



Securities Law of the People's Republic of China

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Order of the President of the People's Republic of China

No. 37

The Securities Law of the People's Republic of China, revised and adopted at the 15th Meeting of the Standing Committee of the Thirteenth National People's Congress on December 28, 2019, is hereby promulgated and shall go into effect on March 1, 2020.

Xi Jinping
President of the People's Republic of China
December 28, 2019

Securities Law of the People's Republic of China

(Adopted at the 6th Meeting of the Standing Committee of the Ninth National People's Congress on December 29, 1998; amended for the first time in accordance with the Decision on Amending the Securities Law of the People's Republic of China as adopted at the 11th Meeting of the Standing Committee of the Tenth People's Congress on August 28, 2004; revised for the first time at the 18th Meeting of the Standing Committee of the Tenth National People's Congress on October 27, 2005; amended for the second time in accordance with the Decision of the Standing Committee of the National People's Congress on Amending the Cultural Relics Protection Law of the People's Republic of China and Other Eleven Laws as adopted at the 3rd Meeting of the Standing Committee of the Twelfth National People's Congress on June 29, 2013; amended for the third time in accordance with the Decision of the Standing Committee of the National People's Congress on Amending Five Laws Including the Insurance Law of the People's Republic of China as adopted at the 10th Meeting of the Standing Committee of the Twelfth National People's Congress on

August 31, 2014; and revised for the second time at the 15th Meeting of the Standing Committee of the Thirteenth National People's Congress on December 28, 2019)

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Chapter I General Provisions

Article 1 This Law is enacted in order to standardize the issuance and transaction of securities, protect the legitimate rights and interests of investors, maintain the socioeconomic order and public interests of society and promote the development of the socialist market economy.

Article 2 This Law shall apply to the issuance and transaction of stocks, corporate bonds, depository receipts and other securities lawfully recognized by the State Council within the territory of the People's Republic of China. Where there are no such provisions in this Law, the provisions of the Company Law of the People's Republic of China and other laws and administrative regulations shall apply.

This Law shall apply to the government bonds and shares of securities investment funds listed for transaction. Where there are specific provisions in other laws and administrative regulations, such specific provisions shall apply.

The administrative measures of issuance and transaction of asset-backed securities and asset management products shall be formulated by the State Council in accordance with the principles of this Law.

Where the issuance and transaction of securities outside the territory of the People's Republic of China have disrupted the market order within the territory of the People's Republic of China and damaged the legitimate rights and interests of investors within the territory, such activities shall be handled and investigated for legal responsibility in accordance with the relevant provisions of this Law.

Article 3 The issuance and transaction of securities shall follow the principles of transparency, fairness, and equitability.

Article 4 The parties involved in the issuance and transaction of securities shall enjoy equal legal status and shall abide by the principles of voluntariness, compensation and good faith.

Article 5 The issuance and transaction of securities shall comply with laws and administrative regulations. Any fraud, insider trading and manipulation of the securities market shall be prohibited.

Article 6 The separated operation and management shall apply to securities business, banking business, trust business and insurance business. The securities companies and banks, trust business institutions and insurance business institutions shall be established separately, unless otherwise provided for by the State.

Article 7 The securities regulatory authority under the State Council shall carry out centralized and unified supervision and administration of the securities market nationwide according to law.

The securities regulatory authority under the State Council may, as it deems necessary, establish dispatched offices which shall perform the duties of supervision and administration according to authorization.

Article 8 The national audit institutions shall carry out audit supervision of the securities exchanges, securities companies, securities registration and clearing institutions and securities regulatory bodies according to law.

Chapter II Issuance of Securities

Article 9 Public issuing of securities shall comply with the requirements provided for in laws and administrative regulations, and shall be reported for registration according to law to the securities regulatory authority under the State Council or the department authorized by the State Council. Without registration according to law, no entity or individual shall make public offering of securities. The coverage and implementation procedures of the registration system for securities issuance shall be formulated by the State Council.

It shall be deemed as a public offering under one of the following circumstances:

- (1) Issuing securities to non-specific investors;

(2) Issuing securities to specific investors with an aggregate number of 200 or more excluding the number of the issuer's employees participating in an employee stock ownership plan according to law;

(3) Other acts of issuance as provided for in laws and administrative regulations.

Any means of advertising, general solicitation, or any disguised form of public offering shall not be adopted for non-public offering of securities.

Article 10 An issuer that applies for public offering of stocks or convertible corporate bonds by means of underwriting according to law or applies for public offering of other securities which is subject to sponsor system as provided by laws and administrative regulations shall hire a securities company as its sponsor.

The sponsor shall observe business rules and industry standards, act in good faith and with due care and diligence, verify with prudence the application documents and information disclosure materials of the issuer, and supervise and guide the issuer to conduct standard operation.

The administrative measures of sponsors shall be formulated by the securities regulatory authority under the State Council.

Article 11 A public offering of stocks for the establishment of a company limited by shares shall comply with the requirements as provided for in the Company Law of the People's Republic of China and other requirements of the securities regulatory authority under the State Council which are approved by the State Council. An application for public offering of stocks and the following documents shall be submitted to the securities regulatory authority under the State Council:

(1) The articles of association of the company;

(2) The founder's agreement;

(3) The name or title of the founder, the number of shares subscribed by the founder, the type of capital contribution as well as the capital verification certificate;

(4) The prospectus;

(5) The name and address of the bank receiving the funds generated from the issuance of stocks; and

(6) The name of the underwriting institutions and the relevant agreements.

Where a sponsor shall be hired as provided for in this Law, a sponsor letter for issuance issued by the sponsor shall also be submitted.

Where the establishment of a company is subject to approval as provided for in laws and administrative regulations, the relevant approval documents shall be submitted as well.

Article 12 A company that makes an initial public offering of new stocks shall comply with the following requirements:

(1) Having a sound and well-operated organizational structure;

- (2) Having sustainable operation ability;
- (3) An unqualified auditor's report on its financial and accounting reports for the latest three years;
- (4) The issuer as well as its controlling shareholders and the actual controller have not committed any crime such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; and
- (5) Other requirements of the securities regulatory authority under the State Council which are approved by the State Council.

A listed company that issues new stocks shall comply with the requirements of the securities regulatory authority under the State Council which are approved by the State Council. The specific administrative measures shall be formulated by the securities regulatory authority under the State Council.

The public offering of depository receipts shall comply with the requirements for an initial public offering of a new stock as well as other requirements provided by the securities regulatory authority under the State Council.

Article 13 A company that issues new stocks shall submit an application for public offering of stocks together with the following documents:

- (1) The business license of the company;
- (2) The articles of association of the company;
- (3) The resolution of the general meeting of shareholders;
- (4) The prospectus or other documents on public offering of stocks;
- (5) The financial and accounting reports; and
- (6) The name and address of the bank receiving the funds generated from the public offering of stocks.

Where a sponsor shall be hired according to this Law, the sponsor letter of issuance issued by the sponsor shall also be submitted. Where underwriting is adopted according to this Law, the name of the underwriting institutions and the relevant agreement shall be submitted as well.

Article 14 The company shall use the funds raised from public offering of stocks in accordance with the fund uses set forth in the prospectus for the stocks or other documents on public offering. Any change of the fund uses shall be approved by a resolution adopted at the general meeting of shareholders. Where the company fails to correct any unauthorized change of the fund uses or where any alternative use of the funds fails to be approved by the general meeting of shareholders, the company shall not be allowed to issue new stocks.

Article 15 A public offering of corporate bonds shall comply with the following requirements:

- (1) Having a sound and well-operating organizational structure;
- (2) The average distributable profits over the latest three years are sufficient to pay one year interest of the corporate bonds; and

(3) Other requirements specified by the State Council.

The funds raised through public offering of corporate bonds shall be used in accordance with the fund uses set forth in the prospectus of corporate bonds. Any change of the fund uses shall be approved by a resolution adopted at the bondholders' meeting. The funds raised from public offering of corporate bonds shall not be used to cover deficit or non-productive expenditure.

Where a listed company publicly offers convertible corporate bonds, it shall comply with the provisions in the second paragraph of Article 12 of this Law in addition to the requirement provided in the first paragraph, except where it converts its convertible corporate bonds by acquiring its own stock shares in accordance with the prospectus of corporate bonds.

Article 16 As for an application for offering corporate bonds publicly, the following documents shall be submitted to the department authorized by the State Council or the securities regulatory authority under the State Council:

- (1) The business license of the company;
- (2) The articles of association of the company;
- (3) The prospectus for corporate bonds; and
- (4) Other documents specified by the department authorized by the State Council or the securities regulatory authority under the State Council.

Where a sponsor shall be hired as provided by this Law, a sponsor letter of issuance issued by the sponsor shall also be submitted.

Article 17 No public offering of corporate bonds shall be made under one of the following circumstances:

- (1) The fact that there is a default or a delay in payment of principal and interest on publicly offered corporate bonds or other debts, and such situation still continues; or
- (2) Any change of the uses of the funds raised through public offering of corporate bonds in violation of the provisions of this Law.

Article 18 The format and method for submitting application documents for public offering of securities by an issuer according to law shall be formulated by the competent organ or department legally responsible for the registration.

Article 19 The application documents for securities issuance submitted by an issuer shall be truthful, accurate and complete and shall fully disclose the information necessary for investors to make value judgment and investment decision.

A securities service provider and its staff members that issue the relevant documents for securities issuance shall strictly perform their statutory duties and ensure the truthfulness, accuracy and completeness of the documents issued.

Article 20 Where an issuer applies for an initial public offering of a new stock, it shall disclose the relevant application documents in advance in accordance with the regulations of the securities regulatory authority under the State Council after submitting such documents.

Article 21 The securities regulatory authority under the State Council or other

department authorized by the State Council shall be responsible for the registration of applied securities issuance in accordance with statutory requirements. The specific measures for the registration of public offering of securities shall be formulated by the State Council.

Pursuant to the requirements of the State Council, stock exchanges may examine and verify applications for public offering of securities, determine whether the issuers comply with the requirements on issuance and information disclosure, and shall urge the issuers to improve and complete the information to be disclosed.

The persons participating in the registration of applied securities issuance as provided for in the two preceding paragraphs shall not have any stake with applicants for issuance, shall not accept directly or indirectly any gift from the applicants, shall not hold any securities to be registered for issuance, and shall not contact issuers in private.

Article 22 The securities regulatory authority under the State Council or the department authorized by the State Council shall, within three months as of the date of accepting an application for securities issuance, make a decision in accordance with statutory requirements and procedures on whether or not to register the securities offering. The time for an issuer to supplement or modify its application documents for issuance according to the relevant requirements shall not be included in the aforesaid period. In the case an application for registration is denied, the reason shall be given.

Article 23 After an applied securities issuance is registered, the issuer shall announce the public offering documents according to the provisions of laws and administrative regulations before publicly offering securities and shall make the documents publicly accessible in a designated place.

No insider shall disclose or divulge the information on securities issuance before such information is announced according to law.

No issuer shall issue any securities before the public offering documents are announced.

Article 24 Where a decision to register the securities issuance is found not in conformity with statutory requirements and procedures and if the securities have not been issued, the securities regulatory authority under the State Council or the department authorized by the State Council shall revoke the said decision and terminate the issuance. If the securities have been issued but not yet listed, the said decision shall be revoked and the issuer shall refund the securities holders according to the issuing price plus interest as calculated at the bank deposit rate for the corresponding period. The controlling shareholders, the actual controller as well as the sponsor, unless one is able to prove that he is not at fault, shall bear several and joint liabilities together with the issuer.

Where an issuer of stocks has concealed any important fact or fabricated any material misrepresentation in securities issuance documents such as the prospectus, and if the stocks have been issued and listed, the securities regulatory authority under the State Council may order the issuer to repurchase the securities, or order the responsible controlling shareholders and the actual controller of the issuer to buy back the securities.

Article 25 After stocks have been issued according to law, the issuer itself shall be responsible for any change in its operations and income, while the investors themselves are responsible for any investment risk caused by such change.

Article 26 Where an issuer issues securities to non-specific investors and if the securities need to be underwritten by a securities company as required by laws and administrative regulations, the issuer shall enter into an underwriting agreement with the securities company. Securities underwriting business takes the form of best efforts underwriting or firm commitment underwriting.

Best efforts underwriting refers to an underwriting form through which securities company sells the securities as a proxy of an issuer and returns all the securities unsold to the issuer upon expiration of the underwriting period.

