Regulations on the Risk Disposal of Securities Companies of the People’s Republic of China

Dan Young Business Consultancy — www.danyoungcpa.com

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Promulgated by Order No. 523 of the State Council of the People’s Republic of China on April 23, 2008; revised for the first time in accordance with the Decision of the State Council on Amending Certain Administrative Regulations on February 6, 2016; revised for the second time in accordance with the Decision of the State Council on Amending and Repealing Certain Administrative Regulations on July 20, 2023.
Effective: July 20, 2023.

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Chapter I — General Provisions

Article 1 — These Regulations are formulated in accordance with the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”) and the Enterprise Bankruptcy Law of the People’s Republic of China (hereinafter referred to as the “Enterprise Bankruptcy Law”) for the purposes of controlling and resolving the risks of securities companies, protecting the lawful rights and interests of investors and the public interest, and safeguarding the sound development of the securities industry.

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Article 2 — The securities regulatory authority of the State Council shall, in accordance with law, organize, coordinate and supervise the risk disposal work of securities companies.

Article 3 — The securities regulatory authority of the State Council shall, jointly with the People's Bank of China, the finance department of the State Council, the public security department of the State Council, other financial regulatory authorities of the State Council and the provincial-level people's governments, establish a coordination, cooperation and rapid response mechanism for the disposal of the risks of securities companies.

Article 4 — In the course of disposing of the risks of a securities company, the relevant local people's governments shall take effective measures to maintain social stability.

Article 5 — In the course of disposing of the risks of a securities company, the normal operation of the securities brokerage business shall be guaranteed.

Chapter II — Suspension for Rectification, Trusteeship, Takeover and Administrative Reorganization

Article 6 — Where the securities regulatory authority of the State Council discovers that a securities company has a major risk, it may dispatch an on-site risk monitoring working group to carry out a special inspection of the securities company, monitor its operational and management activities such as the allocation of funds, disposal of assets, deployment of personnel, use of seals, and conclusion and performance of contracts, and promptly notify the relevant local people's governments of the situation.

Article 7 — Where the risk control indicators of a securities company fail to comply with the relevant provisions and rectification is not completed within the prescribed time limit, the securities regulatory authority of the State Council may order the securities company to suspend part or all of its business for rectification. The period of suspension for rectification shall not exceed three months.

Where the securities brokerage business is ordered to be suspended for rectification, the securities company may, within the prescribed time limit, entrust its securities brokerage business to a securities company recognized by the securities regulatory authority of the State Council for management, or transfer its clients to another securities company. Where the securities company fails to entrust the securities brokerage business or transfer clients as required within the time limit, the securities regulatory authority of the State Council shall transfer the clients to another securities company.

Article 8 — Where a securities company has any of the following circumstances, the securities regulatory authority of the State Council may place its securities brokerage business and other client-related business under trusteeship; where the circumstances are serious, it may take over the securities company:

(1) its governance is disordered and management is out of control;

(2) it has misappropriated client assets and is unable to make restitution on its own;

(3) it has repeatedly defaulted on settlement in securities trading and clearing, or the amount of default on settlement is relatively large;

(4) its risk control indicators fail to comply with provisions and a major financial crisis has occurred; or

(5) other circumstances that may affect the sustainable operation of the securities company.

Article 9 — Where the securities regulatory authority of the State Council decides to place the securities brokerage business and other client-related business of a securities company under trusteeship, it shall, in accordance with prescribed procedures, select a securities company or other professional institution to establish a trusteeship group, which shall exercise the operational and management rights over the securities brokerage business and other client-related business of the entrusted securities company.

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The trusteeship group shall, from the date of trusteeship, perform the following duties:

(1) guaranteeing the normal and compliant operation of the securities company's securities brokerage business and, where necessary, advancing operating funds and client transaction settlement funds in accordance with provisions;

(2) taking effective measures to maintain the safety of client assets during the trusteeship period;

(3) verifying the risks of the securities company, promptly reporting emergencies arising in business operations to the securities regulatory authority of the State Council, and proposing solutions; and

(4) other duties required by the securities regulatory authority of the State Council.

The trusteeship period shall generally not exceed 12 months. Where, after the expiry of 12 months, it is truly necessary to continue the trusteeship, the securities regulatory authority of the State Council may decide to extend the trusteeship period, but the extension shall not exceed 12 months.

Article 10 — The entrusted securities company shall bear the trusteeship fees and the operating expenses during the trusteeship period. The securities regulatory authority of the State Council shall examine and verify the trusteeship fees and the operating expenses during the trusteeship period.

