

Rules on Supervision, Risk Handling at Security Firms Vital for Market Stability

2008-04-25 10:30:30 [Big Normal Small] [Comment](#)

The new rules on supervision, management and risk handling at security firms are of great value for a stable and healthy capital market, Shang Fulin, China Securities Regulatory Commission (CSRC) chairman, said on Thursday.

The executive meeting of the State Council, China's Cabinet, presided by Premier Wen Jiabao, approved in principle the two draft regulations on Wednesday.

The regulation on risk handling at security firms became effective on Wednesday. The regulation on the supervision and management at security firms is effective on June 1.

At an internal meeting, Shang said the two regulations reflected the government's concern of and support to the capital market and securities industry.

"The regulations are of great significance for safeguarding the legitimate rights and interests of investors and maintaining a normal order on the equities market," he told the meeting.

"They will help to set up a new mechanism to prevent and dissolve risk at brokerages and to promote their legal operation and healthy development," the official said.

The State Council's executive meeting admitted the market needs urgent improvement for transparency and efficiency, reasonable structure, functions improvement and safe operation.

The government slashed the stamp tax for share trading from 0.3 percent to 0.1 percent, starting on Thursday, in effort to boost the declining equities market.

The benchmark Shanghai Composite Index closed 9.29 percent higher at 3,583.03 on Thursday, as the tax cut gave a strong boost to investor confidence.

In spite of the strong rebound, the index was still 41.5 percent off its record high in mid October.

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