China to impose stricter checks on listed companies

The China Securities Regulatory Commission (CSRC) said Friday it would conduct more checks of listed companies in a bid to avoid malpractice in stock trading.

Majority shareholders of listed companies, relevant parties involved in mergers and acquisitions and securities brokers would all be subject to examinations, the CSRC said in a draft revision.

In the past, local regulators would only examine listed companies when monitoring stock trading practices, according to regulation published in 2001.

CSRC also said future examination would focus on corporate governance and information disclosure of listed companies, in order to avoid insider trading and price manipulation to protect the interests of small investors.

Also Friday, the regulator announced huge fines for companies and individuals for profiteering from stock price manipulation.

Wang Jianzhong, legal representative of Beijing Shoufang Investment Consulting, was fined 125 million yuan ($18.3 million), the same amount he earned through price rigging from January 2007 to May of this year, according to the commission. Illegal earnings would also be confiscated.

A Wuhan-based Xinlande investment consulting company in central China received a penalty of 7.35 million yuan for price manipulation. The company earned the same amount of money from malpractice in 2007.

In both cases, the person or company bought certain shares in advance before trying to push stock prices higher by recommending these stocks to investors. They could then sell the stocks and profit from the price margin.

The commission also said a couple was fined 300,000 yuan for not disclosing information promptly, as they were obliged to according to a securities regulation, after they bought more than five percent of a company's shares in June last year.

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