



31st Annual Conference of
The International Organization of Securities Commissions (IOSCO)

8th June 2006
Hong Kong

**Panel 4: Challenges Related to the Implementation of the IOSCO
Principles and of the IOSCO MOU in Emerging Securities Markets**

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*Chairman
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Speech at the Panel 4 of IOSCO Annual Conference

by SHANG Fulin, Chairman of CSRC

Hong Kong 8 June 2006

Dear Chairman Dogan Cansizlar, ladies and gentlemen,

Good afternoon! It is my great honor to speak at this Panel. I shall start my speech by briefly touching upon the status quo of Mainland Chinese capital market, and then introduce to you the challenges confronted and endeavors made by the China Securities Regulatory Commission (CSRC) in its efforts to implement the IOSCO *Objectives and Principles of Securities Regulation* and join the *Multilateral Memorandum of Understanding* (MMOU).

I. Overview of Mainland Chinese Capital Market

Thanks to the reform and opening-up policies, Chinese economy has been booming with an average annual GDP growth rate of over 9% since 1979. Tremendous and profound changes are taking place in China's society, politics, economy, culture and so on. At present, China is endeavoring to establish a harmonious well-to-do society with sustainable growths.

In tandem with the robust economy, Mainland Chinese capital market, regardless of its short history, has also made remarkable progresses in the past decade and is playing an increasingly important role in national economy. As of the end of May 2006, a total of 1,372 companies were listed with an aggregate market capitalization of US\$ 546.2 billion. And the total proceeds raised in the capital market amounted to US\$ 112.9 billion. In the first five months of 2006, Shanghai Composite Index and Shenzhen Component Index had jumped 45% and 50% respectively, and the average daily turnover of stocks in May registered US\$ 7.45 billion.

Mainland Chinese capital market is an emerging one in a transitional economy. It is

blessed with abundant opportunities and at the same time confronted with complicated challenges. The recent priorities of our work include: improve the market infrastructures; deepen the reform of non-tradable shares; promote the corporate governance and operations of listed companies; continue to improve operations and services in securities companies; enhance market efficiency and market innovations; nurture the growth of institutional investors; improve the legal framework, and crack down any violations. We believe that after a few years of restructuring, a new era for sound, steady and sustainable growths of capital market is just on the horizon.

Great importance has always been attached to the opening up of Mainland Chinese capital market towards foreign investors. In 1993, shortly after the inception of capital market, the Chinese government permitted Mainland Chinese companies to offer shares and list abroad. As of the end of 2005, 122 Mainland Chinese companies were listed in Hong Kong, Singapore, US and UK markets, raising a total capital of US\$55.5 billion. In addition, some Mainland-based companies registered abroad have listed their shares in overseas markets.

Noticeably, Hong Kong, as the neighboring international financial center, has become the first choice for overseas listing of Mainland Chinese companies. According to the statistics from Hong Kong, a total of 340 Mainland-based companies have been listed in Hong Kong, raising a total capital of HK\$ 1.1 trillion. The total market capitalization of these companies has accounted for 40% of that of Hong Kong market. Besides raising capitals, the listing in Hong Kong urges these Mainland-based companies to improve their business operations and apply international standards and practices.

China has fully fulfilled its WTO commitments in the securities industry. As of the end of 2005, 7 Sino-foreign joint venture securities companies and 20 Sino-foreign joint venture fund management companies had been licensed. In addition, China launched the Qualified Foreign Institutional Investor (QFII) scheme in December 2002, a move beyond the WTO commitments. At the end of 2005, we promulgated the administration regulation on foreign investors' strategic investments in Mainland Chinese listed companies.

Opening to the outside world in all aspects is a set long-term strategy of China. In the future, we shall continue to push forward the opening up of Mainland Chinese capital market in line with three principles: firstly, adopt an active and progressive approach; secondly, draw on valuable inputs and practices from other markets; thirdly, promote a fair competition for mutual benefits.

II. Objectives and Principles of Securities Regulation

Since joining the IOSCO, the CSRC has been committed and supportive to all initiatives and activities of the IOSCO, including the strategic directions on *Objectives and Principles of Securities Regulation* and *Multilateral Memorandum of Understanding*.