Firm commitment underwriting refers to an underwriting form through which a securities company purchases all of the securities of an issuer according to the agreement reached between them or purchases all of the remaining securities by itself upon the expiration of the underwriting period.

Article 27 An issuer that makes public offering of securities has the right to make its own choice according to law of the securities company for underwriting.

Article 28 Where a securities company underwrites securities, it shall enter into a best efforts or firm commitment underwriting agreement with the issuer. The agreement shall specify the following matters:

- (1) The name, domicile as well as the name of the legal representative of the parties concerned;
- (2) The type, quantity, amount as well as issuing prices of the securities under best efforts or firm commitment underwriting;
- (3) The duration and starting and ending dates for best efforts or firm commitment underwriting;
- (4) The ways and date of payment for best efforts or firm commitment underwriting;
- (5) The expenses and settlement methods of best efforts or firm commitment underwriting;
- (6) The liabilities for breach of contract; and
- (7) Other matters specified by the securities regulatory authority under the State Council.

Article 29 A securities company engaged in securities underwriting shall verify the truthfulness, accuracy and completeness of the public offering documents. Where false record, misleading representation or major omission is found, no sales activities shall be carried out. If any securities have been sold, the sales activities shall be terminated immediately and corrective measures shall be taken.

A securities company engaged in securities underwriting shall not commit any of the following acts:

- (1) Engaging in advertising or other promotion activities which are false or misleading to investors;
- (2) Soliciting underwriting business through unfair competition;
- (3) Other acts in violation of the rules governing securities underwriting business.

Where a securities company has committed one of the aforementioned acts and has caused damage to other securities underwriting institutions or investors, it shall bear compensatory liability according to law.

Article 30 Where an underwriting syndicate is hired to issue securities to non-specified objects, the underwriting syndicate shall be composed of a securities company as the lead underwriter with other securities companies participating in the underwriting.

Article 31 The maximum period of underwriting on best efforts or firm commitment basis shall not exceed 90 days.

During the period of underwriting on best efforts or firm commitment basis, a securities company shall ensure that the securities under the two types of underwriting are first sold to the subscribers. A securities company shall not reserve any securities under best efforts underwriting for itself nor shall it purchase in advance and retain the securities which it underwrites on firm commitment basis.

Article 32 Where a stock is issued at a premium, its issuing price shall be determined through consultations between the issuer and the underwriting securities company.

Article 33 As for a public offering of stocks under best efforts underwriting, the issuance shall be deemed as a failure if the number of shares sold to investors is below 70% of the proposed number of shares for public offering upon expiration of the period of best efforts underwriting. The issuer shall refund the subscribers of stocks according to the issuing price plus interest as calculated at the bank deposit rate for the corresponding period.

Article 34 As for a public offering of stocks, the issuer shall, upon the expiration of the period of best efforts or firm commitment underwriting, file the information on the stock issuance for the record to the securities regulatory authority under the State Council within a specified time limit.

Chapter III Trading of Securities

Section 1 General Provisions

Article 35 The securities purchased and sold by the parties to a securities transaction shall be the securities that have been issued and delivered according to law.

Securities that are illegally issued shall not be purchased or sold.

Article 36 Where there are restrictive provisions on the duration of transfer in the Company Law of the People's Republic of China and other laws, securities issued according to law shall not be transferred within the restricted period.

Where any shareholder holding 5% or more of the shares of a listed company, the actual controller, directors, supervisors and members of senior management of the company, other shareholders holding shares issued prior to initial public offering, and the shareholders holding shares issued to specific investors transfer their shares of the company, they shall not violate the provisions on holding period, time of sale, quantity for sale, method of sale and information disclosure in laws, administrative regulations and the regulations of the securities regulatory authority under the State Council, and shall abide by the business rules of stock exchanges.

Article 37 Securities publicly issued according to law shall be listed and traded on stock exchanges established according to law or traded on other national securities trading venues approved by the State Council.

Securities issued in a non-public manner may be transferred on stock exchanges, or on other national securities trading venues approved by the State Council or

regional equity markets established in accordance with the regulations of the State Council.

Article 38 Securities listed on a stock exchange shall be traded in an open and centralized manner or any other manner as approved by the securities regulatory authority under the State Council.

Article 39 The securities purchased or sold by the parties to a securities transaction may be in paper form or other forms specified by the securities regulatory authority under the State Council.

Article 40 Practitioners of securities trading venues, securities companies and securities registration and clearing institutions, staff members of securities regulatory bodies as well as other persons prohibited by the provisions of laws and administrative regulations from engaging in stock trading shall not, during their term of office or statutory periods, hold, purchase or sell stocks or other securities with the nature of equity directly or in any assumed name or in the name of other persons, nor shall they accept stocks or other securities with the nature of equity as gifts from other persons.

When anyone becomes one of the personnel set forth in the preceding paragraph, he shall transfer the stocks or other securities with the nature of equity in his possession according to law.

The practitioners of a securities company which adopts an equity incentive plan or an employee stock ownership plan may hold or sell the company's stocks or other securities with the nature of equity in accordance with the regulations of the securities regulatory authority under the State Council.

Article 41 Securities trading venues, securities companies, securities registration and clearing institutions, and securities service providers as well as their practitioners shall treat information of investors as confidential according to law and shall not trade, provide or publicize such information illegally.

Securities trading venues, securities companies, securities registration and clearing institutions and securities service providers as well as their practitioners shall not divulge commercial secrets known to them.

Article 42 Securities service providers and their practitioners that issue such documents as auditing reports or legal opinions on securities issuance shall not purchase or sell the relevant securities during the underwriting period of the securities and within six months after the expiration of the underwriting period.

In addition to the provisions of the preceding paragraph, securities service providers and their practitioners that issue auditing reports or legal opinions on the issuers and their controlling shareholders, actual controller or acquirers or major assets trading parties shall not purchase or sell the relevant securities from the date of accepting the entrustment to the fifth day after the aforesaid documents are publicized. If the date when securities service providers and their practitioners starts the aforesaid work is earlier than the date of accepting the entrustment, they shall not purchase or sell the relevant securities from the date when the aforesaid work starts to the fifth day after the aforesaid documents are publicized.

Article 43 The fees charged for securities transaction shall be reasonable. The items to be charged, rates and administrative measures shall be publicized.

Article 44 Where a shareholder holding 5% or more of the shares of a listed company or a company whose stocks are being traded on other national securities trading venues approved by the State Council, and the directors, supervisors and members of the senior management of the company sell their stocks or other securities with the nature of equity of the company within six months after purchase, or purchase their stocks within six months after sale, the income therefrom shall belong to the company and the board of directors of the

company shall forfeit the income. However, exceptions may apply to the circumstance where a securities company holds 5% or more of the shares of the company as a result of purchasing the remaining stocks after firm commitment underwriting and other circumstances stipulated by the securities regulatory authorities under the State Council.

The shares or other securities with the nature of equity held by directors, supervisors, members of senior management or natural person shareholders referred to in the preceding paragraph shall include the shares or other securities with the nature of equity held by their spouses, parents or children, and those held through the accounts of others.

Where the board of directors of a company fails to implement the provisions of the first paragraph, the shareholders concerned have the right to require the board of directors to implement the provisions within 30 days. Where the board of directors fails to implement the provisions within the aforesaid period, the shareholders shall have the right to directly bring a lawsuit to the people's court in their own names for the interests of the company.

Where the board of directors of a company fails to implement the provisions of the first paragraph, the directors responsible shall bear several and joint liabilities according to law.

Article 45 Program trading with orders automatically generated by or placed through computer programs shall be in compliance with the regulations of the securities regulatory authority under the State Council and shall be reported to a stock exchange and shall not affect the system security of stock exchange or the normal trading order.

Section 2 Listing of Securities

Article 46 An application for listing of securities shall be made to a stock exchange. The stock exchange shall examine, verify and approve the application according to law, and the two parties shall enter into an agreement on listing of securities.

Stock exchanges shall make arrangement for the listing of government bonds according to the decision of the department authorized by the State Council.

Article 47 Applications for listing of securities shall comply with the listing requirements specified in the listing rules of a stock exchange.

The listing requirements specified in the listing rules of a stock exchange shall specify the requirements on years of operation, financial standing, minimum public offering ratio, corporate governance and credit record of an issuer.

Article 48 Where there are circumstances that necessitate the termination of a listed security as stipulated by a stock exchange, the stock exchange shall terminate its listing according to business rules.

Where a stock exchange decides to terminate the listing and trading of securities, it shall announce the decision in a timely manner and file it for the record to the securities regulatory authority under the State Council.

Article 49 Where a company refuses to accept the decision of a stock exchange on disapproving or terminating the listing and trading of securities, it may apply to the review organ established by the stock exchange for review.

Section 3 Prohibited Acts of Transactions

Article 50 Any insider, or any other person who has unlawfully obtained inside

information is prohibited from taking advantage of the inside information to engage in securities transactions.

Article 51 Insiders include:

- (1) Issuers and their directors, supervisors and members of senior management;
- (2) A shareholder holding 5% or more of the shares of a company as well as the directors, supervisors and members of senior management of the company, the actual controller of the company as well as the directors, supervisors and members of senior management of the company;
- (3) A company controlled or actually controlled by an issuer as well as the directors, supervisors and members of senior management of the company;
- (4) A person who, by virtue of his position in a company or of his business dealings with a company, is able to have access to the inside information of the company;
- (5) An acquirer of a listed company and the acquirer's controlling shareholders, actual controller, directors, supervisors and members of senior management, and the parties to a major assets transaction of a listed company and the party's controlling shareholders, actual controller, directors, supervisors and members of senior management;
- (6) Relevant persons of securities trading venues, securities companies, securities registration and clearing institutions, and securities service providers who may obtain inside information by virtue of their positions or work;
- (7) Staff members of securities regulatory body who may obtain inside information by virtue of their duties or work;
- (8) Staff members of the relevant authorities and regulatory authorities who may obtain inside information by virtue of their statutory duties in the administration of issuance and transaction of securities, or in the administration of acquisition and significant assets transactions of a listed company; and
- (9) Other persons who may have access to inside information as specified by the securities regulatory authority under the State Council.

Article 52 Inside information refers to the nonpublic information that concerns the business operations or financial conditions of an issuer or that may have a major effect on the market price of the securities of the issuer in securities transactions.

The material events set out in the second paragraph of Article 80 and the second paragraph of Article 81 of this Law are inside information.

Article 53 The insiders, and other persons who have unlawfully obtained such inside information shall not purchase or sell the securities of the company concerned, or divulge such information, or advise other persons to purchase or sell such securities before the inside information is publicized.

Where there are other provisions in this Law governing the acquisition of shares of a listed company by a natural person, a legal person or an unincorporated association who individually holds or holds together with other persons 5% or more of the company's shares by means of an agreement or any other arrangement, such other provisions shall prevail.

Where any insider transaction has caused losses to investors, the parties to such transaction shall bear compensatory liability according to law.

Article 54 The practitioners of securities trading venues, securities companies, securities registration and clearing institutions, securities service providers and other financial institutions as well as the staff members of the relevant regulatory departments or industry associations shall be prohibited from using other undisclosed information besides inside information obtained by virtue of their positions to engage in securities transaction activities related to such information or explicitly or implicitly advising others to engage in the relevant transaction activities in violation of regulations.

Where transactions conducted by taking advantage of undisclosed information have caused losses to investors, the parties to such transactions shall bear compensatory liability according to law.

Article 55 No one shall manipulate the securities market by any of the following means to affect, or try to affect the price or quantity of securities transactions:

- (1) Carrying out combined or successive purchases or sales independently or in collusion with other persons by building up an advantage in terms of funds, shareholding or information;
- (2) Colluding with other persons to trade securities on the basis of preconceived time, price and method;
- (3) Making securities transactions between accounts actually controlled by the same person;
- (4) Placing and withdrawing orders frequently and in large number but not for the purpose of transaction;
- (5) Inducing investors to conduct securities transactions using false or uncertain significant information;
- (6) Making public evaluations, forecasts or investment suggestions on securities and issuers while making reverse securities transactions;
- (7) Manipulating the securities market by taking advantage of the activities in other relevant markets; and
- (8) Using other means to manipulate the securities market.

Where manipulation of the securities market has caused losses to investors, the parties concerned shall bear compensatory liability according to law.

Article 56 No entity and individual shall disrupt the securities market by fabricating or disseminating false or misleading information.

