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China enhances regulation of funds, securities dealers

China's securities watchdog on Monday required fund companies to make their information release more transparent and rolled out a draft regulation on brokers, its latest moves to boost the healthy development of the country's stock market.

The information of stock-oriented funds, such as their periodic results, would be regularly publicized on the website of the China Securities Regulatory Commission (CSRC), according to a standard format in the eXtensible Business Reporting Language (XBRL), starting from January 1 next year, the CSRC said in a statement on Monday night.

"The move was to further improve the quality of information release by fund companies," said the CSRC.

The new rule was expected to help third-party agencies to appraise and supervise the management of fund companies. Previously it was difficult for a third party to collect and analyze the first-hand information of funds, which was not available to all.

Meanwhile, the CSRC said a new regulation on securities brokers would prohibit them from surpassing their authority by manipulating customers' accounts or providing investment counseling.

The dealers would also be forbidden to "offer or spread false, misleading information", or "tempt customers to make unnecessary deals," said the CSRC. Nor could they make agreements on sharing investment proceeds with customers, or promise gains or compensation for losses.

"It was aimed at protecting the legal interests of fund investors and ward off risks caused by ill regulation of securities dealers," said the CSRC in a separate statement.

The watchdog's actions were part of China's recent efforts to straighten out the stock market order and lay a sound foundation for a long-term development.

The CSRC announced earlier it would raise the refinancing threshold for listed companies, saying the dividend they pay to shareholders in the recent three years should be no less than 30 percent of its distributed profits, compared with the previous set line of 20 percent.

Refinancing plans of listed companies had led to share price declines and complaints in China as liquidity concerns loomed over the stock market. Investors also blamed their losses on insider trading and opacity of fund companies.

Last week, a draft amendment to the Criminal Law was submitted to China's top legislature, stating that employees of financial institutes will face criminal prosecution for insider trading. Currently there were no relevant provisions in the Criminal Law.

China's benchmark Shanghai Composite Index has shed more than 60 percent from its peak in mid October last year.

In the first half, 364 funds in the country incurred a record loss of 1.08 trillion yuan ($154 billion), more than 90 percent coming from stock-oriented or hybrid funds, according to statistics from the TX Investment Consulting Co.

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