The trusteeship group shall not bear the losses of the entrusted securities company.

Article 11 — Where the securities regulatory authority of the State Council decides to take over a securities company, it shall, in accordance with prescribed procedures, organize professionals to establish a takeover group, which shall exercise the operational and management rights of the taken-over securities company. The head of the takeover group shall exercise the functions and powers of the legal representative of the taken-over securities company, and the shareholders' meeting or shareholders' assembly, the board of directors, the board of supervisors, and the managers and deputy managers of the taken-over securities company shall cease to perform their duties.

The takeover group shall, from the date of takeover, perform the following duties:

(1) taking over the property, seals, account books, documents and other materials of the securities company;

(2) deciding on the management affairs of the securities company;

(3) guaranteeing the normal and compliant operation of the securities company's securities brokerage business and improving its internal control system;

(4) checking the property of the securities company and preserving and recovering assets in accordance with law;

(5) controlling the risks of the securities company and proposing risk resolution plans;

(6) verifying the illegal acts of the relevant personnel of the securities company; and

(7) other duties required by the securities regulatory authority of the State Council.

The takeover period shall generally not exceed 12 months. Where, after the expiry of 12 months, it is truly necessary to continue the takeover, the securities regulatory authority of the State Council may decide to extend the takeover period, but the extension shall not exceed 12 months.

Article 12 — Where a securities company has major risks but satisfies the following conditions, the securities regulatory authority of the State Council may carry out administrative reorganization of it:

(1) its financial information is true and complete;

(2) the provincial-level people's government or the relevant parties render support; and

(3) its rectification measures are concrete and it has a feasible reorganization plan.

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A securities company that has been suspended for rectification or placed under trusteeship or takeover may also be subject to administrative reorganization by the securities regulatory authority of the State Council if it satisfies the conditions prescribed in the preceding paragraph.

Article 13 — The administrative reorganization of a securities company may be carried out by means of capital injection, equity reorganization, debt reorganization, asset reorganization, merger or other means.

The administrative reorganization period shall generally not exceed 12 months. Where, after the expiry of 12 months, the administrative reorganization has not been completed, the securities regulatory authority of the State Council may decide to extend the administrative reorganization period, but the extension shall not exceed six months.

The securities regulatory authority of the State Council shall coordinate and guide the administrative reorganization of securities companies.

Article 14 — Where the securities regulatory authority of the State Council makes a disposal decision ordering a securities company to suspend business for rectification or subjecting it to trusteeship, takeover or administrative reorganization, it shall announce the decision and post the announcement at the business premises of the disposed securities company.

The disposal decision shall include the name of the disposed securities company, the disposal measures, the causes and the scope, and other relevant matters.

The date of announcement of the disposal decision shall be the disposal date, and the disposal decision shall take effect from the time of announcement.

Article 15 — Where a securities company is ordered to suspend business for rectification or is subject to trusteeship, takeover or administrative reorganization, its credit and debt relationships shall not change as a result of the disposal decision.

Article 16 — Where a securities company reaches the conditions for normal operation within the prescribed time limit after suspension for rectification, trusteeship, takeover or administrative reorganization, it may, upon approval of the securities regulatory authority of the State Council, resume normal operation.

Article 17 — Where a securities company still fails to reach the conditions for normal operation within the prescribed time limit after suspension for rectification, trusteeship, takeover or administrative reorganization, but is able to pay off its due debts, the securities regulatory authority of the State Council shall revoke its securities business license in accordance with law.

Article 18 — A securities company whose securities business license has been revoked shall cease to operate securities business and shall, in accordance with the principle of client voluntariness, place its clients with other securities companies. In the course of placement, the relevant parties shall take necessary measures to guarantee the normal conduct of client securities transactions.

Where a securities company whose securities business license has been revoked has clients that have not been placed, the securities regulatory authority of the State Council may, by analogy with Chapter III of these Regulations, establish an administrative liquidation group to clear accounts, place clients and transfer securities assets.

Chapter III — Revocation

Article 19 — Where a securities company simultaneously has the following circumstances, the securities regulatory authority of the State Council may directly revoke the securities company:

(1) its illegal operation is especially serious and it has a huge operational risk;

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(2) it is unable to pay off its due debts, and its assets are insufficient to pay off all its debts or it is obviously lacking in solvency; and

(3) it is necessary to draw on the securities investor protection fund.