Stock trading sites, securities companies, securities registration and clearing institutions, securities service providers and their practitioners, as well as the securities association, securities regulatory bodies and their staff members shall be prohibited from making false representation or providing misleading information in securities transaction activities.

The information on the securities market disseminated by various media shall be authentic and objective. Any misleading information shall be prohibited. Media and their staff members engaged in reporting on information on the securities market shall not engage in securities transactions in conflict with their duties.

Where fabrication and dissemination of false or misleading information has disrupted the securities market and caused losses to investors, the parties concerned shall bear compensatory liability according to law.

Article 57 Securities companies and their practitioners shall be prohibited from conducting any of the following acts which would harm the interests of their customers:

- (1) Purchasing and selling securities for their customers against the entrustment of the customers;
- (2) Failing to provide confirmation documents on transactions to their customers within the specified period of time;
- (3) Purchasing and selling securities for their customers without the entrustment of their customers, or impersonating the customers to purchase and sell securities;
- (4) Inducing their customers to conduct unnecessary purchase and sale of securities for the purpose of earning commission income; and
- (5) Other acts that go against the true intention expressed by their customers and would damage the interests of their customers.

Where a violation of the provisions of the preceding paragraph has caused losses to their customers, the parties concerned shall bear compensatory liability according to law.

Article 58 No entity or individual shall lend his securities account or borrow the securities accounts of others to carry out securities transactions in violation of regulations.

Article 59 Channels for funds to enter the stock market shall be broadened according to law. Funds shall be prohibited from illegally flowing into the stock market.

Investors shall be prohibited from purchasing or selling securities by illegally using fiscal funds or bank credit funds.

Article 60 Where wholly state-owned enterprises, wholly state-owned companies, and companies controlled by state-owned capital purchase and sell listed stocks, they shall comply with the relevant regulations of the State.

Article 61 Where securities trading venues, securities companies, securities registration and clearing institutions, securities service providers as well as their staff discover any prohibited securities transaction activities, they shall report such activities to the securities regulatory body in a timely manner.

Chapter IV Acquisition of Listed Companies

Article 62 An investor can acquire a listed company through a tender offer, a takeover agreement, or any other legitimate means.

Article 63 Where an investor, through securities transactions at a stock exchange, comes to hold or hold jointly with others through an agreement or other arrangement 5% of the voting shares issued by a listed company, written reports shall be submitted, within three days as of the date on which such fact occurs, to the securities regulatory authority under the State Council and the stock exchange. The listed company shall be notified and an announcement shall be made. Within the aforesaid period, the investor shall not purchase or sell the stocks of the listed company, except in the circumstances specified by the securities regulatory authority under the State Council.

Once an investor comes to hold or hold jointly with others through an agreement or other arrangement 5% of the voting shares issued by a listed company, a report shall be submitted and an announcement shall be made pursuant to the provisions of the preceding paragraph for each 5% increase or decrease in the proportion of the voting shares issued by the listed company thus held. Within three days as of the date on which such fact occurs and an announcement is made, the investor shall not purchase or sell the stocks of the listed company, except in the circumstances specified by the securities regulatory authority under the State Council.

Once an investor comes to hold or hold jointly with others through an agreement or other arrangement 5% of the voting shares issued by a listed company, the listed company shall be notified and an announcement shall be made for each 1% increase or decrease in the proportion of the voting shares issued by the listed company thus held on the next day of the occurrence of such a fact.

Investors who purchase the voting shares of a listed company in violation of the first or the second paragraph shall not be allowed to exercise the voting right towards the shares that exceed the prescribed proportion within 36 months after the purchase.

Article 64 The announcement made according to the provisions of the preceding article shall include the following contents:

- (1) The name and domicile of the shareholder;
- (2) The name and amount of the shares held;
- (3) The date on which the shares held reaches the statutory percentage or any increase or decrease of the shares held reaches the statutory percentage and the source of funds used to increase the shares; and
- (4) The time and method of the changes in the voting shares of the listed company.

Article 65 Where an investor, through securities transactions at a stock exchange, comes to hold or jointly hold with others through an agreement or other arrangement 30% of the voting shares issued by a listed company, the investor shall, if he intends to continue to purchase such shares, issue a tender offer to all the shareholders of the listed company for purchasing all or part of the shares of the company according to law.

A tender offer for acquiring part of the outstanding shares of a listed company shall contain a provision specifying that tendered shares will be accepted on a pro rata basis if the offer is oversubscribed.

Article 66 Before any tender offer is issued pursuant to the provisions of the preceding article, the acquirer shall publicize the acquisition report on the listed company which shall indicate the following items:

- (1) The name and domicile of the acquirer;
- (2) The decision of the acquirer on the acquisition;
- (3) The name of the target company;
- (4) The purpose of the acquisition;
- (5) The detailed description of the shares to be purchased and the intended number of shares to be purchased;

(6) The duration and price of the offer;

(7) The funds necessary to consummate the offer and the proof of ability to finance the offer; and

(8) The proportion of the number of shares of the target company held by the acquirer to the total number of shares issued by the target company at the time the acquisition report on the listed company is publicized.

Article 67 The duration of offer specified in a tender offer shall be not less than 30 days but not more than 60 days.

Article 68 An acquirer shall not revoke its tender offer within the duration of offer stipulated in the tender offer. An acquirer who needs to modify its tender offer, shall make an announcement in a timely manner stating the specific modifications made, and shall not make the following modifications:

(1) Lowering the acquisition price;

(2) Reducing the number of shares to be purchased;

(3) Shortening the duration of offer; and

(4) Other circumstances specified by the securities regulatory authority under the State Council.

Article 69 All the conditions of acquisition specified in a tender offer shall apply to all the shareholders of the target company.

Where a listed company has issued different classes of shares, the acquirer may propose different conditions for different classes of shares.

Article 70 As for an acquisition through tender offer, the acquirer shall not sell the stocks of the target company within the duration of offer, nor shall it buy the stocks of the target company in any form other than those specified in the tender offer or beyond the conditions specified in the tender offer.

Article 71 As for a takeover by agreement, the acquirer may transact shares with the shareholders of the target company by means of entering into an agreement in accordance with the provisions of laws and administrative regulations.

In case of taking over a listed company by agreement, once the agreement is reached, the acquirer shall submit a written report on the takeover agreement to the securities regulatory authority under the State Council and to the stock exchange within three days and shall make an announcement.

No takeover agreement shall be implemented before an announcement is made.

Article 72 As for a takeover by agreement, both parties to the agreement may temporarily entrust a securities registration and clearing institution to hold the stocks to be transferred in escrow and deposit the funds in a designated bank.

Article 73 As for a takeover by agreement, where the percentage of the voting shares issued by a listed company that the acquirer purchased or purchased jointly with others through an agreement or other arrangement has reached 30%, if they intend to continue to purchase such shares, a tender offer shall be issued to all the shareholders of the listed company for purchasing all or part of the shares of the company, except in the circumstances where a tender offer is

exempted as stipulated by the securities regulatory authority under the State Council.

An acquirer that purchases the shares of a listed company through tender offer according to the provisions of the preceding paragraph shall abide by the provisions of the second paragraph of Article 65 and Articles 66 through 70 of this Law.

Article 74 Upon the expiration of the duration of an offer, if the equity ownership structure of the target company fails to comply with the listing requirements provided by the stock exchange, the stock exchange shall terminate the listing of shares of the target company according to law. The rest of the shareholders who still hold the shares of the target company shall have the right to sell their shares on the same terms as specified in the tender offer and the acquirer shall buy such shares.

Upon the completion of an acquisition, if the target company is no longer qualified as a joint stock limited company, its form of enterprise shall be changed according to law.

Article 75 During the course of the acquisition of a listed company, the stocks of the target company held by the acquirer shall not be transferred within 18 months after the completion of the acquisition.

Article 76 Upon the completion of an acquisition, if the acquirer has merged with the target company and dissolved the latter, the original shares of the dissolved company shall be exchanged by the acquirer according to law.

Upon the completion of an acquisition, the acquirer shall report the acquisition to the securities regulatory authority under the State Council and to the stock exchange within 15 days and shall make an announcement.

Article 77 The securities regulatory authority under the State Council shall formulate specific measures on the acquisition of listed companies in accordance with this Law.

The division or merger of a listed company shall be reported to the securities regulatory authority under the State Council and shall make an announcement.

Chapter V Information Disclosure

Article 78 Issuers and other parties who are bound by disclosure obligation as provided for by laws, administrative regulations and the securities regulatory department under the State Council shall perform the obligation of information disclosure according to law in a timely manner.

Information disclosed by the parties under disclosure obligation shall be truthful, accurate, complete, concise and clear, easy to understand, and shall not contain any false record, misleading representation or major omission.

Where securities are publicly issued and traded simultaneously in both China's domestic market and overseas markets, the information disclosed abroad by the parties under disclosure obligation shall be simultaneously disclosed domestically.

Article 79 Listed companies, companies whose corporate bonds are listed for trading, and companies whose shares are traded on other national securities trading venues approved by the State Council shall prepare periodic reports in accordance with the content and format requirements specified by the securities regulatory authority under the State Council and the securities trading venues,

and shall submit and announce such reports according to the following provisions:

- (1) Submitting and announcing its annual report within four months after the end of each accounting year and the annual financial report contained therein shall be audited by an accounting firm which complies with the provisions of this Law; and
- (2) Submitting and announcing interim reports within two months from the end of the first half of each accounting year.

Article 80 Where a material event occurs that may have a significant impact on the trading prices of the shares of a listed company or the shares of a company traded on other national securities trading venues approved by the State Council, and if the event is not yet known to the investors concerned, the company shall immediately submit a report on the material event to the securities regulatory authority under the State Council and to the stock transaction venue and shall make an announcement to the general public stating the cause, current status and possible legal consequences of the event.

The material event referred in the preceding paragraph shall include:

- (1) Major changes in the operating principles and scope of business of the company;
- (2) Significant investment made by the company, the major assets purchased or sold by the company in one year is 30% or more of the company's total assets, or the company's principal assets for operation which is collateralized, pledged, sold or otherwise written off in one instance is 30% or more of such assets;
- (3) Important contracts concluded by the company, major guarantee provided by the company or related-party transactions conducted by the company which may have a significant effect on the assets, liabilities, equity, and operating results of the company;
- (4) Incurrence of major debts of the company and default in payment of major debts due;
- (5) Incurrence of major deficit or major loss in the company;
- (6) Major changes in the external conditions for business operation of the company;
- (7) Change of directors or change of one-third or more of supervisors or managers of the company, or inability of the chairman of the board of directors or the manager to perform duties;
- (8) Considerable change of shareholders holding 5% or more of the company's shares, or considerable change in the actual controller's shares or controlling of the company, or considerable change in the identical or similar business engaged in by the actual controller of the company or by other enterprises controlled by said actual controller;
- (9) Plans of the company concerning the distribution of dividends and increase of capital, important change in the shareholding structure of the company, decisions of the company on capital reduction, merger, division, dissolution and bankruptcy petition, or entering into bankruptcy proceedings according to law or being ordered to close down;
- (10) Major litigations or arbitrations involving the company, or where the

resolutions of the general meeting of shareholders or the board of directors have been cancelled according to law or announced invalid;

(11) Where the company is suspected of committing crimes and is under investigation according to law, or where a controlling shareholder, the actual controller, or a director, supervisor or member of senior management of the company is suspected of committing a crime and is subjected to compulsory measures according to law; and

(12) Other matters provided for by the securities regulatory authority under the State Council.

Where a controlling shareholder or the actual controller of the company may exert significant influence on the occurrence and development of material events, they shall report in writing to the company on the information to their knowledge in a timely manner and cooperate with the company in performing its information disclosure obligation.

Article 81 Where a material event occurs which may have a significant impact on the trading price of the listed corporate bonds of a company and has not been known to the investors concerned, the company shall immediately submit a report to the securities regulatory authority under the State Council and the securities trading venue and make an announcement stating the cause, current status and possible legal consequences of the event.