After the IOSCO adopted the *Objectives and Principles*, the CSRC has been actively involved by filling out a number of questionnaires drafted by the EMC working groups. A preliminary self-assessment was internally carried out with the help of the IOSCO Methodology. At present, our capital market regulatory regime is being adjusted in line with the *Objectives and Principles* in the following aspects.

Firstly, vigorous efforts have been made in our legal framework for convergence with the *Objectives and Principles*. Last October, with our unremitting endeavor, Chinese top legislator passed the revised *Securities Law* and *Company Law* which have drawn on and absorbed the concept of three regulatory objectives in the *Objectives and Principles*. In the revised *Securities Law*, more emphasis is put on the protection of investors, ensuring a fair, efficient and transparent market, and tightening the market risk controls.

Secondly, the main concepts and philosophies of the *Objectives and Principles* are also reflected and applied in our regulatory practices.

1. “The protection of investors is the top objective of securities regulation. The regulator should have clearly and objectively stated responsibilities and adequate powers.” The protection of investors has always been on the top agenda of the CSRC. In September 2005, the Securities Investor Protection Fund with a registered capital of RMB 6.3 billion (about 0.8 billion US dollars) was launched in order to

protect the legitimate interests of investors in the course of preventing and disposing risks of failing securities firms.

2. “The regulator should have authority to share both public and non-public information with domestic and foreign counterparts.” Up to date, the CSRC has entered into 29 bilateral MOUs with capital market authorities from 26 jurisdictions. In the year 2005, the CSRC had provided 34 cross-border assistances to overseas counterparts and received 4 assistances from abroad.

3. “There should be full, timely and accurate disclosure of financial results and other information. Accounting and auditing standards should be of a high and internationally acceptable quality.” In February 2006, China published new accounting and auditing standards with the aim of a better reflection of corporate financial conditions and earlier indication of risks, which marked the convergence between Chinese and international standards.

4. “There should be procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.” In recent years, the market restructuring and weak performances have posed tremendous challenges and difficulties to the securities industry. Currently the CSRC is launching a consolidation and cleanup campaign over securities firms in an effort to dispose of current risks and to prevent new risks.

III. Multilateral Memorandum of Understanding

Since the adoption of MMOU by the IOSCO in May 2002, the CSRC has conducted intensive studies to identify the possible obstacles and the appropriate occasion to join it. Extensive communications and discussions have been carried out in a number of occasions with concerned domestic authorities over the possible legal obstacles and implementation difficulties that may arise. In April 2006, the CSRC hosted the IOSCO APRC Regional MMOU Training Seminar. A number of CSRC employees have also attended the IOSCO training programs in relation to the MMOU and gained better understandings on the contents, procedures and possible obstacles.

The revised *Securities Law* has paved away a number of obstacles in our striving to join the MMOU. Currently our attention is particularly on the following two legal issues:

1. Regarding the legal definition and explanation of the CSRC's powers to offer cross-border assistances. The revised *Securities Law* has for the first time empowered the CSRC with cross-border enforcement assistances. At present, we are working closely with the concerned authorities to clarify the CSRC's powers in cross-border assistances in the form of implementation rules and other issues.

2. Regarding the relationship between the CSRC's cross-border assistance and governmental cross-border criminal assistance as well as the establishment of an effective mechanism. The CSRC is consulting the concerned Chinese enforcement authorities on how to provide efficient assistance in the case of "no independent interest". Meanwhile the CSRC is in discussion with the concerned authorities on establishing cross-sector cooperation mechanisms and arrangements in order to effectively assist in a cross-border judicial assistance.

In summary, great attention has been paid to opening wider for overseas participation in the rapidly growing Mainland Chinese capital market. Along with the increasing international activities in cross-border listings, investments and operations, there is a growing need for cross-border regulatory assistances. Therefore, we are fully aware of the importance and urgency of joining the MMOU. We are currently drafting the application documents and translating relevant laws and regulations in a hope to submit the application within this year.

