

The Role of Self-Regulatory Organizations in China's Securities Industry and Their Contributions to the Capital Market

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Introduction

The self-regulation level of the securities industry is a measure to the development of the stock market and an important sign of the maturity of the securities industry. The Securities Association of China was founded in August 1991. Over the past two decades, the SAC has effectively executed its mandate of “self-regulation, service and bridging”. Focused on its main tasks, namely the self-regulation of member units and securities practitioners as well as of the Agency Share Transfer System, the SAC has opened up new prospects for the securities industry featuring self-regulation with Chinese characteristics.



The SAC plays an active role mainly in the following eight aspects:

- n Improving the systems of self-regulatory policy and self-regulatory organizations of the industry
- n Doing a good job in accreditation management, examination and training of practitioners
- n Improving the member information management and disclosure system
- n Enhancing and promoting the pilot project of Zhongguancun Stocks Quotation and Transfer System
- n Developing a mechanism for communication between the industry and regulators backed by professional committees
- n Taking the initiative to launch investor education activities
- n Strengthening the self-regulatory management and services regarding the industry's information security
- n Invigorating international exchanges and cooperation



I. Improving the systems of self-regulatory policy and self-regulatory organizations while doubling the self-regulation efforts of the industry

- n **The systems of self-regulatory policy have been improved.** So far over 100 self-regulatory rules have been promulgated, and a multi-level self-regulation policy system has taken shape backed by the *Securities Law* and based on the *Article of Association*, which covers the organizational system of the SAC, management of member units and practitioners, business standards and practices as well as the agency share transfer system.
- n **The self-regulatory management as well as services have been extended.** The SAC has a total of 334 member units, including 106 securities companies, 61 fund management companies, 95 investment consulting companies, 5 securities rating agencies, 5 fund rating agencies, 3 asset management companies and 59 special members.
- n **The self-regulatory supervision and inspection mechanism has been initiated.**



II. Doing a good job in accreditation management, examination and training of practitioners to build capacity of practitioners in the securities industry

- n In order to meet the development needs of the industry and the requirements for quality practitioners, the SAC has further refined the multi-level practitioner management system with integrated domestic and overseas training, centered on practice registration and accreditation management, backed by qualification examinations and proficiency tests while supported by a combination of distance continuing vocational training and face-to-face sessions on key topics.

III. Improving the member information management and disclosure system to boost standardized progress of the industry

- n To promote the development of the industry and operational compliance of its members as well as to maintain a healthy industry competition, the SAC has made continuous efforts to improve a transparent member information management and disclosure system based on financial indicators and operating status.

IV. Enhancing and promoting the pilot project of Zhongguancun Stocks Quotation and Transfer System to lay a foundation for an OTC market under unified regulation

- n As of July 30, 2010, there were 121 companies and 125 stocks listed through the Agency Share Transfer System, including 69 companies quoted through Zhongguancun Stocks Quotation and Transfer System, 8 companies originally traded through NET and STAQ, as well as 44 delisted companies. The total equity of the 69 companies amounted to 2.609 billion shares, while the corresponding trading volume reached 48 million shares at 247 million yuan in the first half of the year.

V. Developing a mechanism for communication between the industry and regulators backed by professional committees

- n Backed by its 11 professional committees respectively responsible for brokerage, investment banking, compliance, finance, funds, fund sales, fund custody, investment consulting, self-regulatory supervision and inspection, information technology and credit rating, the SAC takes advantage of boasting these committees in keeping abreast of the industry, submitting views and suggestions thereof to the regulatory authorities in a timely manner.

VI. Taking the initiative to launch investor education activities to effectively safeguard the legitimate rights and interests of investors

- n Protection of investor's rights and interests began with investor education.** The SAC has issued a series self-regulation rules successively, steering its member units to incorporate investor education in the whole business process of securities marketing with a focus on risk disclosure. Also, the SAC has launched a series campaigns on investor education and services, produced relevant communication materials and set up a dedicated column on its official website. Investor education has been included in the training courses for securities practitioners, the curriculum of the qualification examination, the examination textbooks and the test paper bank. At the same time, the SAC hosts investor educational seminars on a regular basis and actively participate in international forums, annual meetings and other activities concerning investor education.



VII. Strengthening the self-regulatory management and services regarding the industry's information safety to ensure the IT security

- n The SAC developed self-regulatory rules regarding information technology development in the industry and launched an award program for science and technology progress in the securities and futures industry. To facilitate the reform of the IPO system, the introduction of the GEM, the perfection of the agency share transfer system and the new-generation systems at the Shanghai Stock Exchange, the SAC has done a good job in IT development.



VIII. Invigorating international exchanges and cooperation by establishing extensive ties with the counterparts in major jurisdictions

- n By participating in international activities, exchanging with foreign visitors and other means of communication, the SAC has established an MOU-based framework for international exchange and cooperation with self-regulatory organizations in other countries.

Conclusion

China's self-regulatory organization of the securities industry is significantly different from other social organizations with its own characteristics:

- n It is a statutory organization.**
- n It is complementary to the securities industry.**
- n It represents opinions and interests of the entire profession.**



Thank you!