

GEB rules to take effect on July 1, but uncertainties remain

China's Shenzhen Stock Exchange issued the final version of the listing regulations for the growth enterprise board (GEB), on June 5, which will take effect on July 1, but experts doubt if the market will be opened up by then.

Compared with the draft, the newly issued rules focus more on certain aspects concerning information disclosure of the to-be listed companies and have made several amendments about promoting efficiency, market supervision and protection of investors' benefits.

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At present there exists an expectation that the IPOs on the A-share market, which have been suspended since September 2008, will be opened up before the GEB.

The China Securities Regulatory Commission (CSRC) recently said it would end the suspension as of June 5, but early market anticipation of the time for the A-share market IPOs to restart is September 2009, which is two months behind the rules coming into effect.

Apart from the unscheduled date for the GEB's opening, companies will also need time to prepare for going public.

"Once the rules take effect, investment banks can start handing in materials to relative departments. But the process from handing in materials to finally going public on the GEB will take at least two to three months," said a brokerage trader.

According to Cao Fengqi, head of the finance and securities research center at Peking University, the measure of listing in batches should probably be taken to speed up the pace of going public on the GEB.

Listing in batches will need the supervision of the market, enterprises, investors and the bourse over the quality of the companies to be listed. "If companies can't be listed in batches on the GEB, the existence of this market won't be helpful to the large number of cash-starved high-potential companies," Cao added.

Commenting on the threshold of entering the GEB, which was considered by many as too high, Zhou Kejun, an analyst with Guosen Securities, said it's appropriate and investment banks consider "sound performance" as the top requirement for the first batch of companies to be listed on the GEB.

"The first 30 to 50 companies listed on the GEB should have very strong operations and be of a smaller scale than that of the small and medium-sized enterprises (SMEs) board," Zhou was quoted by China Business News as saying. "Over time the GEB will become a paradise for start-up companies."

Cao also warned against excessive speculation on the GEB on its first trading day.

"Excessive speculation will harm the market as well as small shareholders," Cao said.

Chen Hongqiao, deputy general manager of the Shenzhen Stock Exchange said the bourse has been instructing investors about the new board in the past two months and have made ample preparation for the launch.

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