latest development of China's capital markets law.*

## Introduction

In September 2021, China launched the Beijing Stock Exchange (BSE) in a bid to divert capital to the country's booming technology companies, especially those classified as small and medium-size enterprises (SMEs) with limited access to other financing channels like banks, venture capital, and private equity funds.<sup>1</sup> As the arrival of the financial technology (fintech) era, more innovative and technological companies have been actively seeking

an official listing or alternative financing options.<sup>2</sup> The BSE is also much needed by Chinese entrepreneurs amidst the current geopolitical tension between China and the US when stock markets in New York are closing their doors to Chinese businesses. Whilst the traditional option for a company floating its shares for the first time is to have its securities admitted to listing on a domestic stock exchange, there is an increasing number of primary and secondary listing options in a foreign jurisdiction.<sup>3</sup> Over the past two decades, lots of Chinese technological corporations have opted for New York Stock Exchange (NYSE) and Nasdaq to list their shares, such as Alibaba, Baidu, JD, and NetEase.<sup>4</sup>

However, the trend seems to come to a halt in 2021. For example, China Mobile and some other Chinese state-owned enterprises have been asked by NYSE to delist their shares due to the US investment ban on foreign corporations that might pose a national security threat.<sup>5</sup> Besides, China's ride-hailing group Didi Chuxing recently expressed a plan to withdraw its listing from the NYSE as the Chinese authorities have increased regulatory scrutiny over the country's overseas listed technology groups due to the data safety concern.<sup>6</sup>

The BSE has been built upon the select tier board of China's National Equities Exchange and Quotations (NEEQ), an over-the-counter (OTC) market for trading the shares of a public limited company that are not listed on Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE).<sup>7</sup> The BSE also fully implements China's latest PRC Securities Law 2020 which led to the biggest overhaul of securities regulation and capital markets law in China in the recent decade, including the introduction of the registration-based IPO regime.<sup>8</sup>

Against this background, the article discusses and analyses the latest capital markets reform measure — the launch of Beijing Stock Exchange (BSE) as well as its new listing and trading rules. Following this introduction, section 2 briefly introduces the historical background for establishing the BSE. Then the article considers BSE's listing thresholds (section 3), the registration-based IPO regime and information disclosure requirements (section 4), as well as the investors' suitability and accountability mechanisms (section 5). Finally, section 6 draws a conclusion. When discussing PRC Securities Law 2020 and the BSE's listing standards, it will refer to the similar rules for the ChiNext Board of SZSE, the Sci-tech

\* Dr Lerong Lu, Senior Lecturer, The Dickson Poon School of Law, King's College London, UK.

Jiujing Ye, Research Assistant, The Dickson Poon School of Law, King's College London, UK.

<sup>1</sup> James T. Areddy, "China to launch Beijing Stock Exchange to steer investment into innovation", *Wall Street Journal* (2 September 2021), available at <https://www.wsj.com/articles/china-to-launch-beijing-stock-exchange-to-steer-investment-into-innovation-11630622825>.

<sup>2</sup> Lerong Lu and Alice Lingsheng Zhang, "Regulating fintech corporations amidst Covid-19 pandemic: an analysis of Ant Group (Alipay)'s suspension of IPO and business restructuring" (2021) 42 *Company Lawyer* 341.

<sup>3</sup> Ellis Ferran and Look Chan Ho, *Principles of Corporate Finance Law*, 2nd edn (Oxford: Oxford University Press, 2014), p.357.

<sup>4</sup> Lerong Lu and Ningyao Ye, "Chinese depository receipts: what they are, how they work and why this represents a golden opportunity" (2018) 33 *Butterworths Journal of International Banking and Financial Law* 529.

<sup>5</sup> Chong Koh Ping and Alexander Osipovich, "NYSE to Delist Chinese Telecom Carriers After Rejecting Appeals" (*Wall Street Journal*, 7 May 2021), <https://www.wsj.com/articles/nyse-to-delist-chinese-telecom-carriers-after-rejecting-appeals-11620394719>.