The material events as referred to in the preceding paragraph include:

(1) Major change in the company's equity structure or in the production and operation;

(2) Change in the credit rating of the corporate bonds;

(3) Collateralization, pledge, sale, transfer, or retirement and disposal of the company's major assets;

(4) Failure of the company to pay off its debt due;

(5) New loans or external guarantee exceeding 20% of the company's net assets as of the end of the previous year;

(6) Foregoing creditor's rights or property exceeding 10% of the company's net assets as of the end of the previous year;

(7) Major loss suffered by the company exceeding 10% of the company's net assets as of the end of the previous year;

(8) Distribution of dividends by the company, decision made by the company on capital reduction, merger, division, dissolution and bankruptcy petition; or entering into bankruptcy proceedings according to law or being ordered to close down;

(9) Major litigations or arbitrations involving the company;

(10) Where the company is suspected of committing a crime and is under investigation according to law, or where a controlling shareholder, the actual controller, or a director, supervisor, or member of senior management of the company is suspected of committing a crime and is subjected to compulsory measures according to law; and

(11) Any other matter provided for by the securities regulatory authority under

the State Council.

Article 82 The directors and members of senior management of an issuer shall sign their written confirmation opinion on the securities issuance documents and periodic reports.

The board of supervisors of the issuer shall examine the securities issuance documents and periodic reports prepared by the boards of directors and issue their written examination opinion. Supervisors shall sign their written confirmation opinion.

The directors, supervisors and members of senior management of the issuer shall ensure that the issuer will disclose information in a timely and fairly manner and the information disclosed is truthful, accurate and complete.

Where the directors, supervisors or members of senior management are unable to ensure the truthfulness, accuracy and completeness of the contents of the securities issuance documents and periodic reports or have objection thereto, they shall state their opinions and reasons in the written confirmation opinion which the issuer shall disclose. If the issuer refuses to do so, the directors, supervisors or members of senior management may directly apply for such disclosure.

Article 83 The information disclosed by the parties bound by disclosure obligation shall be disclosed simultaneously to all investors and shall not be disclosed in advance to any entity or individual, except as otherwise provided for in laws and administrative regulations.

No entity and individual shall illegally request a party bound by disclosure obligation to disclose information which is legally required to be disclosed but not yet disclosed. Where any entity or individual obtains in advance the aforementioned information, they shall treat such information as confidential before it is disclosed according to law.

Article 84 In addition to the information required to be disclosed according to law, a party under disclosure obligation may voluntarily disclose information that is relevant to investors' judgments on value and decision on investment, but such information shall not be in conflict with the information required to be disclosed by law nor shall mislead investors.

Where an issuer and its controlling shareholders, actual controller, directors, supervisors and members of senior management have made a commitment publicly, such a commitment shall be disclosed. Where investors have suffered from losses due to the failure to fulfill such a commitment, those who made the commitment shall bear compensatory liability according to law.

Article 85 Where a party bound by disclosure obligation fails to disclose information according to regulations or there is false record, misleading representation or major omission in the securities issuance documents, periodic reports, interim reports or other materials announced under the disclosure obligation, and have thus caused losses to investors in securities transactions, the parties bound by disclosure obligation shall bear compensatory liability. The controlling shareholders, the actual controller, directors, supervisors and members of senior management of the issuer as well as the persons directly responsible, the sponsors, underwriters and their staff directly responsible shall bear several and joint compensatory liability with the issuer, except for those who are able to prove that they are not at fault.

Article 86 The information disclosed according to law shall be publicized through the websites of securities transaction venues and qualified media according to requirements of the securities regulatory authority under the State Council and shall simultaneously be made available for public reference at the company's domicile and securities transaction venues.

Article 87 The securities regulatory authority under the State Council shall oversee and administrate the information disclosure by the parties bound by such obligations.

Securities trading venues shall supervise the information disclosure acts by parties bound by disclosure obligation whose securities transactions are organized by the venues and urge them to make timely and accurate information disclosure according to law.

Chapter VI Protection of Investors

Article 88 When selling securities and providing services to investors, securities companies shall have a full understanding of the basic situation of investors and the relevant information of investors such as their financial status, financial assets, investment knowledge and experiences, and professional capacity according to regulations. Securities companies shall truthfully state the important contents of securities and services and fully reveal investment risks. And they shall sell securities and provide services compatible with the aforesaid situation of investors.

When purchasing securities and accepting services, investors shall provide truthful information as set out in the preceding paragraph in accordance with the requirements specified by securities companies. Where investors refuse to provide information or fail to provide information as required, securities companies shall inform them of the consequences and shall, according to regulations, refuse to sell securities or provide services.

Securities companies shall bear the corresponding compensatory liability where they have violated the provisions of the first paragraph of this Article and caused losses to investors.

Article 89 Investors may be divided into ordinary investors and professional investors on the basis of their asset status, financial assets, investment knowledge and experiences and professional capacity. The criteria for professional investors shall be specified by the securities regulatory authority under the State Council.

Where an ordinary investor has a dispute with a securities company, the securities company shall prove that it has acted in compliance with the laws, administrative regulations and the regulations of securities regulatory authority under the State Council and has in no circumstances misled or cheated the investor. Where the securities company is unable to prove the above, it shall bear the corresponding compensatory liability.

Article 90 The board of directors, independent directors, and any shareholder holding 1% or more of the voting shares of a listed company or an investor protection institution established in accordance with laws, administrative regulations or regulations of the securities regulatory authority under the State Council (hereinafter referred to as the "investor protection institution") may, as proxy solicitors, on their own initiative or by entrusting securities companies or securities service institutions, publicly request the shareholders of the listed company to entrust them to attend the general meeting of shareholders and to exercise by proxy the shareholders' rights such as making proposals and casting votes on their behalf.

When making proxy solicitation pursuant to the provisions of the preceding paragraph, the solicitor shall reveal the solicitation documents and the listed company shall cooperate to this end.

It is prohibited to publicly make proxy solicitation in the form of or in a disguised form of compensation.

Where a proxy solicitation has violated the provisions of laws, administrative

regulations or the relevant regulations of the securities regulatory authorities of the State Council and has caused losses to the relevant listed company or its shareholders, compensatory liability shall be borne according to law by the solicitor.

Article 91 Listed companies shall specify the arrangement for distributing cash dividends and decision-making procedures in their articles of association and shall protect the right of return on assets of their shareholders according to law.

Where a listed company has surplus after making up loss and withdrawing legal accumulation funds using its after-tax profit of the current year, it shall distribute cash dividends in accordance with the articles of association of the company.

Article 92 Where a company has publicly issued corporate bonds, it shall establish a bondholders' meeting and shall specify the convening procedures and rules of the bondholders' meeting as well as other important matters in the prospectus.

For a public offering of corporate bonds, the issuer shall engage a bond trustee for the bondholders and enter into a trust indenture. The underwriter for the current issuance or other institutions recognized by the securities regulatory authorities of the State Council shall serve as the trustee. The bondholders' meeting may make a resolution on the change of the bond trustee. The bond trustee shall act with due care and diligence and perform trustee duties fairly and shall not harm the interests of bondholders.

Where bond issuers fail to pay bond principal and interest on schedule, the bond trustee may, as entrusted by all or part of the bondholders, initiate or participate in the trustee's name in civil lawsuits or liquidation procedures on behalf of the bondholders.

Article 93 Where an issuer has caused losses to investors due to his fraudulent issuance, false representation or other major violation of law, the controlling shareholders and the actual controller of the issuer and the relevant securities company may entrust an investor protection institution to enter into an agreement on the issue of compensation with the investors suffering from the losses so as to make compensation in advance. Upon completion of the compensation in advance, recourse may be sought against the issuer and other persons with joint and several liability according to law.

Article 94 Where a dispute arises between an investor and an issuer or between an investor and a securities company, both parties may apply to an investor protection institution for mediation. In case of a dispute over securities business between an ordinary investor and a securities company, the securities company shall not refuse the request for mediation raised by the ordinary investor.

With respect to an act that damages the investors' interests, an investor protection institution may support the investors in filing lawsuits in the people's court according to law.

Where a director, supervisor or member of senior management of an issuer has violated laws or administrative regulations or the provisions of the articles of association of a company in the course of performing corporate duties and caused losses to the company, or where a controlling shareholders or the actual controller of an issuer has infringed the legitimate rights and interests of the company and caused losses to the company, an investor protection institution which holds shares of the company may file a lawsuit in the people's court in the institution's name for the interests of the company, without being bound by the restrictions on shareholding percentage and shareholding period as provided for in the Company Law of the People's Republic of China.

Article 95 When investors file a lawsuit for securities-related civil compensation such as false representation, if the subject matter of the lawsuit is the same type and the litigants of one party involving many people, a representative may be elected according to law to handle the litigation.

For a lawsuit filed pursuant to the provisions of the preceding paragraph, where there may be many other investors who have the same claim, the people's court may make a public announcement about the said claim and notify the investors to register with the people's court within a specific period of time. The judgment and rulings rendered by the people's court shall take effect on the registered investors.

Upon entrustment by 50 or more investors, an investor protection institution may represent them to participate in the litigation and shall, pursuant to the preceding paragraph, register with the people's court the investors who are identified as eligible claimants by a securities depository and clearing institution, except for those investors who have clearly expressed their unwillingness to participate in the litigation.

Chapter VII Securities Trading Venues

Article 96 Stock exchanges and other national securities trading venues approved by the State Council shall provide the venue and facilities for centralized trading of securities, organize and supervise securities transactions and implement self-regulation. They shall register according to law and obtain legal person status.

The establishment, change and dissolution of stock exchanges and other national securities trading venues approved by the State Council shall be subject to the decision by the State Council.

The organizational structure and administrative measures of other national securities trading venues approved by the State Council shall be formulated by the State Council.

Article 97 Stock exchanges and other national securities trading venues approved by the State Council may set up different market layers based on factors such as the type of securities, characteristics of business and size of companies.

Article 98 Regional equity markets established in accordance with relevant regulations of the State Council shall provide the venue and facilities for the issuance and transfer of non-publicly issued securities. The specific administrative measures shall be formulated by the State Council.

Article 99 When performing the function of self-regulation, a stock exchange shall observe the principle of giving priority to public interests and maintain a fair, orderly and transparent market.

A stock exchange shall formulate its articles of association. The formulation and modification of the articles of association of a stock exchange shall be subject to the approval of the securities regulatory authority under the State Council.

Article 100 A securities exchange shall include the words of "stock exchange" in its name. No any other entities or individuals shall use the words "stock exchange" or similar names.

Article 101 The income from various charges that is at the discretion of a stock exchange shall first be used to guarantee its normal operation and the improvement of its venue and facilities.

The accumulated gains of a stock exchange adopting the membership system shall belong to its members. And the rights and interests of the stock exchange shall be jointly enjoyed by its members. The accumulated gains of a stock exchange shall not be distributed to its members during the exchange's existence.

Article 102 A stock exchange with membership system shall establish a board of governors and a board of supervisors.

A stock exchange shall have a general manager, who shall be appointed and dismissed by the securities regulatory authority under the State Council.

Article 103 Whoever is under any of the circumstance specified in Article 146 of the Company Law of the People's Republic of China or any of the following circumstances shall not assume the post as the person in charge of a stock exchange:

(1) The persons in charge of stock exchanges or securities registration and clearing institutions, and the directors, supervisors and members of senior management of securities companies who were removed from their posts for violation of laws or disciplines, and it is less than five years since the date when one was removed from the post; or

(2) Lawyers, certified public accountants and professionals of other securities service institutions whose licenses were revoked or whose qualifications removed for violation of laws or disciplines, and it is less than five years since the date when one's license was revoked or one's qualifications were removed.

Article 104 Practitioners of securities trading venues, securities companies, and securities registration and clearing institutions, securities service providers and functionaries of state organs who have been discharged for violation of laws or disciplines shall not be recruited as practitioners of stock exchanges.

Article 105 A stock exchange adopting the membership system shall only allow its members to enter into the stock exchange to participate in centralized trading. A stock exchange shall not allow any non-member to directly participate in centralized trading of stocks.

Article 106 An investor shall enter into an entrustment agreement on securities transaction with a securities company, open an account in the securities company in his real name and entrust the securities company to purchase or sell securities on his behalf through means such as giving instructions in writing, by telephone, or via self-service terminal or the internet.

Article 107 When opening an account for an investor, a securities company shall verify the information of identification provided by the investor according to regulations.

Securities companies shall not provide the account of an investor to any other person for use.

An investor shall conduct transaction by using his account opened in his real name.

Article 108 A securities company shall, on the basis of the entrustment of its investors, submit trading declaration and participate in centralized trading on stock exchange in accordance with securities transaction rules, and shall assume the corresponding responsibilities for settlement and delivery on the basis of trading results. A securities registration and clearing institution shall conduct settlement and delivery of securities and funds with securities companies on the basis of trading results according to the rules on settlement and delivery, and shall handle securities registration and transfer procedures for customers of securities companies.

