

Securities Law of the People's Republic of China (2019 Revision)

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Table of Contents

Chapter I General Provisions

Chapter II Offerings of Securities

Chapter III Trading in Securities

Section 1 General Rules

Section 2 Listing of Securities

Section 3 Prohibited Transactions

Chapter IV Acquisition of Listed Companies

Chapter V Information Disclosure

Chapter VI Investor Protection

Chapter VII Securities Trading Venues

Chapter VIII Securities Companies

Chapter IX Securities Depository and Clearing Institutions

Chapter X Securities Service Institutions

Chapter XI Securities Associations

Chapter XII Securities Regulatory Agencies

Chapter XIII Legal Liability

Chapter XIV Supplemental Provisions

Chapter I General Provisions

Article 1 This Law is enacted for the purposes of regulating the securities offerings and trading, protecting the lawful rights and interests of investors, maintaining the social and economic order and public interest, and promoting the development of the socialist market economy.

Article 2 This Law shall apply to the offerings of and trading in stocks, corporate bonds, depository receipts, and other securities recognized in accordance with the law by the State Council within the territory of the People's Republic of China; and matters not included in this Law shall be governed by the provisions of the Company Law of the People's Republic of China and other relevant laws and administrative regulations.

This Law shall apply to the listing and trading of government bonds and shares of securities investment funds, except as otherwise provided by any other law or administrative regulation.

The measures for the administration of the offerings of and trading in asset-backed securities and asset management products shall be developed by the State Council under the principles of this Law.

Where any offering of or trading in securities outside the People's Republic of China disrupts the order of the domestic market of the People's Republic of China and causes any damage to the lawful rights and interests of domestic investors, it shall be handled, and the violators shall be held legally liable, according to the applicable provisions of this Law.

Article 3 Securities offerings and trading must comply with the principles of openness, fairness, and justice.

Article 4 The parties to securities offerings and trading shall have equal legal status, and comply with the principles of free will, onerousness, and good faith.

Article 5 Securities offerings and trading must comply with laws and administrative regulations; and fraud, insider trading, and manipulation of the securities market shall be prohibited.

Article 6 The operation and administration of the securities industry shall be separated from that of the banking, trust, and insurance industries, and securities companies shall be formed separately from banking, trust, and insurance business institutions, except as otherwise specified by the state.

Article 7 The securities regulatory agency of the State Council shall conduct the centralized and unified supervision and administration of the securities market nationwide in accordance with the law.

The securities regulatory agency of the State Council may, as needed, establish field offices, which shall perform their supervisory and administrative duties as authorized.

Article 8 The audit authorities of the state shall conduct the auditing of securities trading venues, securities companies, securities depository and clearing institutions, and securities regulatory agencies in accordance with the law to perform their supervisory functions.

Chapter II Offerings of Securities

Article 9 The public offerings of securities must meet the conditions prescribed by laws and administrative regulations, and be legally registered with the securities regulatory agency of the State Council or the department authorized by the State Council. No entity or individual may conduct a public offering of securities without the legal registration. The specific scope and implementing steps of the securities offering registration system shall be prescribed by the State Council.

An offering is a public offering under any of the following circumstances:

- (1) An offering of securities to unspecific offerees.
- (2) An offering of securities to more than 200 specific offerees cumulatively, excluding the number of employees under an employee stock ownership plan implemented in accordance with the law.
- (3) Other offerings prescribed by laws and administrative regulations.

A non-public offering of securities shall not be conducted by advertising or general solicitation or publicly in disguise.

Article 10 An issuer which applies for a public offering of stock or corporate bonds convertible into stock by means of underwriting in accordance with the law or applies for a public offering of any other security subject to sponsorship as provided by any law or administrative regulation shall appoint a securities company as its sponsor.

The sponsor shall comply with business rules and industry norms, be honest and trustworthy, act with due diligence, prudentially check the issuer's application documents and information disclosure materials, and supervise and guide the issuer in operating in a well-regulated manner.

The measures for the administration of sponsors shall be developed by the securities regulatory agency of the State Council.

Article 11 A public offering of the stock of a joint-stock company during the formation of the company shall meet the conditions prescribed by the Company Law of the People's Republic of China and other conditions prescribed by the securities regulatory agency of the State Council and approved by the State Council, with an application for the public offering and the following

documents submitted to the securities regulatory agency of the State Council:

- (1) The bylaws of the company.
- (2) The pre-incorporation agreement signed by promoters.
- (3) A statement including the name of each promoter, the number of shares subscribed for by each promoter, the type of capital contribution, and the capital verification certificate.
- (4) The prospectus.
- (5) A statement including the name and address of the bank that receives payments for the shares on behalf of the company.
- (6) A statement including the name of each underwriting institution and the relevant agreements.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted.

Where the formation of a company must be subject to approval as provided by any law or administrative regulation, the relevant approval documents shall also be submitted.

Article 12 To undertake an initial public offering (IPO) of new shares, a company shall meet the following conditions:

- (1) It has a sound and well-functioning organizational structure.
- (2) It is a going concern.
- (3) Audit reports with an unqualified opinion have been issued for its financial accounting reports for the last three years.
- (4) The issuer or its controlling shareholder or actual controller has not committed any crime of corruption, bribery, appropriation or misappropriation of property, or disturbance of the order of the socialist market economy in the past three years.
- (5) Other conditions prescribed by the securities regulatory agency of the State Council with the approval of the State Council.

To offer any new shares, a listed company shall meet the conditions prescribed by the securities regulatory agency of the State Council with the approval of the State Council, and the specific measures for administration shall be developed by the securities regulatory agency of the State Council.

To undertake a public offering of depositary receipts, a company shall meet the conditions for an IPO of new shares and other conditions prescribed by the securities regulatory agency of the State Council.

Article 13 To undertake a public offering of new shares, a company shall submit an application for the public offering and the following documents:

- (1) The business license of the company.
- (2) The bylaws of the company.
- (3) The resolution of the shareholders' meeting.
- (4) The prospectus or other public offering documents.
- (5) The financial accounting reports.
- (6) A statement including the name and address of the bank that receives payments for the shares on behalf of the company.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted. If underwriting is conducted according to the provisions of this Law, the name of each underwriting institution and the relevant agreements shall also be submitted.

Article 14 A company must use the proceeds from a public offering of stock for the purposes of offering proceeds set out in the prospectus or other public offering documents; and any change of the purposes of offering proceeds must be subject to a resolution of the shareholders' meeting. If the purposes of offering proceeds are changed, and the change remains uncorrected or is not recognized by the shareholders' meeting, the company shall not undertake any public offering of new shares.

Article 15 To undertake a public offering of corporate bonds, a company shall meet the following conditions:

- (1) It has a sound and well-functioning organizational structure.
- (2) Its average distributable profits in the last three years are sufficient for payment of one-year interest on the corporate bonds.
- (3) Other conditions prescribed by the State Council.

The proceeds from a public offering of corporate bonds must be used for the purposes of offering proceeds set out in the prospectus for the corporate bonds; and any change of the purposes of offering proceeds must be subject to the resolution of the bondholders' meeting. The proceeds from a public offering of corporate bonds shall not be used for covering losses and non-operating expenditures.

To offer corporate bonds convertible into stock, a listed company shall, in addition to meeting the conditions prescribed in paragraph 1 of this article, comply with the provision of paragraph 2 of

Article 12 of this Law, unless, according to the prospectus for the corporate bonds, the listed company acquires its own shares for conversion of the corporate bonds.

Article 16 To apply for a public offering of corporate bonds, the applicant shall submit the following documents to the department authorized by the State Council or the securities regulatory agency of the State Council:

- (1) The business license of the company.
- (2) The bylaws of the company.
- (3) The prospectus for the corporate bonds.
- (4) Other documents prescribed by the department authorized by the State Council or the securities regulatory agency of the State Council.

Where a sponsor is appointed according to the provisions of this Law, a sponsor letter for the offering issued by the sponsor shall also be submitted.

Article 17 Under any of the following circumstances, no public offering of corporate bonds may be undertaken again:

- (1) There is any fact of default on publicly offered corporate bonds or other obligations outstanding or fact of deferred interest payment or repayment of principal, and the fact continues.
- (2) The purposes of proceeds from a public offering of corporate bonds are changed in violation of this Law.

Article 18 The formats of the application documents submitted by an issuer for a public offering of securities in accordance with the law and the manners of submission shall be prescribed by the agency or department in charge of registration in accordance with the law.

Article 19 The application documents for an offering of securities submitted by an issuer shall fully disclose the requisite information for investors to make value judgments and investment decisions, with the contents being true, accurate, and complete.

Securities service institutions and persons that issue relevant documents for an offering of securities must strictly perform their statutory duties, and guarantee the veracity, accuracy, and completeness of the issued documents.

Article 20 An issuer which applies for an IPO of stock shall, after submitting the application documents, pre-disclose the relevant application documents according to the rules of the securities regulatory agency of the State Council.

Article 21 The securities regulatory agency of the State Council or the department authorized by the

State Council shall be responsible for the registration of securities offering applications according to statutory conditions. The specific measures for the registration of public offerings of securities shall be developed by the State Council.

According to the provisions issued by the State Council, a stock exchange, among others, may examine an application for a public offering of securities, make a judgment on whether the issuer meets the offering conditions and information disclosure requirements, and urge the issuer to improve the content of information disclosure.

The persons participating in the registration of a securities offering application according to the provisions of the preceding two paragraphs shall not have any interest in connection with the offering applicant, shall not directly or indirectly accept any gifts from the offering applicant, shall not hold any securities offered in the offering application for registration, and shall not have any private contact with the offering applicant.

Article 22 The securities regulatory agency of the State Council or the department authorized by the State Council shall, within three months of accepting the application documents for an offering of securities, make a decision to grant or refuse registration according to statutory conditions and statutory procedures, excluding the time for the issuer to supplement and amend its offering application documents as required. If the registration is refused, the reasons for refusal shall be stated.

Article 23 After a securities offering application is registered, the issuer shall, in accordance with the provisions of laws and administrative regulations, announce the public offering documents before commencing the public offering of securities, and place such documents at a designated place for public inspection.

Before any information on an offering of securities is publicly disclosed in accordance with the law, no insider may publicly disclose or divulge such information.

The issuer shall not offer any securities before announcing the public offering documents.

Article 24 Where the securities regulatory agency of the State Council or the department authorized by the State Council discovers that an offering of securities registered upon its decision fails to meet statutory conditions or statutory procedures, it shall revoke the offering registration decision and order the issuer to cease the offering, if no securities have been offered. If securities have been offered but not been listed, it shall revoke the offering registration decision, and the issuer shall refund the sum of the offering price and the interest thereon calculated at the bank deposit rate over the same period to the holders of securities; and the issuer's controlling shareholder and actual

controller and the sponsor shall be jointly and severally liable with the issuer, unless they are able to prove that they have no fault.