<sup>6</sup> Ryan McMorrow, Sun Yu, and Tom Mitchell, "China's Didi to delist from New York and switch to Hong Kong", *The Financial Times* (3 December 2021), available at <https://www.ft.com/content/c30cf911-51da-4b40-a969-161351de6f04>.

<sup>7</sup> Chenglong Lu, "The NEEQ: a Chinese NASDAQ?" (2016) 37 *Company Lawyer* 85.

<sup>8</sup> Lerong Lu, "Reforming corporate share-listing rules in China: understanding the rationale and advantages of the registration-based IPO regime" (2021) 42 *Company Lawyer* 236.

Innovation Board (Star Market) of SSE, and the select tier of NEEQ, to provide readers with a holistic view over China's capital markets and their regulations.

### The background of introducing Beijing Stock Exchange

SMEs play an essential and indispensable role in the Chinese economy as they account for 99% of the total number of enterprises and contribute to over 50% of tax revenue, 60% of gross domestic product (GDP), 70% of technological innovations, and more than 80% of employment.<sup>9</sup> However, Chinese SMEs have been facing financing difficulties for a long time, due to the country's state-dominated banking system resulting in the less efficient allocation of financial resources.<sup>10</sup> To address the SME financing dilemma, the Securities Trading Automatic Quotation (STAQ) and National Electronic Trading System (NET) were founded but both of them were terminated in 1999 because of the lack of supervision. In 2001, in order to solve the historical problem of the suspended trading of STAQ and NET and to host the corporations delisted from the bourses of Shanghai and Shenzhen, China established the Agency Share Transfer System (Third Market).<sup>11</sup> In 2006, the Chinese regulators, to help more innovative SMEs raise funds from the capital markets, launched the New Third Market with a pilot project accepting the quotation of unlisted enterprises of Zhongguancun Science and Technology Park in Beijing (which is viewed as China's Silicon Valley).<sup>12</sup> From 2006-2012, the pilot project was gradually expanded to Tianjin Binhai, Shanghai Zhangjiang, and Wuhan Donghu high tech parks.<sup>13</sup> Eventually, in September 2012, it led to the official launch of National Equities Exchange and Quotation Co., Ltd (NEEQ or New Third Board). In 2013, the achievements of the pilot listing project in high tech parks were highly recognised, so the State Council, which is China's cabinet, decided to roll out the experimental project to the rest of the country.<sup>14</sup> This has indicated the maturity of NEEQ as an over-the-counter (OTC) market for Chinese SMEs to raise capital, which is also a springboard for SMEs to float their shares on either SSE or SZSE at a later stage once they grow bigger. Nevertheless, due to the lack of market liquidity of NEEQ and the absence of a effective transferring mechanism from NEEQ to SSE and SZSE,

the financing difficulties of Chinese SMEs have not been fully addressed. It has remained a prioritised policy task for the Chinese government for several years.

On 2 September 2021, President Xi Jinping, when speaking at the Global Trade in Services Summit of 2021 China International Fair for Trade in Services (CIFTIS), introduced a number of new measures to reform the Chinese capital markets, leading to the immediate launch of the BSE.<sup>15</sup> The new BSE not only deepens the reform of Beijing's NEEQ market, but also provides an extra financing channel for the so-called *Zhuan, Jing, Te, Xin* SMEs which stand for those companies with special characteristics of "specialisation, refinement, differentiation, and innovation" (SRDI) that are the robust mainstay of the Chinese economy. The BSE has been built upon the select tier of NEEQ, which is the highest tier of the entire NEEQ system having the strictest listing standards and trading rules close to those on SSE and SZSE.<sup>16</sup> The companies listed on the select tier for over one year, if meeting the IPO requirements of Shanghai's Star Market or Shenzhen's ChiNext board, are able to change their listing venues upon approvals from the stock exchanges, the process of which will not require extra reviews or approvals from the China Securities Regulatory Commission (CSRC).<sup>17</sup> Clearly, the select tier of NEEQ provides a convenient and fast channel for growing SMEs to obtain a listing in the more liquid exchange markets and to receive a higher valuation. The introduction of BSE and its further capital market reform based on the select tier has been coined as the "major strategic deployment" by CSRC.<sup>18</sup> In the first five trading days of the BSE, a batch of 81 companies embarked on their IPOs with a cumulative turnover of over 21 billion CNY (around \$3 billion), attracting 340,000 qualified investors.<sup>19</sup> The successful launch of the BSE is said to perfectly solve one long-lasting problem of NEEQ, i.e. the ultra-low trading volume, which has depicted a bright future for China's capital markets.