Article 109 A stock exchange shall guarantee fair centralized trading, announce real-time quotations of securities transaction, compile and publicize securities market quotation tables for each trading day.

The rights and interests of real-time quotations of securities transaction shall be enjoyed by the stock exchange according to law. Without permission of the stock exchange, no entity or individual shall publicize real-time quotations of securities transaction.

Article 110 A listed company may apply to the stock exchange for suspending or resuming the trading of its listed shares but shall not abuse suspension or resumption to harm the legitimate rights and interests of investors.

A stock exchange may suspend or resume the trading of listed shares in accordance with its business rules.

Article 111 Where the normal course of securities transaction is affected by emergency events such as force majeure, unexpected events, major technical failure or major human error, a stock exchange may, with a view to maintaining the normal order of securities transaction and fairness of the market, take measures to deal with the situation, such as technical suspension of trading and temporary closure of the market in accordance with the business rules, and shall make a timely report to the securities regulatory authority under the State Council.

Where an emergency event provided for in the preceding paragraph has led to significant anomaly in the securities transaction outcome and the delivery on the basis of such trading outcome would have significant impact on the normal order of securities transaction and the fairness of the market, the stock exchange may, according to the business rules, adopt measures such as canceling trading and notifying the securities registration and clearing institution to defer delivery, and shall make a timely report to the securities regulatory authority of the State Council and make an announcement to this end.

The stock exchange shall not bear the civil liability for compensating any loss incurred by measures taken according to this Article, unless it has acted with a major fault.

Article 112 A stock exchange shall conduct real-time monitoring and surveillance of securities transaction and shall report on abnormal trading activities in accordance with requirements of the securities regulatory authority under the State Council.

A stock exchange may, according to its business rules and where necessary, impose trading restrictions on investors whose securities accounts are involved in major abnormal trading activities and shall make a timely report to the securities regulatory authority under the State Council.

Article 113 A stock exchange shall strengthen its monitoring of risks in securities transaction. In the event of major abnormal market fluctuations, a stock exchange may, according to its business rules, take measures to deal with the situation, such as imposing trading restriction and compulsory suspension of trading, and shall report the matter to the securities regulatory authority under the State Council. Where the stability of the securities market is seriously affected, the stock exchange may, according to its business rules, take measures such as temporarily halting trading to deal with the situation and making an announcement to this end.

The stock exchange shall not bear the civil liability for compensating any loss incurred by measures taken according to this Article, unless it has acted with a major fault.

Article 114 A stock exchange shall draw a certain proportion of the transaction fees, membership fees and seat fees that it has charged to establish a risk fund. The risk fund shall be managed by the board of governors of the stock exchange.

The specific proportion to be drawn and the use of the risk fund shall be determined by the securities regulatory authority under the State Council in collaboration with the fiscal department of the State Council.

A stock exchange shall deposit its risk fund collected in a special account at its deposit bank and shall not use the fund without authorization.

Article 115 A stock exchange shall formulate its listing rules, trading rules, member management rules and other relevant business rules in accordance with the provisions of laws, administrative regulations and regulations of the securities regulatory authority under the State Council and shall submit said rules to the securities regulatory authority under the State Council for approval.

Investors engaged in securities transaction on a stock exchange shall comply with the business rules of the stock exchange according to law. Those who violate the business rules shall be subject to the disciplinary sanction or other self-regulatory measures taken by the stock exchange.

Article 116 When performing duties related to securities transaction, the person-in-charge and practitioners of a stock exchange shall withdraw themselves should they or their relatives have an interest in the securities transactions.

Article 117 The trading results of a transaction conducted in accordance with the trading rules formulated according to law shall not be altered, except as provided for in the second paragraph of Article 111 of this Law. Traders who have violated the business rules in a securities transaction shall not be exempted from civil liabilities. The profits gained from the illegal transaction shall be dealt with in accordance with the relevant regulations.

Chapter VIII Securities Companies

Article 118 The establishment of a securities company shall meet the following requirements and shall be subject to the approval of the securities regulatory authority under the State Council:

- (1) Having its articles of association in compliance with the provisions of laws and administrative regulations;
- (2) The major shareholders and the actual controller of the company have good financial position and credit records and have no record of major violation of laws or regulations in the last three years;
- (3) Having a registered capital in conformity with the provisions of this Law;
- (4) All its directors, supervisors, members of senior management and practitioners meeting with the requirements provided for in this Law;
- (5) Having complete risk management and internal control systems;
- (6) Having qualified business venues, business facilities and information technology system; and
- (7) Meeting other provisions of laws and administrative regulations as well as other requirements formulated by the securities regulatory authority under the State Council which are approved by the State Council.

No entity or individual shall conduct securities business in the name of a securities company without the approval of the securities regulatory authority under the State Council.

Article 119 The securities regulatory authority under the State Council shall, within six months as of the date of accepting an application for establishing a securities company, carry out examination according to statutory requirements and procedures on the basis of the principle of prudent regulation, make a decision of approval or disapproval and inform the applicant of the decision. In case of disapproval, the reasons shall be given.

Where an application for establishing a securities company has been approved, the applicant shall, within the specified time limit, apply for registration of establishment with the authority in charge of company registration and obtain its business license.

A securities company shall, within 15 days as of the date when it obtains its business license, apply for a permit for securities business with the securities regulatory authority under the State Council. Without a permit for securities business, no securities company shall engage in securities business.

Article 120 Upon approval by the securities regulatory authority under the State Council and having obtained a permit for securities business, a securities company may engage in part or all of the following securities businesses:

- (1) Securities brokerage;
- (2) Securities investment consulting;
- (3) Financial advisory services relating to securities transaction or investment;
- (4) Underwriting and sponsor of securities;
- (5) Margin trading and securities lending;
- (6) Market-making of securities;
- (7) Securities proprietary business;
- (8) Other securities businesses.

The securities regulatory authority under the State Council shall, within three months as of the date of accepting an application for permission to engage in the items provided for in the preceding paragraph, examine the application in accordance with statutory requirements and procedures and make a decision of approval or disapproval and inform the applicant of the decision. In the case of disapproval, the reason shall be given.

A securities company engaged in securities asset management shall comply with the provisions of laws and administrative regulations including the Law of the People's Republic of China on Securities Investment Funds.

Except for securities companies, no other entity or individual shall engage in securities underwriting, securities sponsoring, securities brokerage or margin trading and securities lending.

A securities company engaged in margin trading and securities lending shall take strict measures to avoid risks and shall not lend funds or securities to its customers in violation of regulations.

Article 121 The minimum amount of registered capital for a securities company engaged in the businesses set out in sub-paragraphs (1) through (3) of the first paragraph of Article 120 of this Law shall be RMB 50 million. The minimum

amount of registered capital for a securities company engaged in one of the businesses set out in sub-paragraphs (4) through (8) shall be RMB 100 million. The minimum amount of registered capital for a securities company engaged in two or more of the businesses set out in sub-paragraphs (4) through (8) shall be RMB 500 million. The registered capital of a securities company shall be its paid-in capital.

The securities regulatory authority under the State Council may adjust the minimum amounts of registered capital in the principle of prudent regulation and in light of the risk ratings of different businesses, but the minimum amounts adjusted shall not be less than those specified in the preceding paragraph.

Article 122 The alteration of securities business scope of a securities company and the change of the main shareholders or the actual controller of the company, as well as the merger, splitting, suspension from business, dissolution and bankruptcy of the company shall be subject to the approval of the securities regulatory authority under the State Council.

Article 123 The securities regulatory authority under the State Council shall provide requirements on the net capital and other risk control indicators of securities companies.

Except for providing margin trading and securities lending services to its customers according to regulations, a securities company shall not provide financing or guarantee to its shareholders or their associates.

Article 124 The directors, supervisors, and members of senior management of a securities company shall be honest and upright, have good morals, be familiar with the laws and administrative regulations on securities, and have the management ability to perform their duties. The appointment and removal of the directors, supervisors, and members of senior management of a securities company shall be filed for the record with the securities regulatory authority of the State Council for the record.

Whoever is under any of the circumstances specified in Article 146 of the Company Law of the People's Republic of China or is under any of the following circumstances shall not assume the post of director, supervisor, or member of senior management of a securities company:

(1) The persons in charge of securities companies or securities registration and clearing institutions, or directors, supervisors or members of senior management of securities companies who were removed from their post for violation of laws or disciplines, and it is less than five years as of the date when one was removed from the post; or

(2) Lawyers, certified public accountants and professionals of other securities service institutions whose licenses were revoked or whose qualifications were removed for violation of laws or disciplines and it is less than five years since the date when one's license was revoked or one's qualifications were removed.

Article 125 Persons engaged in securities business of securities companies shall have good moral characters and possess the professional competency for engaging in securities business.

Practitioners of securities trading venues, securities companies, securities registration and clearing institutions, securities service providers and functionaries of state organs who have been discharged for violation of laws or disciplines shall not be recruited as practitioners of securities companies.

Functionaries of state organs and other personnel prohibited by the provisions of laws and administrative regulations from assuming concurrent posts in a company shall not assume concurrent posts in a securities company.

Article 126 The state shall establish a securities investor protection fund. The securities investor protection fund shall be composed of the funds paid by securities companies and other funds raised according to law. The size of the fund as well as the measures for collection, administration and use of the fund shall be formulated by the State Council.

Article 127 A securities company shall draw a trading risk reserve from its annual business income to cover any possible loss from securities transaction. The specific proportion to be drawn shall be determined by the securities regulatory authority under the State Council in collaboration with the finance department under the State Council.

Article 128 A securities company shall establish and improve an internal control system and adopt effective measures of separation so as to prevent any conflict of interest between the company and its customers or among its customers.

A securities company shall separately handle securities brokerage business, securities underwriting business, securities proprietary business, securities market-making business, and asset management and shall not mix those operations.

Article 129 A securities company shall undertake securities proprietary business in its own name and shall not do so in the name of any other company or in the name of an individual.

A securities company shall undertake its securities proprietary business by using its own funds and the funds lawfully raised.

A securities company shall not lend its proprietary account to others.

Article 130 Securities companies shall operate prudently, diligently and faithfully according to law.

Business activities of securities companies shall correspond to their governance structure, internal control, compliance management, risk management and risk control indicators, composition of employees, etc., and shall comply with the requirements for prudent regulation and for protecting the legitimate rights and interests of investors.

Securities companies shall have the right to operate independently according to law and their legitimate operations shall not be interfered.

Article 131 The trading settlement funds of the customers of a securities company shall be deposited in a commercial bank and managed through the separate accounts opened in the name of each customer.

A securities company shall not incorporate the trading settlement funds or securities of its customers into its own assets. No entity or individual shall misappropriate trading settlement funds or securities of its customers by any means.

Where a securities company is under bankruptcy or liquidation procedures, the trading settlement funds or the securities of its customer shall not be treated as its bankruptcy assets or liquidation assets. The trading settlement funds or securities of its customers shall not be sealed, frozen, deducted or subject to compulsory enforcement, except for the settlement of its customers' own debts or under other circumstances specified by law.

Article 132 To handle brokerage business, a securities company shall prepare a uniform letter of entrustment for securities transaction for customers. If any other way of entrustment is adopted, the record of the entrustment shall be kept.

For a securities transaction entrusted by a customer, whether concluded or not, the record on the entrustment shall be preserved in the securities company for a specified period.

Article 133 Upon accepting an entrustment for securities transaction, a securities company shall act as an agent to buy and sell securities pursuant to the trading rules on the basis of the name of the securities, trading quantity, bidding method and price range as are specified in the letter of entrustment and shall keep truthful records of the transaction. After a transaction is concluded, the securities company shall prepare a transaction report and deliver it to the customers according to regulations.

In securities transaction, the statement of account confirming trading acts and the results shall be truthful to ensure the balance of securities in the book is consistent with the securities actually held.

Article 134 To handle brokerage business, a securities company shall not accept customers' discretionary order to decide securities transaction, select securities types and determine trading quantity or price.

Securities companies shall not allow any other person to participate directly in centralized trading of securities in the name of the securities company.

Article 135 A securities company shall not make any promise to its customers on the proceeds generated from securities transaction or on compensating the losses incurred from securities transaction.

