

Stock regulator to scrutinize brokers

China's stock regulator is telling brokers to seek its opinions over operations and risk controls before filing applications for initial public offerings in a bid to shore up its corporate governance.

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Brokerages must report financial conditions and internal control measures to the watchdog, which will decide whether they are qualified for IPO applications, the China Securities Regulatory Commission said late on Thursday.

Stock houses also should report whether their senior executives have been punished by the CSRC for any financial wrongdoing in the past 36 months, according to the regulator.

The stock regulator's opinions will be part of the brokers' documents when they are presented for the final IPO approval, the statement said.

"Apparently, the CSRC wants to ensure the quality of publicly traded brokers," said Wei Zheng, a West China Securities Co trader. "Scrutiny will definitely be tighter and only strong players are likely to proceed with their IPOs."

Not a single Chinese mainland stock brokerage has conducted an IPO since January 2003 when CITIC Securities Co listed in Shanghai. Six domestic brokers last year acquired existing listed firms for back-door listings.

Nearly a dozen mainland brokerages unveiled plans last year to launch IPOs on the mainland markets with some previously aiming at wrapping up listings by the end of last year.

But the enthusiasm cooled as the domestic stock indexes slumped by nearly half from highs in October 2007 amid jitters over further macroeconomic tightening and weaker economic growth.

A source at a Shanghai-based brokerage that has filed an IPO application said that it was informed about the reporting issue a week before and would offer additional information soon.

Earlier reports said that four brokers - Everbright Securities, Orient Securities, Merchants Securities and Western Securities - may become the first batch of brokers to have their IPO applications reviewed.

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