Article 20 — Where a securities company still fails to reach the conditions for normal operation within the prescribed time limit after suspension for rectification, trusteeship, takeover or administrative reorganization, and has the circumstances prescribed in item (2) or item (3) of Article 19 of these Regulations, the securities regulatory authority of the State Council shall revoke the securities company.

Article 21 — Where the securities regulatory authority of the State Council revokes a securities company, it shall make a revocation decision and, in accordance with prescribed procedures, select a law firm, an accounting firm or other professional institution to establish an administrative liquidation group to carry out administrative liquidation of the securities company.

The revocation decision shall be announced, the date of announcement of the revocation decision shall be the disposal date, and the revocation decision shall take effect from the time of announcement.

Where the securities regulatory authority of the State Council has already carried out administrative liquidation of a securities company before these Regulations take effect, the date of announcement of the administrative liquidation shall be the disposal date.

Article 22 — During the administrative liquidation period, the head of the administrative liquidation group shall exercise the functions and powers of the legal representative of the revoked securities company.

The administrative liquidation group shall perform the following duties:

(1) managing the property, seals, account books, documents and other materials of the securities company;

(2) clearing accounts, verifying assets and liabilities, and registering claims that comply with State provisions;

(3) assisting in screening, confirming and purchasing claims that comply with State provisions;

(4) assisting the securities investor protection fund management institution in making up the transaction settlement funds of clients;

(5) placing clients in accordance with the principle of client voluntariness;

(6) transferring securities assets; and

(7) other duties required by the securities regulatory authority of the State Council.

For the purposes of the preceding paragraph, “securities assets” means the computer information management systems, trading systems, communication network systems, trading seats and other assets necessary for maintaining the normal operation of the securities brokerage business of a securities company.

Article 23 — The shareholders’ meeting or shareholders’ assembly, the board of directors, the board of supervisors, and the managers and deputy managers of a revoked securities company shall cease to perform their duties.

During the administrative liquidation period, the shareholders of the revoked securities company shall not organize liquidation on their own or participate in the administrative liquidation work.

Article 24 — During the administrative liquidation period, the securities brokerage business and other client-related business of the revoked securities company shall be placed under trusteeship by a securities company or other professional institution selected by the securities regulatory authority of the State Council in accordance with prescribed procedures.

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Article 25 — Where the assets, personnel, finance or business of an affiliated company established or actually controlled by a securities company are mixed with those of the revoked securities company, the affiliated company shall, upon examination and approval of the securities regulatory authority of the State Council, be brought into the scope of administrative liquidation.

Article 26 — The credit and debt relationships of a securities company shall not change as a result of its revocation.

From the date of revocation of the securities company, interest shall cease to accrue on the debts of the securities company.

Article 27 — The results of the administrative liquidation group's clearing of the accounts of the revoked securities company shall be audited by an accounting firm qualified for securities and futures related business, and reported to the securities regulatory authority of the State Council for confirmation.

The administrative liquidation group shall, based on the account clearing results confirmed by the securities regulatory authority of the State Council, apply to the securities investor protection fund management institution for funds to make up the transaction settlement funds of clients.

Article 28 — The administrative liquidation group shall, within 10 days from the date of its establishment, announce the relevant matters that creditors need to register.

Creditors that comply with the relevant State provisions shall, within 90 days from the date of announcement, declare their claims to the administrative liquidation group with the relevant supporting materials, and the administrative liquidation group shall register them in accordance with provisions. Claims declared after the time limit without justifiable reasons shall not be registered.

Where a registered claim is screened and confirmed to comply with State purchase provisions, the administrative liquidation group shall promptly apply for purchase funds in accordance with the relevant State provisions and assist in the purchase; where it is screened and confirmed not to comply with State purchase provisions, the administrative liquidation group shall inform the declaring creditor.

Article 29 — The administrative liquidation group shall transfer securities assets among institutions qualified for securities business operation by public means such as bidding and public inquiry. The plan for the transfer of securities assets shall be submitted to the securities regulatory authority of the State Council for approval.

Article 30 — The administrative liquidation group shall not transfer assets other than securities assets, except for assets that are easily depreciated and may suffer losses or other circumstances truly for the protection of the interests of clients and creditors, subject to the approval of the securities regulatory authority of the State Council.

Article 31 — The administrative liquidation group shall not make individual payment of debts, except in the following circumstances for the protection of the interests of clients and creditors:

(1) debts arising from the administrative liquidation group requesting the counterparty to perform a contract the performance of which has not been completed by either party;

(2) normal expenses such as labor remuneration and social insurance expenses that should be paid to maintain normal business operation; and

(3) other expenses arising from the performance of duties by the administrative liquidation group.

