Provisions of the State Council on Regulating the Provision of Services by Intermediaries for Companies' Public Issuance of Stocks of China (the PRC)

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

Adopted at the 49th executive meeting of the State Council on December 23, 2024; promulgated by Order No. 798 of the State Council of the People's Republic of China on January 10, 2025.
Effective: February 15, 2025

Article 1 — These Provisions are formulated to standardize the conduct of intermediary institutions in providing services for the public issuance of stocks by companies, improve the quality of listed companies, protect the lawful rights and interests of investors, and promote the sound and stable development of the capital market.

Article 2 — These Provisions apply to activities such as the collection of fees by securities companies, accounting firms, law firms and other institutions (hereinafter collectively referred to as "intermediary institutions") for providing services for the public issuance of stocks by companies within the territory of the People's Republic of China.

Article 3 — When providing services for the public issuance of stocks by companies, intermediary institutions shall follow the principles of honesty and good faith, diligence and conscientiousness, and independence and objectivity, and shall be staffed with practitioners possessing commensurate professional competence and qualifications, and establish effective risk control systems such as conflict-of-interest review.

Article 4 — When providing services for the public issuance of stocks by companies, intermediary institutions may not commit unlawful or irregular acts such as cooperating with companies to carry out financial fraud, fraudulent issuance or irregular information disclosure, and the documents they prepare or issue may not contain false records, misleading statements or major omissions.

Article 5 — Intermediary institutions shall follow the principle of market orientation and reasonably determine charging standards in light of factors such as workload and the input of required resources, and agree on the charging arrangements with the issuer in the contract.

Article 6 — A securities company engaging in sponsorship business may collect service fees in stages according to the progress of the work, but whether to charge and how much to charge may not be conditioned on the result of the public issuance and listing of stocks.

A securities company engaging in underwriting business shall comply with the provisions of the securities regulatory authority of the State Council, comprehensively assess factors such as project costs in collecting service fees, and may not increase the charging ratio progressively in accordance with the scale of issuance.

Article 7 — An accounting firm performing audit business may collect service fees in stages according to the progress of the work, but whether to charge and how much to charge may not be conditioned on the audit result or the result of the public issuance and listing of stocks.

Article 8 — Where a law firm provides services for the public issuance of stocks by a company, the fees shall be collected uniformly by the law firm and shall conform to the relevant provisions of the judicial administrative and other departments of the State Council on the charging of lawyer service fees.

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Article 9 — An intermediary institution and its practitioners may not engage in any of the following circumstances:

(1) collecting fees beyond what is agreed upon in the contract, or disguisedly raising charging standards by means such as temporary price increases;

(2) evading regulation in collecting service fees by means such as signing supplementary agreements or making separate arrangements, or adjusting the collection of service fees among different businesses in violation of provisions;

(3) acquiring shares in violation of provisions, or seeking improper benefits by means such as obtaining reward fees for the public issuance and listing of stocks;

(4) other acts of charging or disguised charging in violation of State provisions.

Article 10 — Local people's governments at various levels may not grant rewards to issuers or intermediary institutions conditioned on the result of the public issuance and listing of stocks.

Article 11 — When applying for the public issuance of stocks, an issuer shall set forth in detail, in the prospectus or other relevant information disclosure documents submitted, information such as the charging standards and amounts of various intermediary services and the issuer's fee payment arrangements.

Article 12 — The securities regulatory, finance, judicial administrative and other departments shall strengthen information communication, coordination and cooperation, and, in accordance with the division of duties, strengthen supervision over the practice conduct of intermediary institutions in accordance with law; where necessary, they may take measures such as joint on-site inspections and investigate and punish unlawful or irregular acts in accordance with law.

Article 13 — Where an intermediary institution violates these Provisions, the securities regulatory, finance, judicial administrative, market regulatory and other departments shall, in accordance with the division of duties, order correction, give a warning, confiscate illegal gains, and may concurrently impose a fine of not less than one time and not more than ten times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 100,000, a fine of not less than RMB 100,000 and not more than RMB 1 million may be concurrently imposed; the directly responsible management personnel and other directly responsible personnel shall be given a warning and may be concurrently fined not less than RMB 100,000 and not more than RMB 1 million. Where laws provide otherwise, such provisions shall prevail.

Where practitioners of an intermediary institution violate Article 9 of these Provisions, the securities regulatory, finance, judicial administrative and other departments shall, in accordance with the division of duties, order correction, give a warning, confiscate illegal gains, and may concurrently impose a fine of not less than one time and not more than ten times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 100,000, a fine of not less than RMB 100,000 and not more than RMB 1 million may be concurrently imposed; where the circumstances are serious, suspension from engaging in the relevant business for a period of not less than one month and not more than one year may be concurrently imposed. Where laws provide otherwise, such provisions shall prevail.

Article 14 — Where an issuer violates Article 11 of these Provisions, the securities regulatory authority shall order correction, give a warning, and may concurrently impose a fine of not less than RMB 100,000 and not more than RMB 1 million; the directly responsible management personnel and other directly responsible personnel shall be given a warning and may be concurrently fined not less than RMB 100,000 and not more than RMB 1 million. Where the controlling shareholders or actual controllers of the issuer organize or direct the commission of the aforesaid unlawful acts, or conceal relevant matters causing the occurrence of the aforesaid circumstances, a fine of not less than RMB 100,000 and not more than RMB 1 million shall be imposed; the directly responsible management personnel and other directly responsible personnel shall be given a warning and fined not less than RMB 100,000 and not more than RMB 1 million concurrently.

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Article 15 — The securities regulatory authority of the State Council shall, in accordance with law, incorporate the compliance of intermediary institutions with these Provisions into the securities market integrity archives.

Article 16 — From the date of implementation of these Provisions, where local people's governments at various levels have granted rewards to issuers or intermediary institutions in violation of Article 10 of these Provisions, such rewards shall be recovered, and the relevant authorities shall impose sanctions in accordance with law on the responsible leaders and directly responsible personnel.

Article 17 — Where intermediary institutions provide services for the public issuance of depositary receipts or corporate bonds convertible into stocks by companies, these Provisions shall apply by reference.

Article 18 — The securities regulatory, finance, judicial administrative and other departments of the State Council may formulate implementation measures in accordance with these Provisions.

Article 19 — These Provisions shall come into force as of February 15, 2025.

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