### The listing standards of Beijing Stock Exchange

The success of BSE could not be achieved without China's latest reform of securities laws. The BSE is devoted to creating an attractive marketplace for SMEs that has inclusive listing thresholds. Furthermore, following the enactment of PRC Securities Law 2020, the

<sup>9</sup> Chinese Government, "We will give policy support to small and medium-sized enterprises" (Chinese Government, 1 April 2021), [http://www.gov.cn/zhengce/2020-04/01/content\\_5497938.htm](http://www.gov.cn/zhengce/2020-04/01/content_5497938.htm).

<sup>10</sup> Lerong Lu, *Private Lending in China: Practice, Law and Regulation of Shadow Banking and Alternative Finance* (London: Routledge, 2019), p.24.

<sup>11</sup> National Equities Exchange and Quotations (NEEQ), "About NEEQ", available at [http://www.neeq.com.cn/en/about\\_neeq/overview.html](http://www.neeq.com.cn/en/about_neeq/overview.html).

<sup>12</sup> National Equities Exchange and Quotations (NEEQ), "About NEEQ".

<sup>13</sup> National Equities Exchange and Quotations (NEEQ), "About NEEQ".

<sup>14</sup> China News, "The launch of new third board to nationwide, listed enterprises up to more than 2000" (7 November 2013), available at <https://www.chinanews.com.cn/stock/2013/11-07/5473975.shtml>.

<sup>15</sup> James T. Areddy, "China to Launch Beijing Stock Exchange to Steer Investment Into Innovation", *Wall Street Journal* (Wall Street Journal, 2 September 2021), available at <https://www.wsj.com/articles/china-to-launch-beijing-stock-exchange-to-steer-investment-into-innovation-11630622825>.

<sup>16</sup> Zhou Lanxu, "NEEQ to ease funding woes of small firms" (*China Daily*, 28 July 2020), <https://www.chinadailyhk.com/article/138272>.

<sup>17</sup> Zhou Lanxu, "NEEQ to ease funding woes of small firms" (*China Daily*, 28 July 2020).

<sup>18</sup> Shen Lu, "China to set up Beijing Stock Exchange" (*Protocol*, 2 September 2021), <https://www.protocol.com/bulletins/china-to-set-up-beijing-stock-exchange>.

<sup>19</sup> *Global Times*, "1st trading week of Beijing Stock Exchange meets expectations with 340,000 new investors coming online" (*Global Times*, 21 November 2021), <https://www.globaltimes.cn/page/202111/1239536.shtml>.

BSE fully implements the registration-based IPO regime, in line with the practices of the Star Market and the ChiNext Board.<sup>20</sup> The information disclosure requirements have been enhanced by considering the recent developments of China's innovation-orientated companies. So as to build a fair and transparent capital market, the BSE also upgraded the investor protection and accountability mechanisms.