Finally I would like to take this opportunity to congratulate and thank the Securities and Futures Commission of Hong Kong for successfully hosting the 31st Annual Conference. I believe that all of you have been impressed and amazed by this beautiful international financial center during your short stay.

Meanwhile, it is my pleasure to learn that some delegates will visit Beijing and other parts of China. On behalf of the CSRC, I would like to take this opportunity to warmly welcome your visit. Besides, your comments and suggestions on better developing our capital market are highly appreciated.

Thank you!

在 IOSCO 香港年會上的發言

尙福林

2006 年 6 月 8 日

尊敬的道翰·坎茲拉爾主席，女士們、先生們：

下午好！

今天，會議組織者邀請我在此發言，我感到非常榮幸並表示衷心的感謝。值此，我先簡要介紹一下中國內地資本市場的發展概況，然後再就中國證監會實施國際證監會組織的《證券監管目標和原則》和爭取簽署《多邊備忘錄》過程中面臨的挑戰以及所做的努力談一些意見。

一、中國內地資本市場概況

自 1979 年改革開放以來，中國經濟飛速發展，國內生產總值以年平均 9% 以上的幅度增長，社會政治、經濟、文化等各方面正發生翻天覆地的深刻變化。當前，中國正在朝著建立和諧社會和全面小康社會的目標而努力奮鬥。

中國內地資本市場建立的時間比較短，伴隨著中國經濟的迅猛發展，資本市場在過去十多年取得了令人矚目的成就，在國民經濟中發揮著愈來愈重要的作用。截至 2006 年 5 月底，中國內地共有上市公司 1,372 家，累計籌資額約為 1,129 億美元，市價總值約合 5,462 億美元。今年以來，上海綜合指數和深圳成份指數分別上升了 45 % 和 50%，5 月份股票日均成交額 74.5 億美元。

中國內地資本市場是一個新興加轉軌的市場，面臨廣闊的發展機遇和新的挑戰。近期，我們的主要工作是：積極推

動資本市場的基礎建設，創造市場發展的良好條件；大力推進股權分置改革，不斷完善市場功能；完善上市公司治理，提高上市公司品質；繼續對證券公司進行綜合治理，提高仲介機構的服務品質；促進市場創新，提高市場效率；發展機構投資者，培養價值投資的理念；健全資本市場法制建設，嚴懲各種違規失信行爲。我們堅信，在經歷幾年的調整期後，中國內地資本市場正在進入健康、穩定、持續發展的新時期。

在推進資本市場發展的過程中，我們始終高度重視對外開放。1993年，在內地股票市場建立後不久，即允許中國內地公司到境外發行股票並上市。截至2005年底，共有122家中國內地企業到境外發行股票，累計籌資555億美元。此外，還有一些中國內地公司在境外註冊後在境外市場發行股票並上市。

特別值得一提的是，作為一個國際金融中心，香港已成為中國內地公司境外發行股票並上市的首選地。根據香港有關方面的統計，現已有340家中國內地公司在香港上市，累計籌資1.1萬億港幣，其總市值已占香港市場總市值的40%。中國內地公司在香港上市不僅籌集了發展所需資金，而且推動了公司按國際通行的規範運營。

中國嚴格履行加入WTO的承諾。截至2005年底，已分別有7家外資參股的證券公司和20家外資參股的基金管理公司獲准設立。在履行WTO承諾的同時，中國內地資本市場還實施了一些對外開放的新舉措。2002年12月起，中國開始實施合格境外機構投資者（QFII）制度。去年底，我們又發佈了相關規定，允許外國投資者通過中國內地資本市場對上

市公司進行戰略投資。

對外開放是中國長期堅持的戰略方針，我們將依照以下原則，繼續推進中國內地資本市場的對外開放：一是積極穩妥，循序漸進；二是兼收並蓄，為我所用；三是公平競爭，互利互贏。

二、關於實施《證券監管目標和原則》問題

自加入國際證監會組織以來，中國證監會一直積極支持和參與其相關倡議和活動，積極支援將《證券監管目標與原則》和《多邊備忘錄》確定為今後 IOSCO 工作的兩大戰略目標。

