

Listed companies to transfer State-owned shares to Social Security Fund

Some listed Chinese companies will have to transfer part of their State-owned shares to the National Social Security Fund (NSSF) as the country prepares for an aging society, the government said Friday.

The measure applies to 131 state-controlled companies that have listed on domestic stock exchanges. Their current market capitalization is 63.93 billion yuan (\$9.35 billion), according to the Ministry of Finance. No list of companies was released, however, nor was any date provided for the transfer.

The policy also applies to companies that will list in the future.

Shares transferred to the NSSF must amount to 10 percent of the total in the initial public offerings, under a State Council (cabinet) decision.

If the amount of State-owned shares is not sufficient to meet the 10-percent requirement, the company must transfer all State-owned shares that it holds, according to the Ministry of Finance (MOF) and China Securities Regulatory Commission.

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The move was part of an effort to finance the social security system and the retirement of the aging population, the government said.

"The new rule is of great significance to our society and will help bolster our social security system," said Zhao Xijun, a finance professor at China Renmin University.

"The combination of runaway investment but weak consumption reflects our inadequate social security system. It is good news for the fund, which desperately needs capital and support," he said.

According to the MOF, the NSSF would not only inherit the lock-up period of the transferred shares but extend the period by another three years.

The extended lock-up period would boost investor confidence and aid the long-term stable and healthy development of the securities market, said the government.

"The lock-up period extension will mitigate the impact of the mounting liquidity," Zhao said.

The MOF also said the NSSF would be entitled to trade the equities and retain any gains after the shares were transferred. However, it would not have the right to interfere in the companies' operations. The MOF also said it would arrange for audits of the fund's use of the shares.

Last year, the NSSF reported its first annual loss since its founding eight years ago, losing 6.79 percent on its investments. Chinese shares had plunged nearly 70 percent in a year.

Realized gains in 2008 stood at 23.36 billion yuan, against a nominal loss of 102.1 billion yuan.

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