The listing standards of BSE have been tailored for “*Zhuan, Jing, Te, Xin*” or SRDI SMEs. In 2011, the concept of “*Zhuan, Jing, Te, Xin*” SMEs was initiated by the Ministry of Industry and Information Technology (MIIT).<sup>21</sup> They are likely to become large corporations and BigTechs in the future, such as Alibaba, Tencent, and Huawei. “With the profound and continuous development, the SMEs inventing high tech gadgets which are the ancillary or radical constituent part of advanced products will finally grow into giant enterprises,” commented by China's state media.<sup>22</sup> Take the BSE-listed Wuhan Welltrans Optoelectronic Co Ltd (Welltrans) as an example. Although the market capitalisation of Welltrans (\$86.9 million as of September 2021) is not particularly large, it has been spending a high proportion (9.45%) of its revenue on Research and Development (R&D).<sup>23</sup> The Welltrans' businesses focus on the development of fibre communications, video processing, and electronic technologies, providing a wide range of high-speed video surveillance products widely used in highways, urban intelligent transportation, railways, and urban social public security.<sup>24</sup> This shows the innovative part and great potential of SRDI SMEs.

In order to facilitate the listing of such businesses, the BSE has introduced certain permissive and inclusive threshold standards under the *Listing Rules of Beijing Stock Exchange (Trial)*, which is mostly modelled on the rules of the NEEQ select tier. For instance, companies will be able to obtain a listing if meeting one of the following four sets of standards: (1) Market Cap + Net Profit + Ratio of an Exponentially Weighted Averages (ROEWA); (2) Market Cap + Operating Revenue + Revenue Growth Rate + Cashflow; (3) Market Cap + Operating Revenue + the Proportion of R&D Investment; or (4) Market Cap + R&D Investment.<sup>25</sup> The former two sets of criteria stress on the financial indicators, whilst the latter two sets of standards pay more attention to the

innovation ability of the companies. Furthermore, if a company has made higher profits and possess more cash flow, the relevant requirement for market cap will be lower. Also, the higher R&D Investments could make up for fewer profits, cash flow, as well as the revenue. So far, around half of the companies debuting on BSE have benefited from the first set of standard, which has demonstrated the effectiveness and flexibility of the new listing rules.<sup>26</sup> Also, the minimum market cap standard for a profitable company wanting to go for a list at BSE is just CNY 200 million (\$31million).<sup>27</sup> If the predicted market cap of a company exceeding CNY 1.5 billion (\$236million) it will not need to make any profits, the standard of which is much lower than that of Star Market and ChiNext.<sup>28</sup> It shows the BSE's position to serve SME finance. Moreover, government backing and policy support such as financial subsidies will be available for SMEs to go listing. For example, the Guangzhou government in South China indicated that they are willing to cover half of the IPO expense of its SRDI SMEs.<sup>29</sup>

In addition, innovative SMEs adopting the dual class shares structure (DCSS) are also welcomed by the BSE.<sup>30</sup> In so doing, the founder of SMEs who enjoy the weighted voting rights do not need to worry about the corporate control issue. This has been a main concern for many Chinese entrepreneurs who finally decided to list their companies in stock exchanges in Hong Kong or New York.<sup>31</sup> Moreover, the *Listing Rules* has no restriction on the red-chip companies and variable interest entities (VIE), which has sent out a positive message that the BSE is open to the financial and corporate innovations happening across the world. Accordingly, the more favourable listing rules could make BSE an attractive listing venue for SMEs in China and globally, which also enhance Beijing's status as a rising international financial centre in Asia along with other more established financial centres in China like Hong Kong, Shanghai, and Shenzhen.

<sup>20</sup> Lerong Lu, “PRC Securities Law 2020: Promoting more effective and transparent capital market in China” (2021) 36 *Butterworths Journal of International Banking and Financial Law* 237.

<sup>21</sup> Ministry of Industry and Information Technology (MIIT), “China Industry Development and Industry Policy Report (2011)”.