Where a stock issuer conceals any material fact or falsifies any major content in the prospectus and other securities offering documents, if the stock has been offered and listed, the securities regulatory agency of the State Council may order the issuer to repurchase the securities or order the liable controlling shareholder and actual controller to buy back the securities.

Article 25 After an offering of stock is consummated in accordance with the law, the issuer shall be independently responsible for changes in its operations and earnings; and the investment risks resulting from such changes shall be assumed by investors themselves.

Article 26 Where the securities offered by an issuer to unspecific offerees shall be underwritten by a securities company as provided by any law or administrative regulation, the issuer shall enter into an underwriting agreement with the securities company. The securities shall be underwritten in the manner of best-efforts or firm-commitment underwriting.

Best-efforts underwriting of securities is a manner of underwriting in which a securities company sells securities on behalf of the issuer and returns all unsold securities to the issuer at the end of the underwriting period.

Firm-commitment underwriting of securities is a manner of underwriting in which a securities company purchases all the securities offered by the issuer under an agreement or purchases all the remaining unsold securities itself at the end of the underwriting period.

Article 27 In a public offering of securities, the issuer shall have the autonomy to legally select a securities company to underwrite its securities.

Article 28 To underwrite securities, a securities company shall enter into a best-efforts or firm-commitment underwriting agreement with the issuer, specifying the following matters:

- (1) The name and domicile of each party and the name of each party's legal representative.
- (2) The type, quantity, amount, and offering price of securities underwritten on a best-efforts or firm-commitment basis.
- (3) The term of best-efforts or firm-commitment underwriting and the beginning and ending dates.
- (4) The methods and date of payment for best-efforts or firm-commitment underwriting.
- (5) The expenses and settlement methods for best-efforts or firm-commitment underwriting.
- (6) The liability for a breach of contract.
- (7) Other matters prescribed by the securities regulatory agency of the State Council.

Article 29 A securities company which underwrites securities shall check the veracity, accuracy, and completeness of the public offering documents. If it discovers any false or misleading statement or material omission, it shall not conduct any sales activity; and if the securities are being sold, it shall immediately cease any sales activity, and take corrective measures.

A securities company which underwrites securities shall not:

- (1) conduct any advertising or other publicity or promotional activity that is false or misleads investors;
- (2) solicit any underwriting business by means of unfair competition; and
- (3) otherwise violate the provisions on securities underwriting.

Where any conduct of a securities company set out in the preceding paragraph causes any loss to any other securities underwriting institution or investors, it shall be liable in damages in accordance with the law.

Article 30 Where an underwriting syndicate is appointed to underwrite an offering of securities to unspecified offerees, the underwriting syndicate shall consist of securities companies as the lead underwriter and participating underwriters.

Article 31 The term of best-efforts or firm-commitment underwriting shall not exceed 90 days.

A securities company shall, during the term of best-efforts or firm-commitment underwriting, guarantee that the securities underwritten are sold first to subscribers, and the securities company shall not, for itself, reserve any securities underwritten on a best-efforts basis or pre-purchase and set aside any securities underwritten on a firm-commitment basis.

Article 32 Where any stock is offered at a premium, the offering price shall be determined by consultations between the issuer and the securities company underwriting the stock.

Article 33 Where, in the case of a stock offering on a best-efforts basis, the number of shares of the stock sold to investors fails to reach 70% of the number of shares of the stock to be offered to the public after the term of best-efforts underwriting expires, the offering shall be deemed a failed offering. The issuer shall refund the sum of the offering price and the interest thereon calculated at the bank deposit rate over the same period to subscribers for the stock.

Article 34 Upon expiration of the term of best-efforts or firm-commitment underwriting of a public offering of stock, the issuer shall report the stock offering information to the securities regulatory agency of the State Council for recordation during the prescribed period.

Chapter III Trading in Securities

Section 1 General Rules

Article 35 The securities legally purchased and sold by the parties to transactions in securities must be securities legally offered and delivered.

Securities not legally offered shall not be purchased or sold.

Article 36 Where the Company Law of the People's Republic of China or any other law prescribes a period during which any securities legally offered is restricted from being transferred, such securities shall not be transferred during the prescribed period.

A shareholder holding 5% or more of the shares of stock, the actual controller, a director, a supervisor, or an officer of a listed company or any other shareholder holding any shares offered by the issuer before its IPO or shares offered by a listed company to specific offerees which transfers any shares that it holds in the company shall not violate the provisions of laws and administrative regulations and the provisions issued by the securities regulatory agency of the State Council on the holding period, time of selling, number of shares sold, methods of selling, and information disclosure, among others, and shall comply with the business rules of the stock exchange.

Article 37 Publicly offered securities shall be listed and traded on stock exchanges legally formed or be traded on other national securities trading venues approved by the State Council.

Non-publicly offered securities may be transferred on stock exchanges, other national securities trading venues approved by the State Council, and regional equities markets formed according to the provisions issued by the State Council.

Article 38 Securities listed on stock exchanges shall be traded in the form of open and centralized trading or other forms approved by the securities regulatory agency of the State Council.

Article 39 The securities purchased and sold by the parties to transactions in securities may be in a paper form or other forms prescribed by the securities regulatory agency of the State Council.

Article 40 Practitioners of securities trading venues, securities companies, and securities depository and clearing institutions, staff members of securities regulatory agencies, and other persons prohibited by any law or administrative regulation from participating in stock trading shall not, during their terms of office or the statutory periods, hold, purchase, or sell any stock or other equity securities directly, in any assumed name, or in the name of any other person or accept any stock or other equity securities from any other person as a gift.

Upon becoming a person set out in the preceding paragraph, anyone must transfer in accordance with the law the shares or other equity securities that he or she holds.

Practitioners of a securities company implementing an equity incentive plan or an employee stock ownership plan may, according to the rules of the securities regulatory agency of the State Council, hold and sell the company's stock or other equity securities.

Article 41 Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their staff members shall keep the information on investors confidential in accordance with the law, and shall not illegally purchase, sell, supply, or disclose publicly any information on investors.

Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their staff members shall not divulge any trade secrets to which they have access.

Article 42 Securities service institutions and persons that issue documents such as audit reports and legal opinions for an offering of securities shall not purchase or sell such securities during the term of underwriting of such securities and six months after the expiration thereof.

In addition to the provision of the preceding paragraph, securities service institutions and persons that issue documents such as audit reports and legal opinions for the issuer and its controlling shareholder and actual controller, the acquirer, or the parties to a material asset transaction shall not purchase or sell such securities from the date of accepting engagement to the fifth day after the aforesaid documents are disclosed to the public. If the date on which the relevant work aforesaid is actually carried out is earlier than the date on which engagement is accepted, they shall not purchase or sell such securities from the date on which the relevant work aforesaid is actually carried out to the fifth day after the aforesaid documents are disclosed to the public.

Article 43 The charges collected for transactions in securities must be reasonable, and the fee items, fee rates, and management measures shall be published.

Article 44 Where a shareholder holding 5% or more of the shares of stock, a director, a supervisor, or an officer of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council sells any stock or other equity securities that it holds in

prescribed by the securities regulatory agency of the State Council.

The stock or other equity securities held by a director, a supervisor, an officer, or a natural person shareholder as mentioned in the preceding paragraph shall include the stock or other equity securities held by his or her spouse, parents, and children and held through any other person's account.

Where the board of directors of the company fails to take action according to the provision of paragraph 1 of this article, the shareholders shall have the right to require the board of directors to take action within 30 days. If the board of directors of the company fails to take action during the aforesaid period, a shareholder shall have the right to directly institute an action in the people's court in its own name in the interest of the company.

Where the board of directors of the company fails to take action according to the provision of paragraph 1 of this article, the liable directors shall be jointly and severally liable in accordance with the law.

Article 45 Algorithmic trading executed based on trade orders automatically generated or placed by computer programs shall comply with the rules of the securities regulatory agency of the State Council, and be reported to the stock exchange, and shall not affect the system security or the normal trading order of the stock exchange.

Section 2 Listing of Securities

Article 46 For securities to be listed and traded on a stock exchange, an application shall be filed with the exchange, the exchange shall examine and decide whether to grant the application in accordance with the law, and both parties shall enter into a listing agreement.

A stock exchange shall arrange for government bonds to be listed and traded on the exchange according to the decision of the department authorized by the State Council.

Article 47 An application for securities to be listed and traded on a stock exchange shall meet the listing conditions prescribed in the listing rules of the exchange.

The listing conditions prescribed in the listing rules of a stock exchange shall set forth the requirements for the issuer's years of operation, financial condition, minimum ratio of public offering, corporate governance, and integrity record, among others.

Article 48 Where a security listed and traded on a stock exchange falls under any of the delisting

delisting in a timely manner, and file a report with the securities regulatory agency of the State Council for recordation.

Article 49 An application may be filed with the review body formed by a stock exchange for a review of the stock exchange's decision to refuse listing or delist.

Section 3 Prohibited Transactions

Article 50 Insiders who have access to insider information in securities trading activities or persons who have illegally obtained insider information shall be prohibited from trading in securities based on insider information.

Article 51 Insiders who have access to insider information in connection with securities trading shall include:

- (1) the issuer and its directors, supervisors, and officers;
- (2) a shareholder holding 5% or more of the shares of stock of the company and its directors, supervisors, and officers; and the actual controller of the company and its directors, supervisors, and officers;
- (3) a company of which the issuer holds controlling shares or over which the issuer exercises actual control and its directors, supervisors, and officers;
- (4) persons who may obtain insider information on the company by virtue of their positions held in the company or their business associations with the company;
- (5) the acquirer of or a party to a material asset transaction with a listed company and its controlling shareholder, actual controller, directors, supervisors, and officers;
- (6) the relevant persons of a securities trading venue, securities company, securities depository and clearing institution, or securities service institution who may obtain insider information by virtue of their positions or work;
- (7) staff members of securities regulatory agencies who may obtain insider information by virtue of their duties or work;
- (8) staff members of the appropriate departments and regulatory agencies who may obtain insider information in administering the offerings of and trading in securities or administering listed companies and acquisitions of and material asset transactions with listed companies by virtue of their statutory duties; and
- (9) other persons who may obtain insider information prescribed by the securities regulatory agency of the State Council.

Article 52 Non-public information relating to an issuer's operations and finances or having a significant effect on the market prices of securities of an issuer shall be insider information in securities trading activities.

Insider information includes the material events set out in paragraph 2 of Article 80 and paragraph 2 of Article 81 of this Law.

Article 53 Insiders who have access to insider information in securities trading activities or persons who have illegally obtained insider information may not purchase or sell the securities of the company, divulge such information, or advise any other person to purchase or sell such securities, before the public disclosure of such insider information.

Where this Law provides otherwise for the acquisition of the shares of stock of a listed company by a natural person, a legal person, or an unincorporated organization holding 5% or more of the shares of stock of the company alone or jointly with others through agreements and other arrangements, such provisions shall prevail.

Whoever trades in securities based on insider information shall be liable in damages in accordance with the law, if the insider trading causes any loss to investors.