自 IOSCO 通過《證券監管目標和原則》後，中國證監會認真配合 IOSCO 相關研究工作，及時填報了多份基於《證券監管目標和原則》的問卷，並結合《評估方法》初步完成了自我評估。目前，我們正依照《證券監管目標和原則》完善我國證券監管制度。

首先，在法律法規方面努力與《證券監管目標和原則》相銜接。去年 10 月，在中國證監會的大力推動下，中國立法機構通過了《證券法》和《公司法》的修訂案。兩個法律借鑒並吸收了三大監管目標的理念，其中《證券法》修訂案的主要內容包括：加大對投資者的保護力度；繼續強化公開、公平、公正原則；進一步加強風險防範。

其次，我們注重在監管實際中遵循《證券監管目標和原則》的基本內涵。

1、以保護投資者為己任，承擔明確的責任。中國證監會一直將保護投資者的利益作為工作的重中之重。2005 年 9

月，設立了註冊資本 63 億元人民幣的證券投資者保護基金，用於在防範和處置證券公司風險中保護證券投資者的利益。

2、 建立資訊共用機制，加強跨境執法合作。中國證監會迄今已經與 26 個國家（或地區）的證券期貨監管機構簽署了 29 個雙邊監管合作諒解備忘錄，2005 年向境外監管機構提供 34 項協助，從境外監管機構獲得 4 項協助。

3、 建立健全符合國際標準的資訊披露規範，提高證券市場訊息披露品質。2006 年 2 月中國新會計審計準則體系正式發佈，標誌著中國會計和審計準則與國際準則的基本銜接。

4、 強化仲介機構的風險控制，努力控制、化解市場風險。近年來，隨著中國內地市場的結構性調整和持續低迷，證券行業的生存與發展面臨著嚴峻的挑戰和空前的困難。中國證監會將在對證券公司實行綜合治理的同時，努力化解已有風險，並有效防範新的風險。

三、關於《多邊備忘錄》問題

自《多邊備忘錄》於 2002 年 5 月通過以來，中國證監會一直予以密切關注，並積極研究加入多邊備忘錄的時機問題。我們曾多次就簽署該備忘錄面臨的法律障礙、執行中可能產生的問題等與國內相關部門進行溝通和討論。今年 4 月，中國證監會在北京承辦了 IOSCO 亞太地區委員會多邊備忘錄研討會。此外，我會還派員參加了國際證監會組織關於多邊備忘錄的歷次培訓班，為早日簽署《多邊備忘錄》認真做好準備。

去年底，中國立法機構頒佈了修訂後的《證券法》，排除了中國簽署《多邊備忘錄》的許多障礙。當前，我們比較

關注兩個法律方面的問題：

1、關於中國證監會對外提供執法協助的司法解釋問題。修訂後的《證券法》首次以法律的形式賦予中國證監會對外執法協助的職能，為此，我們正與有關方面協商，制定相關實施細則，以進一步明確中國證監會對外執法協助的職能。

2、關於理順中國證監會跨境執法合作與政府跨境司法協助的關係以及建立有效機制的問題。中國證監會將與相關執法部門協調，解決在境外監管機構協助請求中涉及人員未違反中國法律法規的情況下，如何提供有效協助的問題。同時，中國證監會也與相關部門協商建立部門間協作機制和程式，提高執行司法協助的實際效率。

總之，中國內地資本市場在發展進程中，非常重視對外開放，隨著跨境上市、投資和經營的不斷增長，跨境監管協助的需求也不斷增加。因此，我們十分關注加入《多邊備忘錄》的重要性和緊迫性。目前，我們正在全力準備申請材料，匯總翻譯相關法律，計畫在今年內提出申請。

最後，我想借此機會，祝賀並感謝香港證券及期貨事務監察委員會成功主辦了本屆年會。相信香港這座美麗的國際金融中心在短短的幾天裏已給大家留下了深刻的印象和美好的回憶。

此外，我很高興得知有些代表在會後將訪問北京等地，我謹代表中國證監會，衷心歡迎各位的訪問，歡迎各位為中國內地資本市場的發展獻計獻策。

謝謝大家！