<sup>22</sup> People's Daily Overseas, “Let specialized special new small and medium enterprises thrive” (19 October 2021), [http://www.gov.cn/xinwen/2021-10/19/content\\_5643541.htm](http://www.gov.cn/xinwen/2021-10/19/content_5643541.htm).

<sup>23</sup> Beijing Stock Exchange, “Welltrans Optoelectronic Co Ltd: Annual report 2020” (BSE, 26 April 2021), <http://www.bse.cn/disclosure/2021/2021-04-26/1619442101852034.pdf>.

<sup>24</sup> Beijing Stock Exchange, “Welltrans Optoelectronic Co Ltd: Semi-annual report 2021” (BSE, 27 August 2021), <http://www.bse.cn/disclosure/2021/2021-08-27/1630054790168417.pdf>.

<sup>25</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), Section 2.1.3.

<sup>26</sup> Zeyi Yang, “The New Beijing Stock Exchange's companies are older and less tech-forward than Promised”, (*Protocol* 14 November 2021), <https://www.protocol.com/china/beijing-stock-exchange-old-nontech>, accessed on 18 December 2021.

<sup>27</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), Section 2.1.3.

<sup>28</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), Section 2.1.3.

<sup>29</sup> *Nanfang Daily*, “Guangzhou seized the establishment of the North Exchange opportunity to listed enterprises one-time capital subsidies” (24 November 2021).

<sup>30</sup> Listing Rules of Beijing Stock Exchange 2021 (Trail), Section 4.4.1.

<sup>31</sup> Lerong Lu and Ningyao Ye, “Chinese depository receipts: what they are, how they work and why this represents a golden opportunity” (2018) 33 *Butterworths Journal of International Banking and Financial Law* 529.

**Table 1 Comparison of the listing threshold between the BSE, Star Market and ChiNext<sup>32</sup>**

	BSE	Star Market (SSE)	ChiNext (SZSE)
The genre of industries supported	Innovative SMEs in advanced manufacturing and modern service industries	Information technology, high-end equipment, new materials, new energy sources, biomedicine etc.	Growing innovative and entrepreneurial enterprises
Minimum Market Capitalisation	For Profitable Organization (PO), Market Cap ≥ CNY 200 million	For PO, Market Cap ≥ CNY 1 billion	For PO, Market Cap ≥ CNY 1 billion
	For Non-Profitable Organization (NPO), Market Cap ≥ CNY 1.5 billion	For NPO, Market Cap ≥ CNY 4 billion	For NPO, Market Cap ≥ CNY 5 billion
Attitudes towards Red-chip Companies, VIE, and DCSS	Accepting DCSS companies with limitations; No explicit restriction for VIE or Red-chip companies	Welcome	Welcome but with a high standard

### The registration-based IPO system and information disclosure requirements

Though the BSE was established on the basis of the NEEQ's select tier, it gave up the inefficient approval-based IPO system under which listing companies would need to be extra censored and approved by the securities regulator. As a result, the BSE has fully adopted the registration-based IPO regime, as a more market-orientated and cost-effective listing procedure that is reliant on adequate information disclosure instead of substantial regulatory check.<sup>33</sup> This also resembles the latest rules of the Star Market and ChiNext, as the BSE aims to build a bespoke IPO system for SMEs. In terms of the prospectus regime, the validity period of financial statements has been extended by two months from 6+1 months for the select tier, which is now consistent with the period rule held by the Star Market and ChiNext.<sup>34</sup> Furthermore, the new Listing Rule of BSE has provided a more speedy and streamlined process for the listing entities, as the time for reviewing the application documents has been shortened from three to two months.<sup>35</sup> Thus, it only takes approximately 6-8 months for a company meeting the formalities and pre-set standards of the BSE to float their shares. This is welcomed by

many SMEs who are in urgent need of funding and prefer a fast financing conduit comparable to bank loans and private equity funds.