Article 136 In the course of securities transaction, where a practitioner of a securities company violates trading rules when implementing the instructions of the company or by taking advantage of his post, the securities company shall bear full liabilities.

Practitioners of a securities company shall not accept in private any entrustment from customers for securities transaction.

Article 137 A securities company shall establish a customer information inquiry system to ensure that customers can inquire their account information, entrustment records, trading records and other important information relating to receiving services or purchasing products.

A securities company shall properly preserve customers' materials for opening accounts, entrustment records, transaction records and all the information relating to internal management and business operations. No one may conceal, forge, alter or damage such materials. The aforesaid information shall be kept for no less than 20 years.

Article 138 A securities company shall, according to regulations, report the information and materials regarding business operations and financial status to the securities regulatory authority under the State Council. The securities regulatory authority under the State Council shall have the right to require the securities company as well as the major shareholders and actual controller to provide the relevant information and materials within a specified time limit.

The information and materials reported or provided by a securities company and the major shareholders and actual controller to the securities regulatory authority under the State Council shall be truthful, accurate and complete.

Article 139 The securities regulatory authority under the State Council may, as it deems necessary, entrust an accounting firm or an asset appraisal institution to carry out auditing or appraisal as regards the financial status, internal control as well as asset value of a securities company. The specific measures shall be

formulated by the securities regulatory authority under the State Council in collaboration with the relevant authorities.

Article 140 Where the governance structure, compliance management or other risk control indicators of a securities company fail to satisfy regulations, the securities regulatory authority under the State Council shall order it to take corrective measures within a time limit. Where a securities company fails to take corrective measures within the time limit or its acts have endangered the sound operation of the securities company or have damaged the legitimate rights and interests of its customers, the securities regulatory authority under the State Council may take one or more of the following measures in light of different circumstances:

- (1) Restricting its business operations, ordering it to suspend some business operations and halting the approval of any new operations;
- (2) Restricting the distribution of dividends, restricting the payment of remunerations or provision of benefits or entitlements to its directors, supervisors or members of senior management;
- (3) Restricting the transfer of property or the creation of other right to its property;
- (4) Ordering it to replace its directors, supervisors and members of senior management or restricting their rights;
- (5) Revoking the relevant permits;
- (6) Determining the responsible directors, supervisors or members of senior management as unfit persons; and
- (7) Ordering the responsible shareholders to transfer their stock right or restricting the responsible shareholders from exercising the shareholders' rights.

After taking corrective measures, a securities company shall submit a report to the securities regulatory authority under the State Council. Where the securities company meet the requirements of governance structure, compliance management and risk control indicators, the securities regulatory authority under the State Council shall lift the relevant measures imposed thereupon as provided for in the preceding paragraph within three days after concluding the inspection of the securities company.

Article 141 Where a shareholder of a securities company makes fake capital contribution or illegally withdraws capitals, the securities regulatory authority under the State Council shall order the shareholder to correct within a time limit and may order the shareholder to transfer the stock rights of the securities company he holds.

Before a shareholder as provided in the preceding paragraph corrects his illegal acts and transfers the stock rights of the securities company he holds according to the relevant requirements, the securities regulatory authority under the State Council may restrict the shareholder's rights.

Article 142 Where any director, supervisor or member of senior management of a securities company fails to fulfill his duty of diligence and thus causes major violation of laws and regulations or major risks to the securities company, the securities regulatory authority under the State Council may order the securities company to replace the responsible persons.

Article 143 Where any illegal operation or any major risk of a securities company has seriously endangered the order of the securities market and damaged the interests of the investors, the securities regulatory authority under

the State Council may take regulatory measures such as suspending business operation for rectification, designating another institution for trusteeship, or take-over, or closing down.

Article 144 During the period when a securities company is ordered to suspend business operation for rectification, or being designated for trusteeship, or being taken over or liquidated according to law, or where any major risk occurs, the following measures may be taken to the directors, supervisors, members of senior management and other persons directly responsible for the securities company upon the approval of the securities regulatory authority under the State Council:

- (1) Notifying the Exit and Entry Administration to, according to law, prevent said persons from leaving the country; and
- (2) Requesting the judicial organ to prohibit said persons from transferring their property, or disposing property by other means, or attaching other rights on property.

Chapter IX Securities Registration and Clearing Institution

Article 145 A securities registration and clearing institution shall provide centralized registration, deposit and settlement services for securities transaction. It shall be a non-profit institution and duly registered to obtain legal person status.

The establishment of a securities registration and clearing institution shall be subject to the approval of the securities regulatory authority under the State Council.

Article 146 The establishment of a securities registration and clearing institution shall comply with the following requirements:

- (1) Having own capital of no less than RMB 200 million;
- (2) Having the venue and the facilities necessary for providing the services of securities registration, deposit and settlement;
- (3) Other requirements of the securities regulatory authority under the State Council.

The name of a securities registration and clearing institution shall include the words of “securities registration and clearing”.

Article 147 A securities registration and clearing institution shall perform the following functions:

- (1) Establishment of securities accounts and settlement accounts;
- (2) Deposit and transfer of securities;
- (3) Registration of securities holders’ registers;
- (4) Settlement and delivery of securities transactions;
- (5) Distribution of securities rights and interests based on the entrustment of issuers;

(6) Inquiry and information services relating to the aforesaid business operations; and

(7) Other businesses approved by the securities regulatory authority under the State Council.

Article 148 The registration and settlement of securities traded on stock exchanges and on other national securities trading venues approved by the State Council shall adopt a nationwide centralized and unified operation mode.

The registration and settlement of securities other than those specified in the provisions of the preceding paragraph may be entrusted to securities registration and clearing institutions and other institutions which undertake the securities registration and settlement business according to law.

Article 149 A securities registration and clearing institution shall formulate its articles of association and business rules according to law, which shall be subject to approval by the securities regulatory authority under the State Council. The participants in securities registration and settlement business shall abide by the business rules formulated by the securities registration and clearing institution.

Article 150 The securities traded on stock exchanges or on other national securities trading venues approved by the State Council shall all be deposited in securities registration and clearing institutions.

A securities registration and clearing institution shall not misappropriate the securities of its customers.

Article 151 A securities registration and clearing institution shall provide a register of securities holders and the relevant materials to securities issuers.

A securities registration and clearing institution shall, according to the result of securities registration and settlement, affirm the fact that a securities holder holds the relevant securities and provide the registration materials of securities holders.

A securities registration and clearing institution shall guarantee the truthfulness, accuracy and completeness of the register of securities holders and the records of transfer, and shall not conceal, forge, alter or damage any of the aforesaid materials.

Article 152 A securities registration and clearing institution shall take the following measures to guarantee the normal operation of its business:

(1) Having necessary equipment to provide services and complete data protection measures;

(2) Having established complete management systems on operation, finance and security protection; and

(3) Having established a complete risk control system.

Article 153 A securities registration and clearing institution shall properly preserve the original vouchers as well as the relevant documents and materials on registration, deposit and settlement. The retention period shall be no less than 20 years.

Article 154 A securities registration and clearing institution shall establish a securities clearing risk fund so as to pay in advance or make up any loss of the

securities registration and clearing institution caused by default delivery, technical malfunction, operational errors or force majeure.

The securities clearing risk fund shall be drawn from the business incomes and proceeds of the securities registration and clearing institution, and may also be contributed by settlement participants according to certain percentage of their total volume of securities transaction.

The measures for raising and administrating the securities clearing risk fund shall be formulated by the securities regulatory authority under the State Council in collaboration with the finance department of the State Council.

Article 155 The securities clearing risk fund shall be deposited in a special account of a designated bank and be managed separately.

After a securities registration and clearing institution makes compensation by using the securities clearing risk fund, it shall recover the payment for the compensation from the relevant responsible persons.

Article 156 An application for dissolving a securities registration and clearing institution shall be subject to the approval of the securities regulatory authority under the State Council.

Article 157 An investor entrusting a securities company to make securities transactions shall apply through the securities company for opening a securities account at a securities registration and clearing institution. The securities registration and clearing institution shall open a securities account for the investors according to regulations.

An investor applying for opening an account shall present legal proof of identity either as a citizen of the People's Republic of China, or as a legal entity or partnership thereof, except otherwise provided for by the State.

Article 158 Where a securities registration and clearing institution provides securities settlement services as a central counterparty, it shall be the central clearing and settlement counterparty of the settlement participants, and shall conduct net settlement and provide centralized performance guarantee for securities transaction.

When providing net settlement for securities transaction, a securities registration and clearing institution shall require the relevant clearing participant to deliver securities and funds in full amount and provide collateral of delivery according to the principles of delivery versus payment.

Before a delivery is concluded, no one may use the securities, funds and collaterals involved in the delivery.

Where a settlement participant fails to perform the duty of delivery on time, a securities registration and clearing institution shall have the right to dispose of the property prescribed in the preceding paragraph according to business rules.

Article 159 The settlement funds and securities collected by a securities registration and clearing institution according to business rules shall be deposited in a special account for settlement and delivery and shall only be used for the settlement and delivery of the securities transactions concluded according to business rules, and shall not be subject to compulsory enforcement.

Chapter X Securities Service Providers

Article 160 Accounting firms, law firms, and other securities service providers engaged in securities investment consulting, asset appraisal, credit rating,

financial consulting and information technology system services shall be diligent and dutiful and provide services for securities transactions and related activities in accordance with the relevant business rules.

Securities investment consultancy services shall be subject to the examination and approval of the securities regulatory authority under the State Council. Without examination and approval, no one shall provide services for securities transactions and other related activities. One who intends to engage in any other securities transaction service shall file the matter for the record with the securities regulatory authority under the State Council and the relevant authorities under the State Council.

Article 161 An investment consulting institution and its practitioners engaged in securities transaction services shall not have the following acts:

- (1) Engaged in securities investment as an agent for its customers;
- (2) Entering into an agreement with its customers on sharing the profits or losses of securities investment;
- (3) Purchasing or selling the securities to which the investment consulting institution provides services; or
- (4) Other acts prohibited by laws and administrative regulations.

Where any of the acts set out in the preceding paragraph causes losses to investors, the responsible party shall bear compensatory liability.

Article 162 A securities service institution shall properly preserve customers' entrustment documents, examination and verification materials, work papers as well as the information and materials related to quality control, internal management and business operation. No one shall divulge, conceal, forge, alter or damage such information and materials. The aforesaid information and materials shall be retained for no less than 10 years starting from the date when the entrustment is concluded.

Article 163 Where a securities service provider prepares and issues any auditing report and other assurance report, asset appraisal report, financial consultancy report, credit rating report or legal opinion for the purpose of issuing, listing and trading of securities, it shall act with due care and diligence, and shall examine and verify the truthfulness, accuracy and completeness of the contents of the documents to be based on. Where there is any false record, misleading representation or major omission in the documents that the institution has prepared or issued and losses have been caused to other persons, the institution shall bear several and joint liabilities together with the entrusting party, unless the institution could prove that it is not at fault.

Chapter XI Securities Association

Article 164 The securities association is a self-regulatory organization for the securities industry and is a social organization legal person.

Securities companies shall join the securities association.

The authority of the securities association is the general meeting composed of all of its members.

Article 165 The articles of association of the securities association shall be formulated by the general meeting and shall be filed for the record with the securities regulatory authority under the State Council.

Article 166 The securities association shall perform the following duties:

- (1) Educating and organizing its members and their practitioners to observe securities laws and administrative regulations, organizing the integrity building of the securities industry and urging the securities industry to perform its social responsibilities;
- (2) Safeguarding the legitimate rights and interests of its members and reporting the suggestions and demands of its members to the securities regulatory authority;
- (3) Urging its members to carry out investor education and protection activities to safeguard the legitimate rights and interests of investors;
- (4) Formulating and implementing the self-regulatory rules of the securities industry, supervising and inspecting the conduct of its members and their practitioners and imposing disciplinary sanctions or other self-regulatory measures according to the regulations against violations of laws, administrative regulations, self-regulatory rules or the articles of association;
- (5) Formulating business standards of the securities industry and organizing professional trainings for the practitioners;
- (6) Organizing its members to conduct research on the development, operation and other issues of the securities industry, collecting and publicizing information related to securities, providing member services, organizing industry exchanges and guiding the innovation and development of the industry;
- (7) Mediating securities-related disputes arising between members or between members and their customers; and
- (8) Performing other duties as specified by the articles of association.

Article 167 The securities association shall establish a council. The members of council shall be elected pursuant to the provisions of the articles of association.

