

## **SSE Issues Work Guide for Continuous Supervision over Listed Companies (2009-07-30)**

The Shanghai Stock Exchange (SSE) has recently issued the "SSE Work Guide for Continuous Supervision over Listed Companies" (Work Guide) to standardize sponsors and financial advisors' continuous supervision over listed companies' securities issuance, merger, acquisition and reorganization, equity division reform and listing resumption.

With the deepening of the standardized development of the securities market in recent years, intermediaries' duties were increased. Sponsors or financial advisors' continuous supervision is needed after listed companies' IPO, securities issuance, merger, acquisition and reorganization, equity division reform and listing resumption. The continuous supervision over listed companies and relevant parties concerned conducted by sponsors and financial advisors includes the supervision and guidance on listed companies' information disclosure and corporate governance and relevant shareholders' fulfillment of promises. The quality of their continuous supervision has a direct influence on the quality and level of listed companies' information disclosure and corporate governance as well as investors' lawful rights and interests. The "Work Guide" is formulated based on the supervision experience and previous research with a view to standardizing sponsors and financial advisors' continuous supervision.

The "Work Guide", summarizing present regulations on sponsors and financial advisors' continuous supervision, facilitates sponsors and financial advisors' overall knowledge of requirements regarding continuous supervision. For example, the "Work Guide" stipulates that sponsors and financial advisors should submit annual and final reports on continuous supervision to the SSE on a regular basis. Meanwhile, it sets down specific rules on issues existing in current continuous supervision practices. For instance, for shareholders who make promises for minimum prices for shareholding lessening in the equity division reform, sponsors of reform should work out continuous supervision plans together with relevant shareholders and their designated securities business departments for trading to leverage technical means to ensure that relevant shareholders will not break their promises.

Concerning sponsors and financial advisors' possible failure in due diligence, the "Work Guidance" specifies relevant supervision measures including interviewing, issuing supervisory attention letter, etc. For serious violations, the "Work Guidance" says that the SSE may circulate its criticism and make public censure towards relevant sponsors and their representatives of sponsor, financial advisors and principals.

According to an SSE official, in the next stage, the SSE will, based on the practical experience of sponsors and financial advisors, detail the content and format of annual and final reports on continuous supervision.

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