**Table 2 Comparison of prospectus regime between select tier, BSE, Star Market and ChiNext<sup>36</sup>**

Oversight subject	Select Tier (NEEQ)	BSE	Star Market (SSE)	ChiNext (SZSE)
Valid Time of Financial Statements	6+1	6+3	6+3	6+3
Time to process	/	2 months	3 months	3 months

Meanwhile, there is a strong call for enhanced information disclosure obligations to address the information asymmetry between the corporate issuer and its investors when a company floats its shares. This is of particular importance as, under the new registration-based IPO regime, the securities regulator is no longer responsible for inspecting substantial contents of public documents offered by the issuers. Aside from the prospectus disclosure rules under the *Prospectus Regime of BSE*, there are also periodic and episodic disclosure requirements contained in the *Listing Rules* that have imposed ongoing obligations on the issuers.<sup>37</sup> This is in line with the information disclosure regime under PRC Securities Law 2020, which is similar to that implemented for the select tier and other segments of SSE and SZSE.<sup>38</sup> For instance, issuers are asked to disclose critical incidents and explain relevant causes and further impacts, as they have to ensure the authenticity, integrity, and precision of the information.<sup>39</sup> There is no doubt the strengthened information disclosure regime will boost market confidence and help investors make informed investment decisions. It will be conducive to the construction of a more transparent and efficient marketplace.

Nevertheless, to accommodate the interests of SMEs, some listing rules have been adjusted. For example, the interpretation of material changes of the performance projection system varies across different market segments. According to the regulations for ChiNext and Star Market, any material changes refer to the circumstance where a company's net profit changes over 50% year on year.<sup>40</sup> However, the *Listing Rules of BSE* suggests that interpretation of the material changes has been limited, as the fluctuation of 50% also need to exceed the amount of CNY 5 million.<sup>41</sup> Similarly, issuers are required to reveal transactions if the profits generated from such

<sup>32</sup> The table is compiled by the authors.

<sup>33</sup> Lerong Lu, "Reforming corporate share-listing rules in China: understanding the rationale and advantages of the registration-based IPO regime" (2021) 42 *Company Lawyer* 236.

<sup>34</sup> Rules for Review Offering Shares to Non-Specific Qualified Investors of Beijing Stock Exchange 2021 (Trial), Article 43.

<sup>35</sup> Rules for Review Offering Shares to Non-Specific Qualified Investors of Beijing Stock Exchange 2021 (Trial), Article 38.

<sup>36</sup> The table is compiled by the authors.

<sup>37</sup> Standards on The Content and Format of Information Disclosure of Publicly issued Securities by Companies No. 46 Prospectuses regime of Beijing Stock Exchange 2021.

<sup>38</sup> PRC Securities Law 2020, art.80.

<sup>39</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), s.5.3.2.

<sup>40</sup> Listing Rules of Star Market of Shanghai Stock Exchange 2020, 6.2.1;

Listing Rules of ChiNext of Shenzhen Stock Exchange 2020, 6.2.2.

<sup>41</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), s.6.2.2.

transactions are more than CNY 1.5 million, which is higher than of the criteria for ChiNext or Star Market.<sup>42</sup> Moreover, issuers have to disclose the substantial matters and incidents like the shares of anyone holding over 5% of corporate equities have been frozen, put under judicial auction, placed under conservatorship, or there is setting up of a trust or any legal restrictions of voting rights.<sup>43</sup> In general, the new BSE regulation focuses more on the appropriateness and flexibility to serve the special financing demand from SRDI SMEs. Whether the adjustment of rules is effective remains to be tested by practice in future.