Chapter XII Securities Regulatory Authority

Article 168 The securities regulatory authority under the State Council shall supervise and administrate the securities market according to law, maintain the openness, fairness and equitability of the securities market, guard against systematic risks, safeguard the legitimate rights and interests of investors and promote the sound development of the securities market.

Article 169 The securities regulatory authority under the State Council shall perform the following duties in the course of supervising and administrating the securities market:

- (1) Formulating rules and regulations on supervision and administration of the securities market according to law and conducting examination and approval, ratification, registrations, and handling filing procedures according to law;
- (2) Conducting supervision and administration of securities issuance, listing, trading, registration, deposit, and settlement according to law;
- (3) Conducting, according to law, supervision and administration of securities-related activities of securities issuers, securities companies, securities service institutions, securities trading sites, securities registration and clearing institutions;

(4) Formulating the code of conduct for securities practitioners according to law and supervising the implementation of the code;

(5) Conducting supervision and examination of information disclosure regarding the issuance, listing and trading of securities;

(6) Providing guidance for and conducting supervision of the self-regulatory activities of the securities association according to law;

(7) Monitoring, preventing and handling risks in the securities market according to law;

(8) Carrying out investor education according to law;

(9) Investigating and punishing violations of the securities laws according to law; and

(10) Other duties provided for by laws and administrative regulations.

Article 170 The securities regulatory authority under the State Council shall perform its duties according to law and shall have the authority to take the following measures:

(1) Carrying out on-site inspections to securities issuers, securities companies, securities service institutions, securities trading venues and securities registration and clearing institutions;

(2) Entering the site where a suspected illegal act occurs to investigate and collect evidence;

(3) Inquiring the parties concerned and the entities and individuals relating to a case under investigation and requiring them to make explanations on the matters relating to the case under investigation; or requiring them to submit the documents and materials relating to the case under investigation in the prescribed manner;

(4) Inspecting and copying documents and materials such as the registration of property right and the communication records relating to the case under investigation;

(5) Inspecting and copying the securities transaction records, transfer records, financial statements as well as other relevant documents and materials of the entities or individuals relating to the case under investigation; sealing or seizing the documents or materials that are likely to be transferred, concealed or damaged;

(6) Inquiring the information on the brokerage accounts, securities accounts and bank accounts as well as other accounts with the functions of payment, custody and settlement of the parties concerned and the entities or individuals relating to the case under investigation, and duplicating the relevant documents and materials. Where there is evidence that the property involved in the case such as illegal funds and securities have been or may be transferred or concealed, or that important evidence has been concealed, forged or damaged, such property or evidence may be frozen or sealed for a period of six months upon approval of the principal of the securities regulatory authority under the State Council or other responsible persons with the authorization of the principal. Where it is necessary to extend the period for any special reason, each extension shall not exceed three months and the maximum period for freezing or sealing property shall not be more than two years;

(7) In the investigation of a major violation of the securities laws such as manipulation of the securities market or insider trading, upon approval of the principal of the securities regulatory authority under the State Council or other responsible persons with the authorization of the principal, restriction may be placed on the securities transactions of the party under investigation, the period of restriction shall not exceed three months; and such period may be extended by three months if the case is complicated;

(8) Notifying the Exit and Entry Administration to prevent persons suspected of violating laws, persons in charge of entities suspected of violating laws and other persons directly responsible from leaving the country.

In order to control the securities market risks and maintain market order, the securities regulatory authority under the State Council may take such measures as ordering to take corrective measures, regulatory talks and imposition of warnings.

Article 171 During the course of an investigation by the securities regulatory authority of the State Council on an entity or individual suspected of violating the securities laws, where the party under investigation submits a written application to the securities regulatory authority of the State Council undertaking to rectify the alleged violations, compensate the relevant investors for losses and eliminate the damages or adverse effects in the time limit determined by the securities regulatory authority of the State Council, the securities regulatory authority of the State Council may decide to suspend the investigation. Where the party under investigation has performed its undertaking, the securities regulatory authority of the State Council may decide to terminate the investigation. Where the party under investigation has failed to perform its undertaking or falls under other circumstances specified by the State Council, the investigation shall be resumed. Specific measures to this end shall be formulated by the State Council.

Where the securities regulatory department under the State Council decides to suspend or terminate an investigation, it shall publicize the relevant information according to regulations.

Article 172 For performing the duties of supervision, inspection or investigation of the securities regulatory authority of the State Council according to law, the number of personnel conducting the supervision, inspection or investigation shall not be less than two. The personnel shall show their legal certificates and the notice of supervision, inspection or investigation or other enforcement documents. Where the number of personnel conducting supervision, inspection or investigation is less than two or the personnel fails to show their legal certificates or the notice of supervision, inspection or investigation or other enforcement documents, the entity or individual under inspection or investigation shall have the right to refuse the inspection or investigation.

Article 173 When the securities regulatory authority under the State Council performs its duties according to law, the entity or individual under inspection or investigation shall cooperate and provide the relevant documents and materials in a faithful manner and shall not refuse or obstruct the investigation or conceal relevant facts.

Article 174 The regulations, rules, and supervision and administration system formulated by the securities regulatory authority under the State Council shall be publicized according to law.

The penalty decisions of the securities regulatory authority under the State Council against violations of the securities laws made on the basis of investigation results shall be publicized.

Article 175 The securities regulatory authority under the State Council shall establish an information sharing mechanism for supervision and administration

in collaboration with other financial supervisory and regulatory authorities under the State Council.

Where the securities regulatory authority under the State Council performs its duties of supervision, inspection or investigation according to law, the relevant departments shall cooperate.

Article 176 Any entity or individual shall have the right to report any alleged violations of the securities laws and regulations to the securities regulatory authority under the State Council.

Where the clues of alleged major violations of laws or regulations reported in real name have been verified, the securities regulatory authority under the State Council shall reward the informer according to regulations.

The securities regulatory authority under the State Council shall keep the identity of the informer confidential.

Article 177 The securities regulatory authority of the State Council may establish supervision and administration cooperative mechanisms with the securities regulatory authorities of other countries or regions with a view to implementing cross-border supervision and administration.

The securities regulatory authorities of other countries or regions shall not directly carry out investigation and evidence collection within the territory of the People's Republic of China. Without the consent of the securities regulatory authority under the State Council and the relevant authorities under the State Council, no entity or individual shall provide documents or materials related to securities business activities to other countries or regions without authorization.

Article 178 Where the securities regulatory authority under the State Council in performing its duties according to law, finds that a violation of securities laws may constitute a crime, it shall transfer the case to the judicial organ according to law. Where it is found that any functionary is suspected of violating laws or committing crimes by taking advantage of his position, he shall be transferred to a supervisory organ according to law.

Article 179 The functionaries of the securities regulatory authority of the State Council shall be devoted to their duties, act impartially and honestly according to law, and shall not take advantage of their positions to seek illegitimate interests or divulge any commercial secret of the relevant entities or individuals which has come to their knowledge.

The functionaries of the securities regulatory institution of the State Council, during their term of office or within the time limit specified by the Law of the People's Republic of China on Civil Servants after leaving office, shall not hold a position in an enterprise or other profit-making organization which has a direct relation to their original work, and shall not engage in profit-making activities which have direct relations to their original work.

Chapter XIII Legal Liability

Article 180 Where any company, in violation of the provisions of Article 9 of this Law, publicly issues securities without authorization or in a disguised form, it shall be ordered to cease the issuance, return the funds raised and the interest calculated at the bank deposit interest rate for the same period, and be imposed a fine of not less than 5% but not more than 50% of the funds illegally raised. Any company established through public offering of securities without authorization or in a disguised form shall be banned by the organ or department that performs the duties of supervision and administration according to law in collaboration with the local people's government at or above the county level. The person-in-charge directly responsible and other persons directly responsible shall be given

a warning and imposed a fine of not less than RMB500,000 but not more than RMB 5 million.

Article 181 Where an issuer conceals important facts or fabricates major false contents in the securities issuance documents announced, it shall be imposed a fine of not less than RMB 2 million but not more than RMB 20 million if the securities have not yet been issued, or a fine of not less than 10% but not more than 100% of the funds illegally raised if the securities have already been issued. The person-in-charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB 1 million but not more than RMB 10 million.

Where a controlling shareholder or the actual controller of an issuer organizes or instructs others to commit any of the illegal acts prescribed in the preceding paragraph, the illegal gains shall be confiscated and a fine of not less than 10% but not more than 100% of the illegal gains shall be imposed. If there are no illegal gains or the illegal gains are less than RMB 20 million, a fine of not less than RMB 2 million but not more than RMB 20 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB 1 million but not more than RMB 10 million.

Article 182 Where a sponsor issues a sponsorship letter containing false record, misleading representation or major omission, or fails to perform other statutory duties, the sponsor shall be ordered to take corrective measures and be given a warning. The business income of the sponsor shall be confiscated and a fine of not less than one time but not more than ten times the value of the business income shall be imposed. If there is no business income or the business income is less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. If the circumstances are serious, the sponsor's permit shall be suspended or revoked concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million.

Article 183 Where a securities company underwrites or sells securities which are publicly issued without authorization or in a disguised form, it shall be ordered to terminate the underwriting or sale. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. If the circumstances are serious, the relevant permit shall be suspended or revoked concurrently. Where losses have been caused to investors, the company shall bear several and joint liability for compensation together with the issuer. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million.

Article 184 Where a securities company engaged in securities underwriting violates the provisions of Article 29, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than RMB 500,000 but not more than RMB 5 million may be imposed concurrently. If the circumstances are serious, the relevant business licenses shall be suspended or revoked. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and may be imposed a fine of not less than RMB 200,000 but not more than RMB 2 million concurrently. If the circumstances are serious, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed concurrently.

Article 185 Where an issuer, in violation of the provisions of Article 14 or 15, changes the purpose of the funds raised through public offering of securities without authorization, it shall be ordered to take corrective measures and be imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million.

Where a controlling shareholder or the actual controller of an issuer commits, or organizes or instructs others to commit the illegal acts prescribed in the preceding paragraph, a warning shall be given and a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB 100,000 but not more than RMB 1 million.

Article 186 Where anyone transfers securities within the restricted period in violation of the provisions of Article 36 of this Law or transfers stocks in violation of the provisions of laws, administrative regulations or the regulations of the securities regulatory authority under the State Council, he shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not more than the value of the securities shall be imposed.

Article 187 Where anyone who is prohibited by laws and administrative regulations from engaging in securities transaction directly or in an assumed name or in the name of other persons holds or purchases or sells stocks or other securities with the nature of equity in violation of the provisions of Article 40 of this Law, he shall be ordered to dispose of said stocks or securities illegally held according to law. The illegal gains shall be confiscated and a fine of not more than the equivalent value of the securities purchased or sold shall be imposed. In case of a state functionary committing any of the aforementioned acts, administrative sanctions shall also be given according to law.

Article 188 Where a securities service institution and its practitioners purchase or sell securities in violation of the provisions of Article 42 of this Law, the institution and its practitioners shall be ordered to dispose of the securities illegally held according to law. The illegal gains shall be confiscated and a fine of not more than the value of the securities purchased or sold shall be imposed.

Article 189 Where any director, supervisor, or member of senior management of a listed company or of a company whose shares are traded on other national securities trading venues approved by the State Council, or a shareholder holding 5% or more of the shares of the aforementioned company purchases or sells the shares or other securities with the nature of equity of the company in violation of the provisions of Article 44 of this Law, he shall be given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million.

Article 190 Where anyone conducts program trading and affects the system security or normal trading order of a stock exchange in violation of the provisions of Article 45 of this Law, he shall be ordered to take corrective measures and be imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million.

Article 191 Where an insider, or a person who have obtained inside information through illegal means engages in insider trading in violation of the provisions of Article 53 of this Law, he shall be ordered to dispose of the securities illegally held according to law, and his illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. Where an entity engages in insider trading, the person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million. Any functionary of the securities regulatory authority under the State Council who is engaged in insider trading shall be given a severe punishment.

An entity or individual who engages in transaction by taking advantage of undisclosed information in violation of the provisions of Article 54 of this Law shall be punished in accordance with the preceding paragraph.

Article 192 Where anyone manipulates the securities market in violation of Article 55 of this Law, he shall be ordered to dispose of the securities illegally held according to law. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. Where an entity manipulates the securities market, the person-in-charge directly responsible and other persons directly responsible shall also be given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million.

