Securities regulator raises refinancing threshold

China's securities regulator on Thursday said publicly-traded companies must pay dividends in cash rather than stock over three years before submitting their refinancing applications.

The move could help to encourage long-term investment and reduce market volatility, the China Securities Regulatory Commission (CSRC) said.

The benchmark Shanghai Composite Index has plunged 66 percent from its record high last October.

In a new regulation stipulating cash dividend payment by listed companies, the CSRC said: "The listed firms, if applying for refinancing, must pay dividends in cash totaling no less than 30 percent of its distributed profits over the past three years."

The regulation went into effect on Thursday.

In the draft version released in August, companies were allowed to pay dividends either in cash or stock.

The listed firms were also ordered to reveal their cash dividend policies and previous cash dividend data to investors in their annual reports to improve transparency.

"The listed company should give reasons why it failed to pay a cash dividend if it is able to and where the money goes," according to the rule.

Cash dividends could offer stable investment returns and prompt large institutional investors to reduce speculation on the secondary market, the regulator said.

A couple of huge refinancing plans earlier this year triggered a market plunge on concerns over stake dilution and liquidity stress.

In a separate regulation on share buy-back, also effective on Thursday, the CSRC said it allowed a cash dividend payment when the controlling shareholders bought stocks on the secondary market.

Such action was banned in the draft version released in late September to solicit public opinion.

Share buy-back through bidding at stock exchanges also no longer needs regulatory approval.

The CSRC added it would continue to revise the rules on stock buy-back and also give consideration to repurchase through agreement or tender offer.

(For more biz stories, please visit ***Industries***)