### The investor suitability and accountability mechanisms

The spectre of fraud will never disappear if a regulatory regime only relies on mandatory information disclosure. In order to foster an active, transparent, and efficient capital market of high integrity, the BSE gives it its best shot by introducing double safeguards: for one thing, it tries to comply with the *Rules of Investor Suitability*; for another, it aims to establish a sound accountability mechanism.<sup>44</sup> With respect to investor suitability, the requirements for eligible personal investors are identical to that for Star Market, which states “personal investors who are eligible to open accounts to trade shares at the BSE should have two years of trading experience and hold financial assets worth more than CNY 0.5 million for 20 trading days.”<sup>45</sup> The financial asset threshold for personal investors at BSE has been reduced by CNY 0.5 million compared to that prescribed for the NEEQ’s select tier, which shows a signal that the BSE hopes to attract more retail investors. In addition, the BSE has introduced a more relaxing daily price fluctuation limit, which is as much as 30%, compared with the 20% limit for Star Market and ChiNext and 10% for the mainboards of SSE and SZSE.<sup>46</sup> Apparently, this will encourage more investors to trading at the BSE, supplying more capital and liquidity to the nascent market. However, it also comes with greater risks and investors need to behave in a vigilant manner when investing in SMEs which tend to have less mature business models and a less predictable business outlook in a long term.

Moreover, a sound accountability mechanism contributes to market fairness and integrity. For corporate issuers who violate *the Listing Rules* in a less severe way,

the BSE set out a series of self-regulatory measures such as criticising in a circulated notice, publicly denouncing, and making corrections within a time limit etc.<sup>47</sup> However, as for the substantial breach of securities laws and regulations, the BSE will launch an investigation and report the case to the CSRC, as PRC Securities Law has made stricter penalties such as a fine of 100% of the raised fund for financial fraud, which be a massive blow to SME issuers. Most recently, China’s State Council issued a decree to pass the ‘*regulation on securities, futures violations*’, which came into effect on 1 January 2022.<sup>48</sup> Under the new regulation, corporations that break securities laws but is likely to rectify illegal behaviours to eliminate adverse effects or is likely to compensate investors for their losses, will have their investigation terminated if it is approved by the securities regulator. Obviously, all the above rules have been made to safeguard the investor interests by considering the special characteristics of SRDI SMEs, which is able to create a forward-looking and sound capital market legal regime.

### Conclusion

The high-profile launch of the BSE and the promulgation of targeted rules for tech corporations and SRDI SMEs indicates that the Chinese authorities have shown a clear determination to address the financing difficulties of smaller businesses. Clearly, the inclusive threshold, the time-effective registration-based IPO system, and the appropriate and flexible information disclosure is likely to create an active, transparent, and efficient capital market, unleashing the potential of SRDI SMEs. Learning from the existing standards and leading market practices of the NEEQ select tier, ChiNext and the Star Market, the BSE adheres to the preeminent rules with adjustment to suit the economic reality and financing demands of SRDI SMEs. The BSE, with the favourable policy support, will play a complementary role of facilitating SME finance in Chinese capital market, in addition to the more established SSE and SZSE. Until now, China has been hosting three major bourses located in North (BSE), Middle (SSE), and South (SZSE) of the country, which forms an institutionally sound, multi-tier, and nationally connected capital market financing system.

<sup>42</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), s.7.1.2.

<sup>43</sup> Listing Rules of Beijing Stock Exchange 2021 (Trial), s.8.2.1.

<sup>44</sup> Rules of Investors Suitability of Beijing Stock Exchange 2021 (Trial).

<sup>45</sup> Rules of Investors Suitability of Beijing Stock Exchange 2021 (Trial), art.5.

<sup>46</sup> Trading Rules of Beijing Stock Exchange 2021(Trial), s.3.3.11.

<sup>47</sup> Rules for Review Offering Shares to Non-Specific Qualified Investors of Beijing Stock Exchange 2021 (Trial), Chapter 6; Listing Rules of Beijing Stock Exchange 2021 (Trial), Chapter 11.

<sup>48</sup> *Xinhua*, “China unveils regulation on securities, futures violations” (People’s Daily Online, 30 November 2021), <http://en.people.cn/n3/2021/1130/c90000-9926128.html>.