Article 54 Practitioners of securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and other financial institutions, as well as staff members of the relevant regulatory agencies or industry associations, shall be prohibited from trading in securities in connection with any non-public information other than insider information obtained by taking advantage of their positions or from explicitly or implicitly instructing any other person to conduct the relevant trading activities in violation of the applicable provisions.

Whoever trades in securities based on non-public information shall be liable in damages in accordance with the law, if the trading causes any loss to investors.

Article 55 Manipulation of the securities market to affect or attempt to affect the trading price or volume of securities by any person by any of the following means shall be prohibited:

- (1) Alone or by conspiracy, concentrating advantages in terms of funds, shareholding, or information to purchase or sell securities jointly or continuously.
- (2) Colluding with any other person to trade in securities mutually at the time and price and in the manner as agreed upon in advance.
- (3) Trading in securities between accounts under the person's actual control.
- (4) Placing and canceling orders frequently or in large numbers, not for the purpose of

consummation of trades.

(5) Inducing investors to trade in securities, by using false or uncertain material information.

(6) Providing the public with any evaluation, forecast, or investment advice on a security or the issuer but trading in the security in the opposite direction.

(7) Manipulating the securities market by activities on any other relevant market.

(8) Otherwise manipulating the securities market.

Whoever manipulates the securities market shall be liable in damages in accordance with the law, if the manipulation causes any loss to investors.

Article 56 No entity or individual shall fabricate or disseminate false or misleading information to disrupt the securities market.

Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their practitioners, as well as securities associations, securities regulatory agencies, and their staff members, shall be prohibited from misrepresentation or provision of misleading information in securities trading activities.

The securities market information disseminated by any communications media must be true and objective, and the dissemination of misleading information shall be prohibited. The communications media and their staff members engaged in the coverage of securities market information shall not purchase or sell securities with conflicts of interest in connection with their work duties.

Whoever fabricates or disseminates false or misleading information to disrupt the securities market shall be liable in damages in accordance with the law, if it causes any loss to investors.

Article 58 No entity or individual shall, in violation of the applicable provisions, lend the entity's or individual's own securities account or borrow any other person's securities account for trading in securities.

Article 59 The channels for funds to flow into the securities market shall be broadened in accordance with the law, and funds shall be prohibited from flowing into the stock market in violation of the applicable provisions.

Investors shall be prohibited from using fiscal and bank credit funds to purchase and sell securities in violation of the applicable provisions.

Article 60 In purchasing and selling stocks listed and traded on a stock exchange, wholly state-owned enterprises, wholly state-owned companies, and companies in which the state holds controlling shares must comply with the applicable provisions issued by the state.

Article 61 Securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, and their practitioners shall report any prohibited transactions discovered in securities trading to the securities regulatory agencies in a timely manner.

Chapter IV Acquisition of Listed Companies

Article 62 An investor may acquire a listed company by tender offer, agreement, or other lawful means.

Article 63 Where the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5% by securities trading on a stock exchange, the investor shall, within three days after the fact occurs, file a written report with the securities regulatory agency of the State Council and the stock exchange, notify the listed company, and announce it, and shall no longer purchase or sell the stock of the listed company during the aforesaid period, except under the circumstances prescribed by the securities regulatory agency of the State Council.

After the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5%, whenever the investor increases or decreases its holding of the outstanding voting shares of the listed company by 5%, it shall report and announce the increase or decrease according to the provision of the preceding paragraph, and from the day when the fact occurs to the third day after its announcement, shall no longer purchase or sell the stock of the listed company, except under the circumstances prescribed by the securities regulatory agency of the State Council.

After the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 5%, whenever the investor increases or decreases its holding of the outstanding voting shares of the listed company by 1%, it shall notify the listed company of and announce the increase or decrease on the next day after the fact occurs.

If the investor purchases any voting shares of the listed company in violation of the provision of paragraph 1 or 2 of this article, it shall not exercise the voting rights attached to the shares in excess of the prescribed ratio within 36 months after purchasing them.

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

- (1) The name and domicile of the stockholder.
- (2) The title and number of shares of the stock held.
- (3) The date when the shareholding or the increase or decrease in shareholding reaches the statutory ratio and the source of funds for the increase in shareholding.
- (4) The time and manner of change in the voting shares beneficially owned in the listed company.

Article 65 Where the ratio of the outstanding voting shares of a listed company held by an investor alone or jointly with others through agreements and other arrangements reaches 30% by securities trading on a stock exchange, and the investor continues to acquire such shares, it shall, in accordance with the law, make a tender offer to all the shareholders of the listed company for acquiring all or part of the shares of the listed company.

It shall be agreed in a tender offer for acquiring part of the shares of a listed company that if the number of shares tendered by the shareholders of the target company exceeds the number of shares to be acquired, the acquirer shall acquire the shares on a pro rata basis.

Article 66 To make a tender offer according to the provisions of the preceding article, the acquirer must announce a report on the acquisition of the listed company, stating:

- (1) the name and domicile of the acquirer;
- (2) the acquisition decision of the acquirer;
- (3) the name of the listed company to be acquired;
- (4) the purposes of acquisition;
- (5) the detailed name of the shares to be acquired and the number of shares to be acquired;
- (6) the acquisition period and price;
- (7) the amount of funds required for the acquisition and the guarantee of funds; and

(8) the ratio of the shares of the target company held by the acquirer to the total outstanding shares of the company when the report on the acquisition of the listed company is announced.

Article 67 The acquisition period as agreed upon in a tender offer shall not be less than 30 days but not exceed 60 days.

Article 68 Within the tendering period prescribed in a tender offer, the acquirer may not withdraw its tender offer. If the acquirer needs to modify the tender offer, it shall announce it in a timely manner, stating the specific modifications, which, however, shall not contain the following circumstances:

- (1) Lowering the acquisition price.
- (2) Reducing the number of shares to be acquired.
- (3) Shortening the acquisition period.
- (4) Other circumstances prescribed by the securities regulatory agency of the State Council.

Article 69 The acquisition terms and conditions in a tender offer shall apply to all the shareholders of the target company.

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

Article 70 In the case of acquisition by a tender offer, during the acquisition period, the acquirer shall neither sell the stock of the target company nor purchase the stock of the target company beyond the manners and the terms and conditions prescribed in the tender offer.

Article 71 In the case of acquisition by agreement, the acquirer and the shareholders of the target company may agree on share transfer in accordance with the provisions of laws and administrative regulations.

In the acquisition of a listed company by agreement, the acquirer must, within three days after the acquisition agreement is signed, file a written report on the acquisition agreement with the securities regulatory agency of the State Council and the stock exchange, and announce it.

No acquisition agreement may be performed before the aforesaid announcement is made.

Article 72 In the case of acquisition by agreement, both parties to the agreement may temporarily engage a securities depository and clearing institution to place the shares transferred by agreement under its custody, and deposit the funds at the designated bank.

Article 73 In the case of acquisition by agreement, where the ratio of the outstanding voting shares of a listed company acquired by the acquirer alone or jointly with others through agreements and other arrangement reaches 30%, and the acquirer continues to acquire such shares, it shall, in

accordance with the law, make a tender offer to all the shareholders of the listed company for acquiring all or part of the shares of the listed company, unless it is exempted from the tender offer according to the rules of the securities regulatory agency of the State Council.

In the acquisition of the shares of a listed company by a tender offer according to the provision of the preceding paragraph, the acquirer shall comply with the provisions of paragraph 2 of Article 65 and Articles 66 through 70 of this Law.

Article 74 Where, upon expiration of the acquisition period, the equity distribution of the target company fails to satisfy the listing and trading requirements prescribed by the stock exchange, the stock of the listed company shall be delisted by the stock exchange in accordance with the law; and the other shareholders still holding the stock of the target company shall have the right to sell their stock to the acquirer on the same terms and conditions as prescribed in the tender offer, and the acquirer shall acquire such stock.

Where, after acquisition is consummated, the target company no longer meets the conditions for a joint-stock company, its enterprise form shall be modified in accordance with the law.

Article 75 In the acquisition of a listed company, the stock of the target listed company held by the acquirer shall not be transferred within 18 months after acquisition is consummated.

Article 76 Where, after acquisition is consummated, the acquirer merges with the target company by dissolving the target company, the original shares of the dissolved company shall be replaced by the acquirer in accordance with the law.

After acquisition is consummated, the acquirer shall, within 15 days, file a report on the acquisition with the securities regulatory agency of the State Council and the stock exchange, and announce it.

Article 77 The securities regulatory agency of the State Council shall, in accordance with this Law, develop the specific measures for the acquisition of listed companies.

Where a listed company is divided or merged into any other company, it shall be reported to the securities regulatory agency of the State Council and announced.

Chapter V Information Disclosure

Article 78 An issuer and other persons with information disclosure obligations as prescribed by laws, administrative regulations, and the rules of the securities regulatory agency of the State Council shall, in accordance with the law, perform their information disclosure obligations in a timely manner.

The information disclosed by persons with information disclosure obligations shall be true, accurate, complete, concise, clear, and easy to understand, and shall not contain any false or misleading

statements or material omissions.

Where any securities are publicly offered and traded both within and outside China, the information disclosed outside China by persons with information disclosure obligations shall be contemporaneously disclosed within China.

Article 79 A listed company, a company with its corporate bonds listed and traded on a stock exchange, or a company with its stock traded on any other national securities trading venue approved by the State Council shall prepare periodical reports according to the contents and formats prescribed by the securities regulatory agency of the State Council and the trading venue, and file and announce them according to the following provisions:

(1) Filing and announcing its annual report within four months after the end of each accounting year, in which the annual financial accounting report shall be audited by an accounting firm in compliance with the provisions of this Law.

(2) Filing and announcing its semiannual report within two months after the end of the first half of each accounting year.

Article 80 Where any material event that may substantially affect the trading price of the stock of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council occurs without the investors' knowledge, the company shall immediately file a current report on the material event with the securities regulatory agency of the State Council and the trading venue, and announce it, stating the cause of the event, current status, and possible legal consequences.

The following matters are the material events as mentioned in the preceding paragraph:

(1) There is any significant change in the company's business guidelines or business scope.

(2) The company makes any major investment, the company's purchase or sale of major assets within one year exceeds 30% of the company's total assets, or the company's major operating assets mortgaged, pledged, sold, or retired at one time exceeds 30% of the assets.

(3) The company enters into any material contract, provides any material guarantee, or conducts any affiliated transaction, which may have a significant effect on the company's assets, liabilities, interests, and results of operations.

(4) The company incurs any major debt or defaults for failing to repay any major debt upon maturity.

(5) The company suffers any major deficit or serious loss.

(6) There is any material change in the external conditions for the company's production and

operations.

(7) There is any change of the company's directors, one third or more of the company's supervisors or managers change, or the chairman of the board of directors or managers are unable to perform duties.

(8) There is any substantial change in the shareholding of a shareholder holding 5% or more of the shares of the company or in the actual controller's control of the company, or there is any substantial change in the business of the company's actual controller and other enterprises controlled by it which is the same as or similar to that of the company.

