

Restrictions set for top management of listed SMEs

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The Shenzhen Stock Exchange (SZSE) and China Securities Depository and Clearing Corp. Shenzhen Branch yesterday jointly issued the Notice on Further Regulating Stock Trading by Directors, Supervisors and Top Management of Companies Listed on the SME Board. The Notice was targeted at the behaviors of a few directors and supervisors of listed SMEs who cut substantial holdings of the shares of the companies after they left their post.

The Notice reiterated requirements of the CSRC and SZSE for directors and supervisors of listed SMEs to trade shares of the companies, and set out further stipulations on share disposal by these directors and supervisors after they quit and on the share trading conducted by the spouses of the directors and supervisors.

Some senior management of listed companies, especially a few directors and supervisors sold large quantities of the company's shares, which aroused wide concern. However, such actions were not common with listed firms on the Small and Medium-sized Enterprises (SME) board. Shares held by the directors and supervisors of these companies account for a small percentage of the total equity, and as a result their disposal had barely affected the price of the shares as well as related production and operation.

Nevertheless, there are still some problems concerning the stock trading conducted by directors and supervisors of the listed SMEs. Firstly, a few directors and supervisors bought in and sold out shares of the company or conducted short-term transactions at a sensitive time just before the regular reports were disclosed; Secondly, the spouses of some directors and supervisors conducted frequent share trading during sensitive window periods; Thirdly, some of the directors and supervisors quit their job in order to sell their shares and shield off supervision, which may generate negative influence on the company's normal operations.

To address such problems, the SZSE yesterday issued the Notice and imposed relevant requirements on directors and supervisors of listed firms in a bid to further regulate share trading by the directors and supervisors.

The Notice requires listed firms to strengthen internal control and education on stock trading for directors and supervisors, set up special management rules on share trading by their directors and supervisors, urge directors and supervisors who intend to trade shares to inform the board secretary of the trading in a written form.

Listed companies shall disclose the status of share trading conducted by their directors and supervisors within the report period, and disclose in time the short-term transactions conducted by directors and supervisors through public statements.

The directors and supervisors of the listed SMEs shall promise that they will not trade more than 50% of the total shares they hold within 12 months after they have applied for job quitting since six months ago. In addition, listed SMEs shall add relevant clauses to their articles of association.

In case there are directors and supervisors who dispose of their shares after leaving their posts and then once more take up their previous posts, the listed companies shall report to the SZSE in written forms the status of the share trading and the reason of reemployment. The proposal shall not be submitted to the board of directors or shareholders' general meeting until the SZSE voices no objection.

The spouses of the directors and supervisors of listed companies shall not trade the company's shares during the sensitive window period.

A SZSE official said the SZSE would enhance the supervision of stock trading conducted by directors and supervisors of the listed SMEs in a bid to fully protect the legitimate interests of investors and boost the stable and sound development of the SME board.