Article 32 — For the protection of the interests of creditors, the administrative liquidation group may, upon approval of the securities regulatory authority of the State Council, apply to the people's court to dispose of and realize securities assets and other assets that were subject to compulsory measures such as sealing, seizure and freezing before disposal, and the funds realized shall be frozen.

Article 33 — The administrative liquidation expenses shall, upon examination and verification by the securities regulatory authority of the State Council, be paid at any time from the property of the disposed securities company.

For the purposes of the preceding paragraph, “administrative liquidation expenses” means the expenses required for the administrative liquidation group to manage and transfer the property of the securities company, and the expenses incurred by the administrative liquidation group in performing its duties and engaging professional institutions.

Article 34 — The administrative liquidation period shall generally not exceed 12 months. Where, after the expiry of 12 months, the administrative liquidation has not been completed, the securities regulatory authority of the State Council may decide to extend the administrative liquidation period, but the extension shall not exceed 12 months.

Article 35 — During the administrative liquidation period, the disposed securities company shall be exempt from administrative charges and taxes prescribed by administrative regulations, such as value-added tax and business tax.

Article 36 — Where a securities company is ordered by the securities regulatory authority of the State Council to be closed in accordance with law and administrative liquidation is required, the relevant provisions of this Chapter shall apply by analogy.

Chapter IV — Bankruptcy Liquidation and Reorganization

Article 37 — Where a securities company is revoked or closed in accordance with law and has the circumstances prescribed in Article 2 of the Enterprise Bankruptcy Law, after the administrative liquidation work is completed, the securities regulatory authority of the State Council or the administrative liquidation group entrusted by it may, in accordance with the relevant provisions of the Enterprise Bankruptcy Law, apply to the people’s court for bankruptcy liquidation of the revoked or closed securities company.

Article 38 — Where a securities company has the circumstances prescribed in Article 2 of the Enterprise Bankruptcy Law, the securities regulatory authority of the State Council may directly apply to the people’s court for reorganization of the securities company.

A securities company or its creditors may, in accordance with the relevant provisions of the Enterprise Bankruptcy Law, apply to the people’s court for bankruptcy liquidation or reorganization of the securities company, but shall report the matter to the securities regulatory authority of the State Council for approval in accordance with Article 122 of the Securities Law.

Article 39 — For a securities company for which it is unnecessary to draw on the securities investor protection fund, the securities regulatory authority of the State Council shall revoke its securities business license before approving bankruptcy liquidation. The securities company shall, in accordance with Article 18 of these Regulations, cease to operate securities business and place its clients.

For a securities company for which it is necessary to draw on the securities investor protection fund, the securities regulatory authority of the State Council shall not approve the application for bankruptcy liquidation by the securities company or its creditors, and shall revoke the securities company in accordance with Chapter III of these Regulations and carry out administrative liquidation.

Article 40 — Where the people’s court rules to accept an application for reorganization or bankruptcy liquidation of a securities company, the securities regulatory authority of the State Council may recommend candidates for the administrator to the people’s court.

Article 41 — Where a securities company undergoes bankruptcy liquidation, the administrator may directly register the claims that were registered during the administrative liquidation and do not comply with State purchase provisions.

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Article 42 — Where the people's court rules to reorganize a securities company, the securities company or the administrator shall simultaneously submit the draft reorganization plan to the creditors' meeting, the securities regulatory authority of the State Council and the people's court.

Article 43 — Within 10 days from the date the draft reorganization plan is adopted by all voting groups of the creditors' meeting, the securities company or the administrator shall apply to the people's court for approval of the reorganization plan. Where the reorganization plan involves the relevant matters prescribed in Article 122 of the Securities Law, the securities company or the administrator shall simultaneously apply to the securities regulatory authority of the State Council for approval of the relevant matters, and the securities regulatory authority of the State Council shall make a decision on approval or non-approval within 15 days from the date of receipt of the application.

Article 44 — Where some voting groups of the creditors' meeting do not adopt the draft reorganization plan, but the draft reorganization plan satisfies the conditions prescribed in paragraph 2 of Article 87 of the Enterprise Bankruptcy Law, the securities company or the administrator may apply to the people's court for approval of the draft reorganization plan. Where the draft reorganization plan involves the relevant matters prescribed in Article 122 of the Securities Law, the securities company or the administrator shall simultaneously apply to the securities regulatory authority of the State Council for approval of the relevant matters, and the securities regulatory authority of the State Council shall make a decision on approval or non-approval within 15 days from the date of receipt of the application.