(9) The company makes a plan for distributing dividends or increasing capital, there is any material change in the company's equity structure, the company makes a decision on its capital reduction, merger, division, dissolution, or petition for bankruptcy, or in accordance with the law, the company enters bankruptcy proceedings or is ordered to close down.

(10) The company is involved in any major litigation or arbitration, or a resolution of the shareholders' meeting or the board of directors is legally revoked or declared null and void.

(11) The company is under formal investigation in accordance with the law on suspicion of any crime, or the controlling shareholder, the actual controller, or any director, supervisor, or officer of the company is subjected to any compulsory measure in accordance with the law on suspicion of any crime.

(12) Other matters prescribed by the securities regulatory agency of the State Council.

Where the company's controlling shareholder or actual controller has a significant effect on the occurrence or progress of any material event, it shall, in a timely manner and in written form, provide the relevant information in its knowledge to the company, and cooperate with the company in performing information disclosure obligations.

Article 81 Where any material event that may substantially affect the trading price of a corporate bond listed and traded on a stock exchange occurs without the investors' knowledge, the company shall immediately file a current report on the material event with the securities regulatory agency of the State Council and the trading venue, and announce it, stating the cause of the event, its current status, and possible legal consequences.

The following matters are the material events as mentioned in the preceding paragraph:

(1) There is any material change of the company's equity structure or status of production and operations.

- (2) The credit rating of the corporate bond changes.
- (3) Any major asset of the company is mortgaged, pledged, sold, transferred, or retired.
- (4) The company fails to repay any debt upon maturity.
- (5) The company's new borrowings or external guarantees exceed 20% of its net assets at the end of the prior year.
- (6) The claims or property forgone by the company exceeds 10% of its net assets at the end of the prior year.
- (7) The company suffers any serious loss exceeding 10% of its net assets at the end of the prior year.
- (8) The company distributes dividends, makes a decision on its capital reduction, merger, division, dissolution, or petition for bankruptcy, or in accordance with the law, enters bankruptcy proceedings or is ordered to close down.
- (9) The company is involved in any major litigation or arbitration.
- (10) The company is under formal investigation in accordance with the law on suspicion of any crime, or the controlling shareholder, the actual controller, or any director, supervisor, or officer of the company is subjected to any compulsory measure in accordance with the law on suspicion of any crime.
- (11) Other matters prescribed by the securities regulatory agency of the State Council.

Article 82 An issuer's directors and officers shall sign written confirmation opinions regarding the securities offering documents and periodical reports.

The issuer's board of supervisors shall examine the securities offering documents and periodical reports prepared by the board of directors, and issue written examination opinions. Supervisors shall sign written confirmation opinions.

The issuer's directors, supervisors, and officers shall ensure that the issuer discloses information in a timely and fair manner and the information disclosed is true, accurate, and complete.

Directors, supervisors, and officers who are unable to ensure the veracity, accuracy, and completeness of the content of securities offering documents and periodical reports or have raised any objections shall express their opinions and state reasons in the written confirmation opinions, which shall be disclosed by the issuer. If the issuer fails to make such disclosure, they may directly apply for disclosure.

Article 83 The information disclosed by persons with information disclosure obligations shall be disclosed contemporaneously to all the investors, and shall not be divulged to any entity or individual

in advance, except as otherwise provided by any law or administrative regulation.

No entity or individual shall illegally require persons with information disclosure obligations to provide information that shall be disclosed in accordance with the law but has not been disclosed. The aforesaid information obtained by any entity or individual in advance shall be kept confidential prior to disclosure in accordance with the law.

Article 84 In addition to the information that shall be disclosed in accordance with the law, persons with information disclosure obligations may voluntarily disclose information related to an investor's value judgment and investment decision-making, but such information shall not contradict the information disclosed in accordance with the law or mislead investors.

Where an issuer and its controlling shareholder, actual controller, directors, supervisors, and officers, among others, make any undertakings publicly, such undertakings shall be disclosed. Those failing to perform such undertakings shall be liable in damages in accordance with the law, if the failure causes any loss to investors.

Article 85 Where any persons with information disclosure obligations fail to disclose information according to the applicable provisions, or there are any false or misleading statements or material omissions in the announced securities offering documents, periodical reports, current reports, and other information disclosure materials, causing any loss to investors in securities trading, the persons with information disclosure obligations shall be liable in damages; and the controlling shareholder, actual controller, directors, supervisors, officers, and other directly liable persons of the issuer and the sponsor, underwriting securities company, and their directly liable persons shall be jointly and severally liable in damages with the issuer, unless they are able to prove that they have no fault.

Article 86 The information disclosed in accordance with the law shall be published on the websites of securities trading venues and media meeting the conditions prescribed by the securities regulatory agency of the State Council, and be contemporaneously placed at the domiciles of companies and trading venues for securities for public inspection.

Article 87 The securities regulatory agency of the State Council shall supervise and administer the information disclosure conduct of persons with information disclosure obligations.

A securities trading venue shall supervise the information disclosure conduct of persons with information disclosure obligations on securities traded under its organization, and urge them to legally disclose information in a timely and accurate manner.

Chapter VI Investor Protection

Article 88 In selling securities and providing services to investors, a securities company shall, according to the applicable provisions, sufficiently gather the basic information on investors and their property status, financial asset status, investment knowledge and experience, professional capability, and other relevant information; truthfully explain the important content of securities and services, and fully reveal investment risks; and sell and provide securities and services commensurate with the aforesaid status of investors.

In purchasing securities or accepting services, investors shall provide true information set out in the preceding paragraph according to the explicit requirements of the securities company. If any investor refuses to provide information or fails to provide information as required, the securities company shall inform the investor of the consequences, and according to the applicable provisions, refuse to sell securities or provide services to the investor.

A securities company which violates the provision of paragraph 1 of this article shall be liable in damages correspondingly, if the violation causes any loss to investors.

Article 89 Investors may be divided into ordinary investors and professional investors according to asset status, financial asset status, investment knowledge and experience, professional capability, and other factors. The criteria for professional investors shall be prescribed by the securities regulatory agency of the State Council.

Where any ordinary investor is in dispute with a securities company, the securities company shall prove that its conduct complies with laws, administrative regulations, and the rules of the securities regulatory agency of the State Council, without misleading, fraudulent, and other circumstances. The securities company shall be liable in damages correspondingly, if it is unable to prove it.

Article 90 The board of directors, an independent director, or a shareholder holding 1% or more of the voting shares of a listed company or an investor protection institution formed in accordance with laws, administrative regulations, or the rules of the securities regulatory agency of the State Council

listed company to authorize it to attend a shareholders' meeting and exercise the right to submit proposals, right to vote, and other rights of shareholders on their behalf, or authorize a securities company or a securities service institution to solicit proxies on its behalf.

To solicit proxies according to the provision of the preceding paragraph, the solicitor shall disclose solicitation documents, and the listed company shall provide cooperation.

It shall be prohibited to publicly solicit proxies with payments or in a disguised form of payment.

Where any public proxy solicitation violates any law or administrative regulation or the relevant rules of the securities regulatory agency of the State Council, causing any loss to the listed company or its shareholders, the violator shall be liable in damages in accordance with the law.

Article 91 A listed company shall include in its bylaws the detailed arrangements and decision-making procedures for the distribution of cash dividends, and in accordance with the law, protect their shareholders' right to return on assets.

Where a listed company has a surplus after using its after-tax profit of the current year to make up loss and set aside legal reserves, it shall distribute cash dividends according to the provisions of the company's bylaws.

Article 92 In a public offering of corporate bonds, the bondholders' meeting shall be created, and the procedures for convening bondholders' meetings, the rules of meetings, and other important matters shall be stated in the prospectus.

In a public offering of corporate bonds, the issuer shall appoint a bond trustee for bondholders, and enter into a trust indenture. The bond trustee shall be the underwriting institution for the offering or any other institution recognized by the securities regulatory agency of the State Council, and may be modified by a resolution of the bondholders' meeting. The bond trustee shall act with due diligence, and perform trustee duties in an impartial manner, and shall not cause any damage to the interests of bondholders.

Where a bond issuer fails to repay the principal of a bond and interest thereon as scheduled, the bond trustee may, as authorized by all or part of the bondholders, institute or participate in a civil action or a liquidation proceeding in its own name on behalf of the bondholders.

Article 93 Where an issuer's fraudulent offering, misrepresentation, or any other major violation of the law causes any loss to investors, the issuer's controlling shareholder and actual controller and the relevant securities company may authorize an investor protection institution to enter into an agreement with the aggrieved investors on compensation matters, and make compensation in advance. After making compensation in advance, they may legally recover such compensation from the issuer and other jointly and severally liable persons.

Article 94 Where any dispute arises between an investor and an issuer or a securities company, among others, both parties may apply to an investor protection institution for meDC q0.000008871 0.000(pp1)-2

An investor protection institution may, in accordance with the law, support an investor in instituting an action in a people's court against acts damaging investors' interests.

Where an issuer's director, supervisor, or officer violates the provisions of any law or administrative regulation or the company's bylaws in performing corporate duties, causing any loss to the company, or where the issuer's controlling shareholder or actual controller, among others, infringes upon the company's lawful rights and interests, causing any loss to the company, an investor protection institution may, if holding shares of the company, institute an action in a people's court in its own name in the interest of the company, not subject to the provisions of the Company Law of the People's Republic of China regarding the shareholding ratio and holding period.

Article 95 Where investors institute civil actions for damages caused by misrepresentation, among others, related to securities, they may legally recommend and select representatives to participate in the actions if the subject matters of the actions are of the same kind and the parties on one side of the actions are numerous.

For actions instituted according to the provision of the preceding paragraph, if there may be many other investors who have the same claims, the people's court may issue an announcement to state the facts of the case involving the claims and notify investors that they may register with the people's court during a certain period. The judgment or ruling rendered by the people's court shall be valid for the registered investors.

An investor protection institution may, as authorized by 50 or more investors, participate in actions as a representative, and according to the provision of the preceding paragraph, register right holders confirmed by the securities depository and clearing institution with the people's court, except for investors who have expressly indicated their reluctance to participate in the actions.

Chapter VII Securities Trading Venues

Article 96 Stock exchanges and other national securities trading venues approved by the State Council shall provide places and facilities for the centralized trading in securities, organize and supervise securities trading, conduct self-regulation, be legally registered, and obtain legal person status.

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

The organizational structure and the measures for administration, among others, of other national securities trading venues approved by the State Council shall be specified by the State Council.

Article 97 Stock exchanges and other national securities trading venues approved by the State Council may establish different market tiers according to the type of securities, industry characteristics, company scale, and other factors.

Article 98 Regional equities markets formed according to the provisions issued by the State Council shall provide places and facilities for the offering and transfer of non-publicly offered securities, and the specific measures for administration shall be developed by the State Council.

Article 99 In performing their self-regulatory functions, stock exchanges shall adhere to the principle of giving priority to public interest, and maintain fair, orderly, and transparent markets.

