

State asset rules greeted

BY | FROM 上海证券报 | 2008-09-12 10:57

Legal experts welcomed new rules published on Wednesday on the punishment of managers of State-owned enterprises responsible for huge losses of State assets.

But the rules still need to be made more practicable in order to properly safeguard the assets, worth around 30 trillion yuan, they agreed.

Senior executives of China's 147 centrally administered State-owned enterprises (SOEs) will face a permanent ban from their management posts or even be kicked out of their company if found responsible for severe losses, the State-owned Assets Supervision and Administration Commission (SASAC) said in a statement.

Managers responsible for misconduct in areas such as procurement, sales, investment, guarantee, asset transfer and corporate restructuring will face measures including warnings, fines, demotion or even dismissal if their businesses run up severe losses.

The draft State asset law, reviewed for a second time by the nation's top legislature in June, stipulated that managers responsible for such major losses would be banned for life from taking up posts including board director, supervisory board member or high-ranking executive.

"Even if it is finally passed, the law can only set out some principles," said Li Shuguang, a law professor at China University of Politics and Law.

The new rules spell out 50 situations causing economic losses that will lead to the punishment of company executives, including irregular practices in daily operation.

Both direct and indirect losses will be calculated to assess executives' performance.

For example, if an executive, who is only entitled to make investments of up to 200 billion yuan, actually invests 500 billion yuan in a project, he would be punished according to the new rules, Li said.

"Some conduct is not so serious as to be subject to civil or penal clauses and the new rules will deal with these."

"Someone must be held responsible for the loss of State assets," he said.

Former executives cannot escape liability if they are found responsible for the losses after they leave their posts, according to the rules.

The rules, however, do not clarify who should have the power to punish - it is not clear whether it is the corporate board or SASAC, said Zhang Huiming, a researcher with Fudan University's corporate research institute.

China recently cut the number of its centrally administered State enterprises to 147 after two rounds of restructuring.(China Daily)

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