Article 45 — An approved reorganization plan shall be executed by the securities company, and the administrator shall be responsible for supervision. Upon the expiry of the supervision period, the administrator shall submit a supervision report to the people's court and the securities regulatory authority of the State Council.

Article 46 — Where the relevant matters of the reorganization plan fail to obtain the approval of the securities regulatory authority of the State Council, or the reorganization plan fails to obtain the approval of the people's court, the people's court shall rule to terminate the reorganization procedure and declare the securities company bankrupt.

Article 47 — Where the reorganization procedure is terminated and the people's court declares the securities company bankrupt, the securities regulatory authority of the State Council shall make a revocation decision on the securities company, and the people's court shall organize bankruptcy liquidation in accordance with the provisions of the Enterprise Bankruptcy Law. Matters involving taxation shall be handled in accordance with the Enterprise Bankruptcy Law and the Law of the People's Republic of China on the Administration of Tax Collection.

Where the people's court considers that administrative liquidation should be carried out for the securities company, the securities regulatory authority of the State Council shall, by analogy with Chapter III of these Regulations, establish an administrative liquidation group to clear accounts, assist in screening, confirming and purchasing claims that comply with State provisions, assist the securities investor protection fund management institution in making up the transaction settlement funds of clients, and transfer securities assets.

Chapter V — Supervision and Coordination

Article 48 — The securities regulatory authority of the State Council shall, in the work of disposing of the risks of securities companies, perform the following duties:

(1) formulating risk disposal plans for securities companies and organizing their implementation;

(2) dispatching on-site risk disposal working groups to supervise and guide the disposed securities company, the trusteeship group, the takeover group, the administrative liquidation group, the administrator and other

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institutions and personnel participating in risk disposal;

(3) coordinating the stock exchange, the securities registration and clearing institution and the securities investor protection fund management institution to guarantee the normal operation of the securities brokerage business of the disposed securities company;

(4) filing and investigating cases of illegal acts of securities companies and imposing penalties;

(5) promptly notifying the public security organs and other authorities of situations suspected of constituting criminal offenses, and transferring cases suspected of constituting crimes in accordance with provisions; and

(6) notifying the relevant local people's governments of the risk status of securities companies and situations affecting social stability;

(7) other duties required by laws and administrative regulations.

Article 49 — Where, in the course of disposing of the risks of a securities company, a case suspected of constituting a crime is discovered and falls within the jurisdiction of the public security organs, the public security department of the State Council shall uniformly organize the investigation and handling in accordance with law. The relevant local people's governments shall render support and cooperation.

Where the on-site risk disposal working group, the administrative liquidation group and the administrator need to inquire about and copy materials relevant to their work from materials seized by the public security organs, the public security organs shall render support and cooperation. Where a securities company enters bankruptcy proceedings, the public security organs shall, in accordance with law, transfer the frozen case-related assets to the people's court accepting the bankruptcy case, and retain the necessary relevant evidence materials.

Article 50 — Where the securities regulatory authority of the State Council disposes of a securities company in accordance with Chapters II and III of these Regulations, it may apply to the people's court to suspend the civil litigation proceedings or execution proceedings in which the securities company or its branch offices are defendants, third parties or persons subject to execution.

Where the assets, personnel, finance or business of an affiliated company established or actually controlled by a securities company are mixed with those of the disposed securities company, the securities regulatory authority of the State Council may apply to the people's court to suspend the civil litigation proceedings or execution proceedings in which the affiliated company is a defendant, third party or person subject to execution.

During the period of the measures prescribed in the preceding two paragraphs, except for the circumstances prescribed in Article 31 of these Regulations, individual payment of the debts of the disposed securities company shall not be made.

Article 51 — Where a disposed securities company or its affiliated clients may transfer or conceal illegal funds or securities, or a securities company may make individual payment of debts in violation of these Regulations, the securities regulatory authority of the State Council may prohibit the transfer of funds and securities out of the relevant fund accounts and securities accounts.

Article 52 — The people's governments at the places where the disposed securities company and its branch offices are located shall, in accordance with the relevant State provisions, cooperate with the securities company risk disposal work, formulate plans for maintaining social stability, investigate, prevent and resolve destabilizing factors, and maintain the normal business order of the disposed securities company.