For the formation of a stock exchange, the bylaws of the stock exchange must be developed. The development and revision of the bylaws of a stock exchange must be subject to the approval of the securities regulatory agency of the State Council.

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Article 101 The revenue of a stock exchange from various fees and charges at its disposal shall first be used to guarantee the normal operation and gradual improvement of its places and facilities for securities trading.

The accumulated property of a stock exchange which implements a membership system shall belong to its members, and the rights and interests in such property shall be jointly owned by its members. No accumulated property of a stock exchange may be distributed to its members during its period of existence.

Article 102 A stock exchange implementing a membership system shall have a board of governors and a board of supervisors.

A stock exchange shall have a president, who shall be appointed and removed by the securities regulatory agency of the State Council.

Article 103 Whoever falls under a circumstance set out in Article 146 of the Company Law of the People's Republic of China or any of the following circumstances shall not serve as the person in charge of a stock exchange:

(1) It has not been five years since he or she was removed from office as the person in charge of a securities trading venue or a securities depository and clearing institution or a director, supervisor, or officer of a securities company for any violation of law or discipline.

(2) It has not been five years since he or she forfeited his or her practicing certificate or was

disqualified as a lawyer, a certified public accountant, or a professional of any other securities service institution for any violation of law or discipline.

Article 104 Practitioners of a securities trading venue, a securities company, a securities depository and clearing institution, or a securities service institution or staff members of a state authority expelled for any violation of law or discipline shall not be employed as practitioners of a stock exchange.

Article 105 One that enters a stock exchange implementing a membership system to participate in the centralized trading must be a member of the stock exchange. A stock exchange shall not allow any non-member to directly participate in the centralized trading in stocks.

Article 106 An investor shall enter into an agreement with a securities company to authorize it to effect securities transactions on the investor's behalf, open an account with the securities company in the investor's legal name, and authorize the securities company to purchase and sell securities on the investor's behalf, in writing or via telephone, self-service terminals, and the Internet, among others.

Article 107 A securities company which opens accounts for investors shall verify the identity information provided by investors according to the applicable provisions.

A securities company shall not provide an investor's account to any other person for use.

An investor shall use the accounts opened in the investor's legal name to conduct transactions.

Article 108 As authorized by investors, a securities company shall place trade orders and participate in the centralized trading on a stock exchange according to the securities trading rules, and assume the corresponding clearing and settlement liabilities according to the execution results. A securities depository and clearing institution shall, according to the execution results and clearing and settlement rules, conduct the clearing and settlement of securities and funds with the securities company, and handle the formalities of transfer registration of securities for the clients of the securities company.

Article 109 A stock exchange shall provide safeguards for organizing fair centralized trading, publish real-time quotes of securities traded on the exchange, and prepare and publish securities market data tables for each trading day.

The rights and interests in the real-time quotes of securities traded on a stock exchange shall be owned by the stock exchange in accordance with the law. Without the permission of the stock exchange, no entity or individual may release real-time quotes of securities traded on the stock exchange.

Article 110 A listed company may apply to the stock exchange on which its stock is listed for the suspension or resumption of trading in the stock, but shall not abuse the trading suspension or resumption to damage the lawful rights and interests of investors.

A stock exchange may, according to the provisions of business rules, decide on the suspension or resumption of trading in a stock listed on the stock exchange.

Article 111 Where the normal operation of securities trading is affected by a force majeure, an accident, a major technical failure, a major human error, or any other emergency, a stock exchange may, for the purpose of maintaining the normal order of securities trading and market fairness, take intervention measures such as technical suspension of trading and temporary market closure according to business rules, but shall file a report with the securities regulatory agency of the State Council in a timely manner.

Where any emergency set out in the preceding paragraph causes significant abnormalities in the results of securities transactions, and the settlement according to such results will have a significant effect on the normal order of securities trading and market fairness, the stock exchange may, according to business rules, take measures such as canceling transactions and notifying the securities depository and clearing institution of postponement of settlement, but shall file a report with the securities regulatory agency of the State Council and announce it in a timely manner.

A stock exchange shall not be civilly liable in damages for any loss caused by the measures taken by it according to the provisions of this article, unless it is at gross fault.

Article 112 A stock exchange shall conduct the real-time monitoring of securities transactions, and file reports on abnormal transactions as required by the securities regulatory agency of the State Council.

A stock exchange may, as needed, restrict, according to business rules, the trading of investors with major abnormal transactions in their securities accounts, but shall file reports with the securities regulatory agency of the State Council in a timely manner.

Article 113 A stock exchange shall enhance the risk surveillance of securities trading, and in the case of any significantly abnormal fluctuation, may take intervention measures such as trading restrictions and compulsory suspension of trading according to business rules, but shall file a report with the securities regulatory agency of the State Council; and if the stability of the securities market is seriously affected, may, according to business rules, take intervention measures such as temporary market closure, and announce it.

A stock exchange shall not be civilly liable in damages for any loss caused by the measures taken by it according to the provision of this article, unless it is at gross fault.

Article 114 A stock exchange shall establish a risk fund, which is composed of funds drawn at certain percentages of the transaction fees, membership fees, and seat fees collected by it. The risk fund shall be administered by the board of governors of the stock exchange.

The specific drawing percentages and the use methods for the risk fund shall be prescribed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

A stock exchange shall deposit the risk fund into a special account opened with the bank that maintains accounts of the stock exchange, and shall not use it without authorization.

Article 115 A stock exchange shall, in accordance with laws and administrative regulations and the rules of the securities regulatory agency of the State Council, develop its listing rules, trading rules, member management rules, and other relevant business rules, and report them to the securities regulatory agency of the State Council for approval.

Whoever conducts securities transactions on a stock exchange shall comply with the business rules developed by the stock exchange in accordance with the law. The stock exchange shall take disciplinary action or other self

years.

(3) Its registered capital complies with the provisions of this Law.

(4) Its directors, supervisors, officers, and practitioners meet the conditions prescribed by this Law.

(5) It has sound risk management and internal control rules.

(6) It has business premises, business facilities, and information technology systems in compliance with the applicable provisions.

(7) It meets other conditions prescribed by laws, administrative regulations, and the securities regulatory agency of the State Council with the approval of the State Council.

No entity or individual may conduct securities business activities in the name of a securities company without the approval of the securities regulatory agency of the State Council.

Article 119 The securities regulatory agency of the State Council shall, within six months of accepting an application for the formation of a securities company, conduct examination according to statutory conditions and procedures under the principle of prudential regulation, make a decision to grant or deny the application, and notify the applicant of its decision; and if it denies the application, explain the reasons for denial.

If an application for the formation of a securities company is granted, the applicant shall apply to the company registration authority for formation registration during the prescribed period, and obtain a business license.

A securities company shall, within 15 days of obtaining its business license, apply for a securities business permit to the securities regulatory agency of the State Council. Without a securities business permit, a securities company shall not engage in securities business.

Article 120 After obtaining a securities business permit, a securities company may be engaged in part or all of the following securities business as confirmed by the securities regulatory agency of the State Council:

(1) Securities brokerage.

(2) Securities investment consulting.

(3) Financial advisory services related to securities trading and securities investment activities.

(4) Securities underwriting and sponsorship.

(5) Securities margin trading.

(6) Securities market making transactions.

(7) Proprietary securities trading.

(8) Other securities business.

The securities regulatory agency of the State Council shall, within three months of accepting an application for confirmation of matters set out in the preceding paragraph, conduct examination according to statutory conditions and procedures, make a decision to grant or deny the application, and notify the applicant of its decision; and if it denies the application, explain the reasons for denial.

Securities companies engaged in securi

honesty, have good character and conduct, be familiar with the laws and administrative regulations on securities, and have the business management capability required for the performance of their duties. The appointment and removal of directors, supervisors, and officers of a securities company shall be reported to the securities regulatory agency of the State Council for recordation.

Whoever falls under a circumstance in Article 146 of the Company Law of the People's Republic of China or any of the following circumstances shall not serve as a director, supervisor, or officer of a securities company:

(1) It has not been five years since he or she was removed from office as the person in charge of a securities trading venue or a securities depository and clearing institution or a director, supervisor, or officer of a securities company for any violation of law or discipline.

(2) It has not been five years since he or she forfeited his or her practicing certificate or was disqualified as a lawyer, a certified public accountant, or a professional of any other securities service institution for any violation of law or discipline.

Article 125 Employees of a securities company who are engaged in securities business shall have good character and conduct, and have the professional capability required for engaging in securities business.

Practitioners of a securities trading venue, a securities company, a securities depository and clearing institution, or a securities service institution and staff members of a state authority expelled for any violation of law or discipline shall not be employed as practitioners of a securities company.

Staff members of a state authority and other persons prohibited by any law or administrative regulation from concurrently holding a position in a company shall not concurrently hold any position in a securities company.

Article 126 The state shall establish a securities investor protection fund, which is composed of funds contributed by securities companies and other funds raised in accordance with the law. The specific measures for the size, raising, administration, and use of the fund shall be developed by the State Council.

Article 127 A securities company shall draw a trading risk reserve from its annual business revenue to cover its loss in securities operations, and the specific drawing percentages shall be prescribed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

Article 128 A securities company shall establish and improve its internal control rules, and take

effective segregation measures to prevent the conflicts of interest between the company and its clients and between different clients.

A securities company must separate its operation of securities brokerage, securities underwriting, proprietary trading in securities, securities market making, and securities asset management business, and shall not conduct mixed operation.

Article 129 A securities company must conduct proprietary trading in its own name, and shall not do so in the guise of any other person or in the name of an individual.

A securities company must conduct proprietary trading with its own funds and funds raised in accordance with the law.

A securities company shall not lend its proprietary trading accounts to others for use.

Article 130 A securities company shall operate prudentially in accordance with the law, with due diligence, honesty and creditworthiness.

The business activities of a securities company shall be commensurate with its governance structure, internal control, compliance management, risk management, and risk control indicators, composition of practitioners, and other conditions, and comply with the requirements for prudential regulation and protection of the lawful rights and interests of investors.

A securities company shall have operational autonomy in accordance with the law, and its lawful operations shall not be interfered with.

Article 131 The trading settlement funds of clients of a securities company shall be deposited with a commercial bank, and be managed in accounts opened separately in the name of each client.

A securities company shall not include the trading settlement funds and securities of its clients in its own property. No entity or individual may misappropriate in any form a client's trading settlement funds and securities. In the case of bankruptcy or liquidation of a securities company, the trading settlement funds and securities of its clients are not its bankruptcy property or property for liquidation. The clients' trading settlement funds and securities shall not be placed under seal, frozen, garnished, or subjected to enforcement, except for a client's own debt or under any other circumstance prescribed by any law.

Article 132 In conducting brokerage business, a securities company shall provide uniform powers of attorney for securities trading for use by clients. If any other form of authorization is adopted, authorization must be recorded.

Whether any trade is executed or not upon a client's authorization for securities trading, the record of

authorization from the client shall be preserved at the securities company during the prescribed period.

