

# China kicks off across-the-board registration-based IPO reform

The China Securities Regulatory Commission started soliciting public feedback on the main rules of the registration-based initial public offering system yesterday, officially kicking off the across-the-board reform.

The reform, with institutional arrangement basically fixed, will cover all national securities exchanges and all types of public offerings of stocks, as well as preferred stock, convertible corporate bonds and depositary receipts, it said.

The CSRC noted that the reform will optimize registration procedures, unify registration systems nationwide and fine-tune the supervision mechanism.

The essence of the registration-

based reform is to leave the choice to the market, said the CSRC, adding that the review process is transparent.

Currently, IPOs on the main boards — home to China's blue-chip stocks — need a nod from the CSRC under an approval-based system, and IPO prices there are capped by the regulators.

Under the new system, stock exchanges will vet IPOs with a focus on information disclosure, while the CSRC will only make sure listings are in line with national industrial policy.

"This is a milestone event in China's capital markets," Boser Asset Management Co said in a statement.

"It will increase the proportion of direct financing and strengthen

the role of finance to serve the real economy."

The CSRC said that after four years of the pilot scheme, conditions were ripe to expand the IPO reform.

However, the registration-based system doesn't mean less stringent quality control, the regulator pointed out.

"It doesn't mean any company can list as long as it wishes to," the CSRC said, adding candidates must meet certain thresholds and strict information disclosure requirements.

It will consolidate IPO rules for Shanghai, Shenzhen and Beijing bourses.

Under draft rules published yesterday for public opinions, no daily trading limit is set for IPO

shares during their first five trading days. However, stocks listed on the main boards are still subject to the 10 percent daily trading limit afterwards.

In addition, stocks are eligible for margin trading and securities lending on trading debuts.

"IPOs will accelerate, and the number of listed companies will grow more rapidly," said Ade Chen, general manager at Guangdong Fund Investment Co.

China first piloted the registration-based IPO system on the science and technology innovation board in 2019, and expanded it to the ChiNext board in 2020 and to shares on the Beijing Stock Exchange in 2021.

(Agencies)

