China acts to boost supervision over stock proceeds use

Shanghai Stock Exchange will unveil new rules on Saturday to better monitor stock proceeds use in publicly-traded companies.

The rules come after China's securities regulator ordered a long-term mechanism to be put in place to prevent majority shareholders and affiliates from embezzling funds of listed firms.

Proceeds from initial public offerings (IPO), private placements and bond sales should be put in an account opened by the board of directors, the rules said.

Listed firms should notify underwriters if they want to cash in more than 50 million yuan (7.3 million U.S. dollars), or at least 20 percent of the proceeds, from an account, the bourse said.

The proceeds should not be used to buy tradable financial assets or lent to others. It is also banned from being invested in stock funds or in companies mainly engaging in buying and selling securities.

Shanghai Stock Exchange added majority shareholders and affiliates should not embezzle funds for their own gains.

Analysts said with the latest move, the regulator aimed to boost corporate governance to bolster investor confidence and stemstock declines.

The benchmark Shanghai Composite Index tumbled 5.29 percent on Friday, closing at 2,748.43 on news of an oil price increase and Everbright Securities' pending IPO. The market had fallen 55 percent from its record high in mid October.

Source: Xinhua