Article 133 After accepting an authorization for securities trading, a securities company shall, according to the title of securities, amount of purchase or sale, type of order, and price range, among others, as indicated in the power of attorney, purchase or sell securities on behalf of the client according to trading rules, and truthfully record the transactions; and after a trade is executed, prepare a trade confirmation, and deliver it to the client, according to the applicable provisions.

In securities trading, the reconciliation statements confirming the conduct and results of transactions must be true, ensuring the consistency between the book balance of securities and the securities actually held.

Article 134 In conducting brokerage business, a securities company shall not accept an unlimited authorization from a client to decide the purchase or sale of securities, select the types of securities, or decide the quantity of purchase or sale or the purchase or selling price of securities.

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

Article 135 A securities company shall not make any undertakings to its clients regarding profits from or compensation for losses from the purchase or sale of securities.

Article 136 Where, in securities trading activities, any practitioner of a securities company violates trading rules by executing instructions from the securities company or taking advantage of his or her position, the securities company shall be fully liable for the violation.

No practitioner of a securities company may privately accept an authorization from a client to purchase or sell securities.

Article 137 A securities company shall establish a client information inquiry system to ensure that clients can inquire about their account information, authorization records, trading records, and other important information related to the acceptance of services or purchase of products.

A securities company shall properly preserve clients' account opening materials, authorization records, and trading records, and the information related to its internal management and operations, which may not be concealed, forged, tampered with, or destroyed by any person. The aforesaid information shall be preserved for a period of not less than 20 years.

Article 138 A securities company shall submit its operational, financial, and other business management information and materials to the securities regulatory agency of the State Council

according to the applicable provisions. The securities regulatory agency of the State Council shall have the authority to require a securities company and its principal shareholders and actual controller to provide the relevant information and materials during a prescribed period.

The information and materials submitted or provided by a securities company and its principal shareholders and actual controller to the securities regulatory agency of the State Council shall be true, accurate, and complete.

Article 139 The securities regulatory agency of the State Council may, as it deems necessary, engage an accounting firm or an asset appraisal institution to audit or appraise the financial condition, internal controls, and asset value of a securities company. The specific measures shall be developed by the securities regulatory agency of the State Council in conjunction with the appropriate departments.

Article 140 Where the governance structure, compliance management, and risk control indicators of a securities company fail to comply with the applicable provisions, the securities regulatory agency of the State Council shall order it to take corrective action during a prescribed period; and if it fails to take corrective action during the prescribed period or its conduct seriously compromises the sound operation of the securities company or damages the lawful rights and interests of its clients, the securities regulatory agency of the State Council may take the following measures against it under different circumstances:

- (1) Restricting its business activities, ordering it to suspend certain business, and ceasing to confirm any new business of it.
- (2) Restricting its distribution of dividends and restricting its payment of remuneration or provision of benefits to its directors, supervisors, and officers.
- (3) Restricting its transfer of property or creation of other rights on its property.
- (4) Ordering it to replace its directors, supervisors, and officers or restricting their rights.
- (5) Revoking its relevant business permit.
- (6) Determining its liable directors, supervisors, and officers as unfit.
- (7) Ordering its liable shareholders to transfer equities and restricting its liable shareholders from exercising shareholder's rights.

A securities company shall, after taking corrective action, submit a report to the securities regulatory agency of the State Council. If, upon inspection, the securities regulatory agency of the State Council determines that the governance structure, compliance management, and risk control indicators

comply with the applicable provisions, it shall, within three days after completion of inspection, remove the restrictive measures prescribed in the preceding paragraph taken against the securities company.

Article 141 Where a shareholder of a securities company makes false capital contribution or fraudulently withdraws its capital contribution, the securities regulatory agency of the State Council shall order the shareholder to take corrective action within a prescribed period, and may order the shareholder to transfer its equity held in the securities company.

Before a shareholder prescribed in the preceding paragraph corrects its violation of law and transfers its equity held in the securities company as required, the securities regulatory agency of the State Council may restrict its rights as shareholder.

Article 142 Where any director, supervisor or officer of a securities company fails to act with due diligence, resulting in the securities company's major violation of law or regulation or major risk, the securities regulatory agency of the State Council may order the securities company to replace him or her.

Article 143 Where a securities company has any illegal operation or major risk, which seriously disrupts the order of the securities market and damages the interests of investors, the securities regulatory agency of the State Council may take regulatory measures against the securities company, such as ordering it to cease business operation for an overhaul, appointing any other institution as administrator or receiver of it, or abolishing it.

Article 144 During the period when a securities company ceases business operation for an overhaul as ordered, when it is administered or received by an administrator or receiver legally appointed, or when it is liquidated, or where any major risk occurs, the following measures may be taken against the directly liable directors, supervisors, officers and other directly liable persons of the securities company with the approval of the securities regulatory agency of the State Council:

(1) Notifying the exit-entry administrative authorities that their departures from China shall be prevented in accordance with the law.

(2) Applying to the judicial authorities for prohibiting them from transferring, assigning, or otherwise disposing of property or creating other rights over the property.

Chapter IX Securities Depository and Clearing Institutions

Article 145 A securities depository and clearing institution is a legally registered not-for-profit legal person that provides centralized registration, depository and settlement services for securities trading.

The formation of a securities depository and clearing institution must be subject to the approval of the securities regulatory agency of the State Council.

Article 146 For the formation of a securities depository and clearing institution, the following conditions shall be met:

- (1) Its own funds are not less than 200 million yuan.
- (2) It has the premises and facilities required for the provision of securities registration, depository and settlement services.
- (3) Other conditions prescribed by the securities regulatory agency of the State Council.

depository and clearing institution.

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

- (1) The opening of securities accounts and settlement accounts.
- (2) The deposit and transfer of securities.
- (3) The registration of rosters of securities holders.
- (4) The clearing and settlement of securities transactions.
- (5) The distribution of security entitlements as authorized by issuers.
- (6) The provision of inquiry and information services related to the aforesaid business.
- (7) Other business approved by the securities regulatory agency of the State Council.

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

The registration and settlement of securities other than those prescribed in the preceding paragraph may be handled by an authorized securities depository and clearing institution or other institution providing securities registration and settlement services in accordance with the law.

Article 149 A securities depository and clearing institution shall, in accordance with the law, develop its bylaws and business rules, which are subject to the approval of the securities regulatory agency of the State Council. The participants in the securities depository and clearing business shall comply with the business rules developed by the securities depository and clearing institution.

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

A securities depository and clearing institution may not misappropriate the securities of its clients.

Article 151 A securities depository and clearing institution shall provide the rosters of securities holders and the relevant materials to securities issuers.

A securities depository and clearing institution shall, according to the result of securities registration and settlement, confirm the fact that securities holders hold securities, and provide the registration materials of securities holders.

A securities depository and clearing institution shall guarantee the authenticity, accuracy, and completeness of the rosters of securities holders as well as registration and transfer records, and shall not conceal, forge, tamper with, or destroy such materials.

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

- (1) It has necessary service equipment and adequate and effective data security protection measures.
- (2) It has established adequate and effective business, financial, security protection and other management rules.
- (3) It has established an adequate and effective risk management system.

Article 153 A securities depository and clearing institution shall properly preserve the original registration, depository and settlement vouchers as well as the relevant documents and materials, for not less than 20 years.

Article 154 A securities depository and clearing institution shall establish a securities settlement risk fund, for making advances for or covering any loss incurred by the securities depository and clearing institution from any default at delivery, technical failure, operational failure or force majeure.

The securities settlement risk fund shall be from the business revenue and gains of the securities depository and clearing institution, and may include contributions made by clearing participants at a certain percentage of securities trading volume.

The measures for raising and managing the securities settlement risk fund shall be developed by the securities regulatory agency of the State Council in conjunction with the finance department of the State Council.

Article 155 The securities settlement risk fund shall be deposited into a special account with a designated bank, and be subject to special management.

A securities depository and clearing institution shall, after making compensation with the securities settlement risk fund, recover it from the relevant liable person.

Article 156 A securities depository and clearing institution's application for its dissolution shall be subject to the approval of the securities regulatory agency of the State Council.

Article 157 An investor that authorizes a securities company to conduct securities transactions on behalf of the investor shall apply for opening a securities account at the securities depository and clearing institution through the securities company. The securities depository and clearing institution shall open securities accounts for investors according to the applicable provisions.

An investor that applies for opening an account shall hold credentials legally proving the investor's identity as a citizen, legal person, or partnership of the People's Republic of China, except as otherwise specified by the state.

Article 158 Where a securities depository and clearing institution provides securities settlement services as the central counterparty, it is the common clearing and settlement counterparty of the clearing participants, conducts netting, and provides centralized performance guarantee for securities transactions.

A securities depository and clearing institution shall, when providing netting services for securities transactions, require the clearing participants to deliver securities and funds in full amount and provide collateral for settlement under the principle of delivery versus payment.

Before the completion of settlement, no one may use the securities, funds or collateral for settlement. Where a clearing participant fails to perform its settlement obligations on schedule, the securities depository and clearing institution shall have the right to dispose of the property prescribed in the preceding paragraph according to business rules.

Article 159 All clearing funds and securities collected by a securities depository and clearing institution according to business rules must be deposited into a special account for clearing and settlement, may only be used for the clearing and settlement of executed securities transactions according to business rules, and shall not be subject to enforcement.

Chapter X Securities Service Institutions

Article 160 Accounting firms, law firms, and securities service institutions engaged in securities investment consulting, asset appraisal, credit rating, financial advisory, and information technology system services shall act with due diligence, adhere to their duties, and provide services for securities transactions and related activities according to the relevant business rules.

Whoever is engaged in securities investment consulting services shall be subject to the confirmation of the securities regulatory agency of the State Council. Without such confirmation, no one shall

provide services for securities trading and relevant activities. Whoever is engaged in other securities services shall undergo recordation formalities with the securities regulatory agency of the State Council and the appropriate departments of the State Council.

Article 161 A securities investment consulting institution and its practitioners engaged in securities services shall not commit the following conduct:

- (1) Making securities investment on behalf of a client.
- (2) Agreeing with a client on sharing the gains or losses from securities investment.
- (3) Purchasing or selling securities for which the securities investment consulting institution provides services.
- (4) Any other conduct prohibited by a law or administrative regulation.

Whoever commits any of the conduct prescribed in the preceding paragraph, causing any loss to investors, shall be liable in damages in accordance with the law.

Article 162 A securities service institution shall properly preserve clients' authorization documents, check and verification materials, working papers, and information and materials related to quality control, internal management and business operation, and no one may divulge, conceal, forge, tamper with, or destroy them. The aforesaid information and materials shall be preserved for not less than 10 years, commencing from the date of ending of authorization.

Article 163 A securities service institution that prepares and issues documents such as audit reports and other assurance reports, asset appraisal reports, financial advisory reports, credit rating reports, or legal opinions for securities offering, listing, or trading and other securities business activities shall act with due diligence, and check and verify the veracity, accuracy and completeness of the contents of documents and materials as the basis. If the documents prepared and issued by it contain any false or misleading statements or material omissions, causing any loss to any other person, it shall be jointly and severally liable in damages with the client, unless it is able to prove that it has no fault.