Article 193 Where anyone disrupts the securities market by fabricating or disseminating false information or misleading information in violation of the provisions of the first or the third paragraph of Article 56 of this Law, the illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 200,000, a fine of not less than RMB 200,000 but not more than RMB 2 million shall be imposed.

Anyone who makes false representation or provides misleading information in securities transaction activities in violation of the provisions of the second paragraph of Article 56 of this Law, he shall be ordered to take corrective measures and be imposed a fine of not less than RMB 200,000 but not more than RMB 2 million. In case of a state functionary committing any of the aforementioned acts, administrative sanctions shall also be given according to law.

Where media or their staff members engaged in reporting on the securities market conduct securities transactions that are in conflict with their duties in violation of the provisions of the third paragraph of Article 56 of this Law, the illegal gains shall be confiscated and a fine of not more than the value of the securities traded shall be imposed.

Article 194 Where a securities company and its practitioners conduct any act that harms the interests of its customers in violation of the provisions of Article 57 of this Law, the company and its practitioners shall be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 100,000, a fine not less than RMB 100,000 but not more than RMB 1 million shall be imposed. If the circumstances are serious, the relevant permit shall be suspended or revoked.

Article 195 Where anyone lends his own securities account or borrows others' securities accounts to conduct securities transaction in violation of the provisions of Article 58 of this Law, he shall be ordered to take corrective measures and be given a warning, and may be imposed a fine of not more than RMB 500,000.

Article 196 Where an acquirer fails to perform its obligations of announcing the acquisition of a listed company and of issuing a tender offer according to provisions of this Law, he shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

An acquirer or its controlling shareholder(s) or actual controller taking advantage of the acquisition of a listed company and causing damages to the target company and its shareholders shall bear compensatory liability according to law.

Article 197 Where a party bound by disclosure obligation fails to submit the relevant reports or perform its information disclosure obligation in accordance with the provisions of this Law, the party shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and

other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million. Where a controlling shareholder or the actual controller of an issuer organizes or instructs others to carry out the aforementioned illegal acts or leads to such a situation due to concealing relevant facts, the controlling shareholder or actual controller shall be imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Where the reports submitted or information disclosed by a party bound by disclosure obligation contains false record, misleading representation or major omission, the party shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 1 million but not more than RMB 10 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. Where a controlling shareholder or the actual controller of an issuer organizes or instructs others to carry out the aforementioned illegal acts or leads to such a situation due to concealing relevant facts, the controlling shareholder or actual controller shall be imposed a fine of not less than RMB 1 million but not more than RMB 10 million. The person-in-charge directly responsible and other persons directly responsible shall be imposed a fine of not less than RMB 500,000 but not more than RMB 5 million.

Article 198 Where a securities company fails to perform its obligation in relation to investor suitability management in violation of the provisions of Article 88 of this Law, or fails to do so as required, it shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not more than RMB 200,000.

Article 199 Anyone engaged in proxy solicitation in violation of the provisions of Article 90 shall be ordered to take corrective measures, given a warning and may be imposed a fine of not more than RMB 500,000.

Article 200 Any securities transaction venue illegally established shall be banned by the people's government at or above the county level. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Where a stock exchange allows any non-member to directly participate in the centralized stock transaction in violation of the provisions the Article 105 of this Law, it shall be ordered to take corrective measures and may be imposed a fine of not more than RMB 500,000 concurrently.

Article 201 Where a securities company, in violation of the provisions of the first paragraph of Article 107 of this Law, fails to verify the information of identification provided by an investor for opening an account, it shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 50,000 but not more than RMB 500,000. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not more than RMB 100,000.

Where a securities company provides an investor's account for others to use in violation of the provisions of the second paragraph of Article 107 of this Law, it shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not more than RMB 200,000.

Article 202 Where an entity or individual, in violation of the provisions of Article 118 and the first and the fourth paragraphs of Article 120 of this Law, establishes a securities company without authorization, illegally engages in securities businesses, or conducts securities business activities in the name of a securities company without approval, the entity or individual shall be ordered to take corrective measures. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million. The securities company established without authorization shall be banned by the securities regulatory authority under the State Council.

Where a securities company offering margin trading and securities lending service in violation of the provisions of the fifth paragraph of Article 120 of this Law, the illegal gains shall be confiscated and a fine of not more than the value of the funds or securities involved shall be imposed. If the circumstances are serious, the company shall be prohibited from offering margin trading and securities lending service for a specified period. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 203 Where an entity defrauds the approval for the establishment of a securities company or the relevant business permits or approval for alteration of major matters by submitting false supporting documents or by other fraudulent means, the relevant business permits or approval thus obtained shall be revoked and a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 204 Where a securities company, in violation of the provisions of Article 122 of this Law, alters its securities business scope or changes major shareholders or the actual controller of the company, or conducts merger, splitting, suspension from business, dissolution or bankruptcy of the company without authorization, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. If the circumstances are serious, relevant business permits shall be revoked concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning, and may be concurrently imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 205 Where a securities company provides financing or guarantee to its shareholders or their associates in violation of the provisions of the second paragraph of Article 123 of this Law, it shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million. Where the shareholders are at fault, the securities regulatory authority under the State Council may restrict their shareholders' rights before they have taken corrective measures according to requirements. Where a shareholder refuses to take corrective measures, he may be ordered to transfer the equity holdings of the securities company he holds.

Article 206 Where a securities company, in violation of the provisions of Article 128 of this Law, fails to adopt effective measures of separation to prevent any conflict of interest or fails to separate relevant businesses but rather mix those operations, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one

time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. If the circumstances are serious, the relevant business permits shall be revoked concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 207 Where a securities company undertakes proprietary trading in violation of the provisions of Article 129 of this Law, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. If the circumstances are serious, relevant business permits shall be revoked or the company shall be ordered to close down concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 208 Where a securities company incorporates trading settlement funds or securities of its customers into its own assets or misappropriates funds or securities of its customers in violation of the provisions of Article 131 of this Law, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 1 million, a fine of not less than RMB 1 million but not more than RMB 10 million shall be imposed. If the circumstances are serious, relevant business permits shall be revoked or the company shall be ordered to close down concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 500,000 but not more than RMB 5 million.

Article 209 Where a securities company accepts its customers' discretionary order to purchase or sell securities in violation of the provisions of the first paragraph of Article 134 of this Law, or makes any promise on the proceeds generated from securities transaction or on compensating the losses incurred from securities transaction in violation of the provisions of Article 135 of this Law, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. If the circumstances are serious, relevant business permits shall be revoked concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Where a securities company allows any other person to participate directly in a centralized trading of securities in the name of the securities company in violation of the provisions of the second paragraph of Article 134, it shall be ordered to take corrective measures and may be imposed a fine of not more than RMB 500,000 concurrently.

Article 210 Where a practitioner of a securities company accepts entrustment from customers in private for securities trading in violation of the provisions of Article 136 of this Law, it shall be ordered to take corrective measures and be given a warning. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains, a fine of not more than RMB 500,000 shall be imposed.

Article 211 Where a securities company or any of its major shareholders or the actual controller fails to report or provide information or materials, or there is false record, misleading representation or major omission in the information or materials reported or provided in violation the provisions of Article 138 of this Law, it shall be ordered to take corrective measures, given a warning and

imposed a fine of not more than RMB 1 million. If the circumstances are serious, relevant business permits shall be revoked concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not more than RMB 500,000.

Article 212 Where a securities registration and clearing institution is established without authorization in violation of the provisions of Article 145 of this Law, it shall be banned by the securities regulatory authority under the State Council. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 213 Where a securities investment consultancy institution engages in securities service without authorization in violation of the provisions of the second paragraph of Article 160, or commits any of the acts prescribed in Article 161 in providing securities services, it shall be ordered to take corrective measures. The illegal gains shall be confiscated and a fine of not less than one time but not more than ten times the value of the illegal income shall be imposed. Where there are no illegal gains or the illegal gains are less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Where an accounting firm, a law firm, or an institution providing asset appraisal, credit rating, financial consultancy, or information technology system service engages in securities services without filing it for the record in violation of the provisions of the second paragraph of Article 160, a fine of not more than RMB 200,000 shall be imposed.

Where a securities service provider, in violation of the provisions of Article 163 of this Law, fails to act with due care and diligence and there is false record, misleading representation or major omission in the documents it prepared and issued, it shall be ordered to take corrective measures. The business income shall be confiscated and a fine of not less than one time but not more than ten times the value of the business income shall be imposed. Where there is no business income or the business income is less than RMB 500,000, a fine of not less than RMB 500,000 but not more than RMB 5 million shall be imposed. If the circumstances are serious, it shall concurrently be suspended or prohibited from providing securities services. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million.

Article 214 Where an issuer, a securities registration and clearing institution, a securities company or a securities service institution fails to retain relevant documents and materials as required, it shall be ordered to take corrective measures, given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million. Where documents and materials are leaked, concealed, forged, tampered or damaged, it shall be given a warning and imposed a fine of not less than RMB 200,000 but not more than RMB 2 million. If the circumstances are serious, it shall be imposed a fine of not less than RMB 500,000 but not more than RMB 5 million. The relevant business permits shall be suspended or revoked, or it shall be prohibited from engaging in the relevant business concurrently. The person-in-charge directly responsible and other persons directly responsible shall be given a warning and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million.

Article 215 The securities regulatory authority under the State Council shall include the compliance record of relevant market entities with this Law into the integrity archives of the securities market.

Article 216 Where the securities regulatory authority under the State Council or the department authorized by the State Council is under any of the following

circumstances, the person-in-charge directly responsible and other persons directly responsible shall be given administrative sanctions according to law:

- (1) Granting ratification, registration or approval to an application for securities issuance or establishment of a securities company which fails to comply with the provisions of this Law;
- (2) Taking measures such as on-site inspection, investigation and evidence collection, consultation, or freezing or sealing of property, in violation of the provisions of this Law;
- (3) Taking supervisory and administrative measures against relevant institutions or personnel in violation of the provisions of this Law;
- (4) Imposing administrative sanctions on relevant institutions or personnel in violation of the provisions of this Law; and
- (5) Any other failure in performing duties in accordance with this Law.

Article 217 Where any functionary of the securities regulatory authority under the State Council or of the department authorized by the State Council fails to perform the duties provided for in this Law, abuses his power, neglects his duty, takes advantage of his post to seek illegitimate interests or divulges commercial secrets of the relevant entity or individual to his knowledge, the functionary shall be investigated for legal responsibility according to law.

Article 218 Where anyone refuses or obstructs a securities regulatory body and its functionaries in performing their duties of supervision, inspection or investigation, he shall be ordered to take corrective measures by the securities regulatory body and imposed a fine of not less than RMB 100,000 but not more than RMB 1 million, and shall be subjected to administrative penalty for public security by the public security organ according to law.

Article 219 Anyone who violates the provisions of this Law shall be investigated for criminal liability according to law if the violation constitutes a crime.

Article 220 Where anyone violates the provisions of this Law and is liable for paying civil compensation, fines and penalties, and turning in illegal gains, if his assets are insufficient to make such payments, priority shall be given to making civil compensation.

Article 221 In serious cases of violation of laws, administrative regulations or the relevant regulations of the securities regulatory authority under the State Council, the securities regulatory authority under the State Council may impose a ban on entering into the securities market upon the relevant responsible persons.

The ban on entering into the securities market mentioned in the preceding paragraph refers to a system that an individual is prohibited from engaging in securities business, providing securities service, or serving as a director, supervisor, or member of senior management of a securities issuer for a specified time period or for life, or from trading securities on stock exchanges or other national securities trading venues approved by the State Council for a specified time period.

Article 222 All the fines collected and the illegal gains confiscated in accordance with this Law shall be turned over to the state treasury.

Article 223 If the party concerned is not satisfied with the penalty decision made by the securities regulatory authority or the department authorized by the State

Council, the party may apply for administrative reconsideration according to law, or may bring a lawsuit directly to the people's court according to law.

Chapter XIV Supplementary Provisions

Article 224 A domestic company seeking for directly or indirectly issuing securities or listing securities for trading in overseas markets shall comply with the relevant regulations of the State Council.

Article 225 The specific measures governing the use of foreign currencies in subscribing for and trading of the stocks of the companies listed in the domestic market shall be formulated separately by the State Council.

Article 226 This Law shall go into effect as of March 1, 2020.

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