The people's governments at the places where the disposed securities company and its branch offices are located shall organize the personnel of relevant entities to establish individual claim screening and confirmation groups, and screen and confirm registered individual claims in accordance with State provisions.

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Article 53 — The securities investor protection fund management institution shall, in accordance with State provisions, purchase claims and make up the transaction settlement funds of clients.

The securities investor protection fund management institution may inspect the use of the securities investor protection fund.

Article 54 — The shareholders, actual controllers and creditors of a disposed securities company, and the institutions and personnel related to the disposed securities company, shall cooperate with the securities company risk disposal work.

Article 55 — The directors, supervisors and senior management personnel of a disposed securities company and other relevant personnel shall properly keep the property, seals, account books, documents and other materials and other articles of the securities company that they use and manage, hand them over to the trusteeship group, the takeover group, the administrative liquidation group or the administrator as required, and cooperate with the investigation work of the on-site risk disposal working group, the trusteeship group, the takeover group and the administrative liquidation group.

Article 56 — The trusteeship group, the takeover group and the administrative liquidation group, and securities companies ordered to suspend business for rectification or subject to trusteeship or administrative reorganization, shall report their work status to the securities regulatory authority of the State Council in accordance with provisions.

Article 57 — The trusteeship group, the takeover group and the administrative liquidation group and their staff shall be diligent and faithful in performing their duties.

Where the shareholders and creditors of a disposed securities company have evidence proving that the trusteeship group, the takeover group or the administrative liquidation group and their staff have failed to perform their duties in accordance with law, they may lodge a complaint with the securities regulatory authority of the State Council. Upon investigation and verification, the securities regulatory authority of the State Council shall order the trusteeship group, the takeover group or the administrative liquidation group and their staff to make corrections or replace them.

Article 58 — Institutions or personnel with any of the following circumstances shall be prohibited from participating in the work of disposing of the risks of securities companies:

(1) they have been subject to criminal penalties or are suspected of committing crimes and are under investigation or prosecution;

(2) they are suspected of serious illegal acts and are under investigation by an administrative department, or have been subject to administrative penalties for serious illegal acts within the past three years;

(3) they are still within the period of being prohibited from entering the securities market;

(4) their internal control is weak and there are major risks;

(5) they have an interest relationship with the disposal matters of the disposed securities company; or

(6) other circumstances under which the securities regulatory authority of the State Council determines it is inappropriate to participate in the work of disposing of the risks of securities companies.

Chapter VI — Legal Liability

Article 59 — Where the directors, supervisors and senior management personnel of a securities company bear primary responsibility for the disposal of the securities company and the circumstances are serious, measures prohibiting them from entering the securities market may be taken against them in accordance with provisions.

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Article 60 — Where the directors, supervisors and senior management personnel of a disposed securities company and other relevant personnel have any of the following circumstances, they shall be fined not less than one time but not more than two times their annual income; where the circumstances are serious, they shall be fined not less than two times but not more than five times their annual income, and measures prohibiting them from entering the securities market may be taken against them in accordance with provisions:

(1) refusing to cooperate with the on-site working group, the trusteeship group, the takeover group or the administrative liquidation group in performing their duties in accordance with law;

(2) refusing to hand over property, seals or materials such as account books and documents to the trusteeship group, the takeover group or the administrative liquidation group;

(3) concealing, destroying or forging relevant materials, or deliberately providing false information;

(4) concealing property, or transferring or disposing of property without authorization;

(5) obstructing the normal operational and management order and business operation of the securities company and inducing destabilizing factors; or

(6) other circumstances that obstruct the normal progress of the work of disposing of the risks of the securities company.

Where the controlling shareholder or actual controller of a securities company instigates the directors, supervisors or senior management personnel to commit the illegal acts prescribed in the preceding paragraph, the controlling shareholder or actual controller shall be given a heavier penalty in accordance with the provisions of the preceding paragraph.

Chapter VII — Supplementary Provisions

Article 61 — Where a securities company needs to be dissolved due to division, merger or the occurrence of dissolution causes prescribed in its articles of association, it shall file a dissolution application with the securities regulatory authority of the State Council, together with the reasons for dissolution and plans for the transfer of securities assets, the settlement of securities business and the placement of clients, and shall, upon approval of the securities regulatory authority of the State Council, be dissolved and liquidated in accordance with law, with the liquidation process subject to the supervision of the securities regulatory authority of the State Council.

Article 62 — The risk disposal of futures companies shall be handled with reference to these Regulations.

Article 63 — These Regulations shall be effective from the date of promulgation.

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