Chapter XI Securities Associations

Article 164 A securities association is a self-regulatory organization of the securities industry, and is a social group with the status of a legal person.

A securities company shall join a securities association.

The power organ of a securities association is the members' assembly composed of all members.

Article 165 The bylaws of a securities association shall be developed by the members' assembly and

be filed with the securities regulatory agency of the State Council.

Article 166 A securities association shall perform the following duties:

(1) Educating and organizing its members and their practitioners on compliance with securities laws and administrative regulations, organizing integrity construction in the securities industry, and urging

securities market in accordance with the law, conducting approval, confirmation and registration in accordance with the law, and handling recordation.

(2) Conducting the supervision and administration of securities offering, listing, trading, registration, deposit, settlement and other conduct in accordance with the law.

(3) Conducting the supervision and administration of the securities business activities of securities issuers, securities companies, securities service institutions, securities trading venues, and securities depository and clearing institutions in accordance with the law.

entity or individual related to the event under investigation; and sealing for preservation or impounding the documents and materials that may be transferred, concealed or destroyed.

(6) Inquiring about information on the cash accounts, securities accounts, bank accounts and other accounts with payment, custodial, settlement and other functions of the parties and any entity or individual related to the event under investigation and duplicating the relevant documents and materials; and if there is any evidence that any property involved in the case such as illegal funds and securities has been or may be transferred or concealed or any important evidence has been or may be concealed, forged or destroyed, freezing or placing under seal the same with the approval of the primary person in charge of the securities regulatory agency of the State Council or any other person in charge authorized by it. The period of the freeze or placement under seal shall be six months, and each extension of the period, as needed for any special reason, shall not exceed three months, with the maximum period of the freeze or placement under seal not exceeding two years.

(7) When investigating any major securities-related violation of law such as manipulation of securities market and insider trading, with the approval of the primary person in charge of the securities regulatory agency of the State Council or any other person in charge authorized by him or her, restricting the buying and selling of securities by the subject of investigation. The restriction period shall not exceed three months; and if the case is complicated, the restriction period may be extended by three months.

(8) Notifying the exit-entry administrative authorities that the departures from China of the persons suspected of any violation of law and the executives in charge and other directly liable persons of an entity suspected of any violation of law shall be prevented in accordance with the law.

For the purposes of preventing the risks in the securities market and maintaining the market order, the securities regulatory agency of the State Council may take measures such as ordering corrective action, holding regulatory interview and issuing a letter of caution.

Article 171 Where, during the period when the securities regulatory agency of the State Council investigates an entity or individual suspected of any securities-related violation of law, the subject of investigation submits a written application under which it undertakes to correct the suspected violation of law during a period recognized by the securities regulatory agency of the State Council, compensate the relevant investors for losses, and eliminate damage or adverse effects, the securities regulatory agency of the State Council may decide to suspend the investigation. If the subject of investigation has fulfilled its undertaking, the securities regulatory agency of the State Council may

decide to terminate the investigation; or if the subject of investigation fails to fulfill its undertaking or falls under any other circumstance set out by the State Council, the investigation shall be resumed. The specific measures shall be developed by the State Council.

Where the securities regulatory agency of the State Council decides to suspend or terminate the investigation, it shall publish the relevant information as required.

Article 172 Where the securities regulatory agency of the State Council conducts supervisory inspection or investigation in performing its duties in accordance with the law, there shall be at least two supervisory inspectors or investigators, who shall show their lawful credentials and the notice of supervisory inspection or investigation or other law enforcement documents. If there are fewer than two supervisory inspectors or investigators or they fail to show their lawful credentials and the notice of supervisory inspection or investigation or other law enforcement documents, the entities and individuals under inspection or investigation shall have the right to refuse it.

Article 173 Where the securities regulatory agency of the State Council performs its duties in accordance with the law, the entities and individuals under inspection or investigation shall cooperate with it and honestly provide the relevant documents and materials, and shall not refuse to do so or commit obstruction or concealment.

Article 174 The departmental rules, norms, and regulatory work protocols developed by the securities regulatory agency of the State Council shall be published in accordance with the law.

The decisions made by the securities regulatory agency of the State Council to punish securities-related violations of law according to the investigation results shall be published.

Article 175 The securities regulatory agency of the State Council shall, in conjunction with other financial regulatory authorities of the State Council, establish a regulatory information sharing mechanism.

Where the securities regulatory agency of the State Council conducts supervisory inspection or investigation in performing its duties in accordance with the law, the relevant departments shall cooperate with it.

Article 176 Any entity or individual shall have the right to report any suspected securities-related violation of law or regulation to the securities regulatory agency of the State Council.

Where any tip on a suspected major violation of law or regulation, as reported in the manner of identifying the tipster's legal name, is substantiated, the securities regulatory agency of the State Council shall reward the tipster according to the relevant provisions.

The securities regulatory agency of the State Council shall keep a tipster's identity information confidential.

Article 177 The securities regulatory agency of the State Council may establish a regulatory cooperation mechanism with the securities regulatory agencies of other countries or regions to conduct cross-border supervision and administration.

The overseas securities regulatory agencies shall not directly conduct investigation, evidence collection, and other activities in the territory of the People's Republic of China. Without the consent of the securities regulatory agency of the State Council and the appropriate departments of the State Council, no entity or individual may provide documents and materials related to securities business activities to any overseas parties.

Article 178 In performing its duties in accordance with the law, if the securities regulatory agency of the State Council discovers that any securities-related violation of law is suspected of any crime, it shall, in accordance with the law, transfer the case to the judicial authority for handling; or if it discovers that any public official is suspected of any violation of law or crime for malfeasance in office, it shall, in accordance with the law, transfer the case to the supervisory authority for handling.

Article 179 The staff members of the securities regulatory agency of the State Council must diligently perform their duties, handle affairs in accordance with the law, and adhere to fairness and integrity, shall not take advantage of their positions to seek illicit benefits, and shall not divulge the trade secrets of the relevant entities and individuals to which they have access.

A staff member of the securities regulatory agency of the State Council shall not hold a position in an enterprise or any other for-

administration in accordance with the law, in conjunction with the local people's government at or above the county level. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 181 An issuer that conceals any material fact or falsifies any major content in the securities offering documents announced shall be fined not less than two million yuan nor more than 20 million yuan if it has not offered securities; or be fined not less than 10% of nor more than one times the illegal offering proceeds if the issuer has offered securities. The directly liable executive in charge and other directly liable persons shall each be fined not less than one million yuan nor more than 10 million yuan.

Where the issuer's controlling shareholder or actual controller organizes or instigates the commission of any violation of law prescribed in the preceding paragraph, it shall be fined not less than 10% of nor more than one times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 20 million yuan, be fined not less than two million yuan nor more than 20 million yuan. The directly liable executive in charge and other directly liable persons shall be fined not less than one million yuan nor more than 10 million yuan.

Article 182 Where a sponsor issues a sponsor letter containing any false or misleading statement or material omission, or fails to perform other statutory duties, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its business revenue therefrom, which shall be confiscated, or if there is no such business revenue or the business revenue is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan; and if the circumstances are serious, its sponsorship business permit shall be suspended or revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 183 Where a securities company underwrites or sells any securities offered publicly without permission or in disguise, it shall be ordered to cease the underwriting or sale and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan; and if the circumstances are serious, its relevant business permit shall be suspended or revoked. If it causes any loss to investors, the securities company shall be jointly and severally liable in damages with the issuer. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more

than five million yuan.

Article 184 Where a securities company underwrites securities in violation of Article 29 of this Law, it shall be ordered to take corrective action and warned, with any illegal income therefrom confiscated, and may be fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be suspended or revoked. The directly liable executive in charge and other directly liable persons shall be warned, and may each be fined not less than 200,000 yuan nor more than two million yuan; and if the circumstance are serious, shall each be fined not less than 500,000 yuan nor more than five million yuan.

Article 185 An issuer that changes without permission the purposes of the proceeds from a public offering of securities, in violation of the provision of Article 14 or 15 of this Law, shall be ordered to take corrective action and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan.

The issuer's controlling shareholder or actual controller that commits, or organizes or instigates the commission of, any violation of law set out in the preceding paragraph shall be warned and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 100,000 yuan nor more than one million yuan.

Article 186 Whoever transfers securities during the transfer restriction period or transfers stock in noncompliance with the provisions of any law or administrative regulation or the provisions issued by the securities regulatory agency of the State Council, in violation of Article 36 of this Law, shall be ordered to take corrective action and warned, the violator's illegal income shall be confiscated, and the violator shall be fined not more than the equivalent value of the securities purchased or sold.

Article 187 Where any person prohibited by any law or administrative regulation from participating in stock trading holds, purchases, or sells any stock or other equity securities directly, in any assumed name, or in the name of any other person, in violation of Article 40 of this Law, the person shall be ordered to dispose of the illegally held stock or other equity securities in accordance with the law, with any illegal income therefrom confiscated, and be fined not more than the equivalent value of the securities purchased or sold; and if the person is an employee of the state, disciplinary action shall be taken against him or her in accordance with the law.

Article 188 Where a securities service institution or any of its practitioners purchases or sells

securities in violation of Article 42 of this Law, the violator shall be ordered to dispose of the illegally held securities in accordance with the law, with any illegal income therefrom confiscated, and be fined not more than the equivalent value of the securities purchased or sold.

Article 189 Where any director, supervisor, or officer or any shareholder holding 5% or more of the shares of stock of a listed company or a company with its stock traded on any other national securities trading venue approved by the State Council purchases or sells the company's stock or other equity securities in violation of Article 44 of this Law, the violator shall be warned and fined not less than 100,000 yuan nor more than one million yuan.

Article 190 Where the system security or the normal trading order of a stock exchange is affected by any algorithmic trading in violation of Article 45 of this Law, the violator shall be ordered to take corrective action and fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan.

Article 191 Where any insider who has access to insider information in securities trading activities or any person who has illegally obtained insider information in securities trading activities

than 500,000 yuan nor more than five million yuan.

Article 193 Where any person fabricates or disseminates any false or misleading information to disrupt the securities market, in violation of paragraph 1 or 3 of Article 56 of this Law, the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 200,000 yuan, fined not less than 200,000 yuan nor more than two million yuan.

Whoever makes misrepresentation or provides misleading information in securities trading activities, in violation of paragraph 2 of Article 56 of this Law, shall be ordered to take corrective action and fined not less than 200,000 yuan nor more than two million yuan; and if the violator is an employee of the state, disciplinary action shall be taken against him or her in accordance with the law.

Where any communications media or any of its staff members engaged in the coverage of securities market information purchases or sells securities with conflicts of interest in connection with the work duties thereof, in violation of paragraph 3 of Article 56 of this Law, any illegal income therefrom shall be confiscated, and the violator shall be fined not more than the equivalent value of the securities purchased or sold.

Article 194 Where the conduct of a securities company or any of its practitioners causes damage to clients' interests, in violation of Article 57 of this Law, the violator shall be warned and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 100,000 yuan, fined not less than 100,000 yuan nor more than one million yuan; and if the circumstances are serious, the violator's relevant business permit shall be suspended or revoked.

Article 195 Whoever lends its own securities account or borrows the securities account of any other person for trading in securities, in violation of Article 58 of this Law, shall be ordered to take corrective action and warned, and may be fined not more than 500,000 yuan.

Article 196 An acquirer that fails to perform its obligations to announce the acquisition of a listed company and make a tender offer in accordance with this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

An acquirer or its controlling shareholder or actual controller that, by taking advantage of the acquisition of a listed company, causes any loss to the target company and its shareholders shall be

liable in damages in accordance with the law.

Article 197 A person with information disclosure obligations that fails to file the relevant report or perform its information disclosure obligation in accordance with this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be warned and fined not less than 200,000 yuan nor more than two million yuan. If the issuer's controlling shareholder or actual controller organizes or instigates the commission of the aforesaid violation of law, or conceals the relevant matters, resulting in the occurrence of either of the aforesaid circumstances, the controlling shareholder or actual controller shall be fined not less than 500,000 yuan nor more than five million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 200,000 yuan nor more than two million yuan.

Where a report filed or the information disclosed by a person with information disclosure obligations contains any false or misleading statement or material omission, the person shall be ordered to take corrective action, warned, and fined not less than one million yuan nor more than ten million yuan; and the directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan. If the issuer's controlling shareholder or actual controller organizes or instigates the commission of the aforesaid violation of law, or conceals the relevant matters, resulting in the occurrence of any of the aforesaid circumstances, the controlling shareholder or actual controller shall be fined not less than one million yuan nor more than ten million yuan; and the directly liable executive in charge and other directly liable persons shall each be fined not less than 500,000 yuan nor more than five million yuan.

Article 198 Where a securities company fails to perform, or fails to perform as required, its investor suitability management obligations, in violation of Article 88 of this Law, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan. The directly liable executive in charge and other directly liable persons shall be warned and fined not more than 200,000 yuan.

Article 199 Whoever solicits a proxy from shareholders in violation of Article 90 of this Law shall be ordered to take corrective action and warned, and may be fined not more than 500,000 yuan.

Article 200 Any securities trading venue illegally formed shall be closed down by the people's government at or above the county level, and the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal

income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Any stock exchange that allows any non-member to directly participate in the centralized trading in stocks in violation of Article 105 of this Law shall be ordered to take corrective action, and may be fined not more than 500,000 yuan.

Article 201 A securities company that fails to verify the identity information provided by investors for opening an account, in violation of paragraph 1 of Article 107 of this Law, shall be ordered to take corrective action, warned, and fined not less than 50,000 yuan nor more than 500,000 yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not more than 100,000 yuan.

Where a securities company provides an investor's account to any other person for use, in violation of paragraph 2 of Article 107 of this Law, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not more than 200,000 yuan.

Article 202 Whoever forms a securities company without approval, is illegally engaged in securities business, or conducts securities business activities in the name of a securities company without approval, in violation of Article 118 or paragraph 1 or 4 of Article 120 of this Law, shall be ordered to take corrective action and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan. The securities company formed without approval shall be closed down by the securities regulatory agency of the State Council.

Where a securities company provides securities margin trading services in violation of paragraph 5 of Article 120 of this Law, its illegal income therefrom shall be confiscated, and it shall be fined not more than the equivalent value of the funds or securities lent; and if the circumstances are serious, it shall be prohibited from being engaged in the business of securities margin trading during a certain period. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 203 Where a formation permit, a business permit, or a confirmation of modification of any material matter of a securities company is obtained by the filing of false supporting documents or any other fraudulent means, the relevant permit shall be revoked, and the violator shall be fined not less than one million yuan nor more than 10 million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 204 Where, without confirmation, a securities company modifies its scope of securities business, modifies its principal shareholder or actual controller, or undergoes a merger, a division, suspension of business, dissolution, or bankruptcy, in violation of Article 122 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 205 A securities company that provides any financing or guarantee to its shareholders or the affiliates of its shareholders in violation of paragraph 2 of Article 123 of this Law shall be ordered to take corrective action, warned, and fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan. If the shareholders are at fault, the securities regulatory agency of the State Council may restrict their rights as shareholders before they take corrective action as required; and if they refuse to take corrective action, they may be ordered to transfer their equities held in the securities company.

Article 206 Where a securities company fails to take effective segregation measures to prevent conflicts of interest, fails to separate its operation of relevant lines of business, or conducts mixed operation, in violation of Article 128 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two

million yuan.

Article 207 Where a securities company engages in proprietary trading in violation of Article 129 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked, or it shall be ordered to close down. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 208 Where a securities company includes its client's funds and securities in its own property or misappropriates its client's funds and securities, in violation of Article 131 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than one million yuan, fined not less than one million yuan nor more than 10 million yuan; and if the circumstances are serious, its relevant business permit shall be revoked, or it shall be ordered to close down. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 500,000 yuan nor more than five million yuan.

Article 209 Where a securities company accepts an unlimited authorization from a client to purchase or sell securities, in violation of paragraph 1 of Article 134 of this Law, or makes any undertakings to its clients regarding profits or compensation for losses, in violation of Article 135 of this Law, it shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

A securities company that allows any other person to directly participate in the centralized trading in securities in the name of the securities company, in violation of paragraph 2 of Article 134 of this Law, shall be ordered to take corrective action, and may be fined not more than 500,000 yuan.

Article 210 A practitioner of a securities company who privately accepts an authorization from a

client to purchase or sell securities, in violation of Article 136 of this Law, shall be ordered to take corrective action, warned, and fined not less than one nor more than ten times his or her illegal income therefrom, which shall be confiscated, or if there is no such illegal income, fined not more than 500,000 yuan.

Article 211 Where a securities company or its principal shareholder or actual controller fails to submit or provide information and materials, or submits or provides information and materials containing any false or misleading statement or material omissions, in violation of Article 138 of this Law, the violator shall be ordered to take corrective action, warned, and fined not more than one million yuan; and if the circumstances are serious, its relevant business permit shall be revoked. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not more than 500,000 yuan.

Article 212 Where a securities depository and clearing institution is formed without approval in violation of Article 145 of this Law, it shall be closed down by the securities regulatory agency of the State Council, and the violator shall be fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 213 Where a securities investment consulting institution engages in securities services without confirmation in violation of paragraph 2 of Article 160 of this Law, or a securities investment consulting institution engaged in securities services commits any conduct prescribed in Article 161 of this Law, it shall be ordered to take corrective action and fined not less than one nor more than ten times its illegal income therefrom, which shall be confiscated, or if there is no such illegal income or the illegal income is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Where an accounting firm, a law firm, or an institution engaged in asset appraisal, credit rating, financial advisory, or information technology system services engages in securities services without undergoing recordation formalities, in violation of paragraph 2 of Article 160 of this Law, it shall be ordered to take corrective action, and may be fined not more than 200,000 yuan.

Where a securities service institution fails to act with due diligence, and the documents prepared and

issued by it contain any false or misleading statement or material omission, in violation of Article 163 of this Law, it shall be ordered to take corrective action and fined not less than one nor more than ten times its business revenue therefrom, which shall be confiscated, or if there is no such business revenue or its business revenue is less than 500,000 yuan, fined not less than 500,000 yuan nor more than five million yuan; and if the circumstances are serious, it shall be suspended or prohibited from engaging in securities services. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 200,000 yuan nor more than two million yuan.

Article 214 Where an issuer, a securities depository and clearing institution, a securities company, or a securities service institution fails to preserve the relevant documents and materials according to the applicable provisions, it shall be ordered to take corrective action, warned, and fined not less than 100,000 yuan nor more than one million yuan; or where it divulges, conceals, forges, tempers with, or destroys the relevant documents and materials, it shall be warned and fined not less than 200,000 yuan nor more than two million yuan; and if the circumstances are serious, it shall be fined not less than 500,000 yuan nor more than five million yuan, and its relevant business permit shall be suspended or revoked, or it shall be prohibited from engaging in the relevant business. The directly liable executive in charge and other directly liable persons shall be warned and each be fined not less than 100,000 yuan nor more than one million yuan.

Article 215 The securities regulatory agency of the State Council shall include the relevant market participants' compliance with this Law in the securities market integrity files in accordance with the law.

Article 216 Where the securities regulatory agency of the State Council or the department authorized by the State Council falls under any of the following circumstances, disciplinary action shall be taken against the directly liable official in charge and other directly liable persons in accordance with the law.

(1) Granting confirmation, registration, or approval to an application for an offering of securities or formation of a securities company, among others, in noncompliance with the provisions of this Law.

(4) Imposing administrative punishment on the relevant institution or person in violation of the provisions of this Law.

(5) Otherwise failing to perform duties in accordance with the law.

Article 217 Where any staff member of the securities regulatory agency of the State Council or the department authorized by the State Council fails to perform the duties prescribed by this Law, abuses power, neglects duty, takes advantage of his or her position to seek any illicit benefits, or divulges any trade secret of the relevant entity or individual to which he or she has access, the staff member shall be held legally liable in accordance with the law.

Article 218 Whoever refuses or obstructs the performance of supervisory inspection or investigation function by the securities regulatory authority or its staff members shall be ordered to take corrective action and fined not less than 100,000 yuan nor more than one million yuan by the securities regulatory authority, and be punished by the public security authority in public security administration in accordance with the law.

Article 219 Where any violation of this Law is criminally punishable, the offender shall be held criminally liable in accordance with the law.

Article 220 Where anyone shall be liable in civil damages, pay any administrative or criminal fine, and surrender illegal income for any violation of this Law, if the violator's property is insufficient for payment of the aforesaid, the property shall be first used for payment of civil damages.

Article 221 Where the circumstances of a violation of the relevant provisions of any law or administrative regulation or issued by the securities regulatory agency of the State Council are serious, the securities regulatory agency of the State Council may take the measure of prohibition of the relevant liable persons from access to the securities market.

For the purposes of the preceding paragraph, prohibition from access to the securities market means that a person may not engage in any securities business or securities services for a certain period or even for life, may not serve as a director, supervisor, or officer of a securities issuer, or may not trade in securities on a stock exchange or any other national securities trading venue approved by the State Council during a certain period.

Article 222 The fines collected and illegal income confiscated in accordance with this Law shall be all turned over to the State Treasury.

Article 223 Against the punishment decision made by the securities regulatory authority or the department authorized by the State Council, a party may apply for administrative reconsideration in

accordance with the law, or directly institute an action in a people's court in accordance with the law.

Chapter XIV Supplemental Provisions

Article 224 Where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with.

Article 225 The specific measures for the subscription for and trading in stocks of domestic companies in foreign currencies shall be developed additionally by the State Council.

Article 226 This Law shall come into force on March 1, 2020.