

Advantages and Problems of the Science and Technology Innovation Board

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ABSTRACT

The launch of science and Technology Innovation Board will help high-tech enterprises broaden financing channels, improve research and development capability and corporate governance level, and is of great significance to realize the organic integration of science and technology and capital, and implement the innovation driven development strategy. We should strengthen the construction of relevant supporting systems to guide enterprises to increase research and development investment, improve the quality of innovation, and promote the implementation of the national innovation driven development strategy.

KEYWORDS: *The Science and Technology Innovation Board; Superiority; question*

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INTRODUCTION

On July 22, 2019, the first batch of 25 companies listed on the science and technology innovation board, marking the formal implementation of the major reform of establishing the science and technology innovation board and pilot registration system. The establishment of science and technology innovation board and pilot registration system is an important measure to improve the construction of China's multi-level capital market system. The launch of science and technology innovation board is of great significance to lead the transformation of economic development to innovation driven, help the growth of science and technology innovation enterprises, and establish and improve the rules of capital market system.

1. INSTITUTIONAL ADVANTAGES AND CURRENT SITUATION OF SCIENCE AND TECHNOLOGY INNOVATION BOARD

Keep high-quality scientific and technological research and development enterprises with loose listing system advantages.

High quality technology enterprises such as Alibaba, Tencent and Xiaomi group have gone overseas for listing because they are not in line with the listing conditions in mainland China, which leads to the loss of high-quality technology enterprises resources. The scientific and technological innovation board is complementary with the main board, small and medium-sized board, and gem. The scientific and technological innovation board has the system advantage by positioning the core competitiveness of enterprises directly (Gangming Wu, 2020).

The science and technology innovation board has relaxed the standards for the types of listed enterprises. The technology innovation board allows enterprises with the same shares and different rights to be listed in accordance with the Listing Rules of Shanghai Stock Exchange and a set of listing standards, so as to ensure that the control of the founding team or the core management team over the company can still be guaranteed after repeated financing. For example, enterprises with special voting structure can log on to the technology innovation board and become the first shares with different rights of a shares; According to overseas listing or not, red chip enterprises are allowed to be listed according to different regulations. Overseas listed red chip enterprises can issue depository receipts to be listed on the science and technology innovation board. Overseas unlisted enterprises can issue stocks or depository receipts to be listed on the science and technology innovation board. For example, China resources micro becomes the first red chip of A-share, and red chip SMIC international returns to be listed on the science and technology innovation board. It takes only 18 days from acceptance to meeting, Set a record for the fastest meeting; The technology innovation board also allows loss making enterprises to be listed. The technology innovation board does not stipulate the net profit. Many technology innovation enterprises are in the research and development stage when they apply for listing. For example, Zejing pharmaceutical becomes the first unprofitable listed share of A-share, and then the unprofitable enterprises such as baotai and Shenzhou cell are listed on the technology innovation board one after another. Therefore, the science

and technology innovation board can effectively alleviate the problems faced by science and technology innovation enterprises, guide capital to invest in science and technology innovation enterprises, and reflect the inclusiveness and adaptability of the system.

Spin offs are allowed. There is no precedent for a listed company to spin off its subsidiaries for listing in China. However, the "opinions on the implementation of setting up the science and technology innovation board and pilot registration system in Shanghai Stock Exchange" stipulates that "listed companies with a certain scale shall be listed". According to the law, it can spin off its independent business and qualified subsidiaries to be listed on the science and technology innovation board. ". This regulation shows that the listed companies on the science and technology innovation board can act as incubators for new companies. This mechanism of encouraging entrepreneurship can give full play to the platform value of the science and technology innovation board and realize better financing for enterprises.

Relax the limit of rise and fall. From July 2014 to now, the new shares issue adopts a joint mechanism arrangement of primary market price regulation (no more than 23 times of P / E ratio) and the first day limit price increase (the increase on the first day of issuance is no more than 44%). Compared with the limit of 10% increase and fall of other plates, the science and technology innovation board implements the regulation that the rise and fall limit is not set in the five trading days before listing and 20% after the listing by referring to the overseas experience(Editorial Department of our journal , 2019). The first 25 companies listed on the scientific and creative board increased by more than 44% on the first day. The regulatory authorities did not interfere with respecting the independent decision of investors, improved the capital flow efficiency of the capital market, created conditions for the enterprises with potential development to introduce funds, and greatly improved the efficiency of stock issuance, fully reflecting the market-oriented trading concept. After the limit of 20% increase and fall, the stock turnover rate gradually decreased compared with the first day of listing, which means that the scientific and technological innovation board enterprises have the support of medium and long-term investment funds. The stock price of the enterprise also gradually fell down, and the price earnings rate returned to normal level.

The stable "green shoe mechanism" stabilizes the stock price. Since the establishment of green shoe mechanism in A-share market, only industrial and commercial bank, agriculture bank and Ever bright Bank have exercised the right of over allotment option, and the A-share market with approval system has a low breaking rate. Compared with other sectors, the "green shoe mechanism" of the registration system of science and technology innovation board has no special restrictions, and it is strictly prohibited to refresh green shoes, and the securities investor protection fund enjoys the spread income during the period of market stabilization. Since the pilot registration system of science and technology innovation board, 75 companies have been allowed to use the overallotment option in the prospectuses to stabilize the excessive listed stock price and effectively reduce the stock price manipulation and personal interest transmission. The premise of implementing "green shoe mechanism" is the marketization of issue pricing, strict

information disclosure system and the improvement of reputation mechanism of sponsor and underwriter.

The efficiency of issuance and examination has been improved. Since the operation of science and technology innovation board, the inquiry has been more accurate, significant and targeted; The audit ability has also been greatly improved; The audit is more pragmatic, strictly focusing on the requirements of listing conditions and information disclosure. The audit time for the listing of enterprises on the science and technology innovation board has been shortened from 65 days to 45 days, and the average number of inquiries in the first round has also been reduced from 47.4 to 30.2. SMIC international, the red chip stock, took 18 days from the submission of the application to the meeting, setting a record of the fastest meeting. It can be seen that the second listing system may appear on the science and technology innovation board in the future.

Standardize the operation of science and technology innovation board with strict supervision system.

The role of SFC in IPO has changed. The IPO audit of science and technology innovation board is the first regulatory audit. Before the establishment of science and technology innovation board, all IPO audits are completed by the issuance department of CSRC, which is responsible for the audit process, while the IPO audit of science and technology innovation board is authorized to be completed by Shanghai Stock Exchange, and the CSRC only plays a regulatory role in the audit process.

IPO audit and supervision should be transparent. The registration system of science and technology innovation board is different from the approval system in that the audit is transparent. The registration system of scientific innovation board requires transparency of audit standards, openness of audit process and openness of audit content. Transparency of audit standards means reducing window guidance, avoiding regulatory arbitrage and improving fairness; The public audit process determines the rhythm of IPO audit, avoids the existence of "barrier lake" in the approval system, and the public supervises the audit progress and expects the audit time limit; The disclosure of audit content enables the public to know the inquiry content in detail, which is convenient for investors to make better decisions.

Detailed information disclosure requirements. The initial information disclosure and continuous information disclosure of science and technology innovation board are quite different from other boards, highlighting the characteristics of science and technology innovation. In addition to requiring the disclosure of the prospectus, the technology innovation board also added the disclosure of listing recommendation, issuance recommendation, legal opinion and audit report to determine the size of issuance responsibility. In the prospectus, the characteristics of technology innovation enterprises are emphasized and the protection of investors' rights and interests is highlighted. In the aspect of continuous information disclosure after listing, the requirement of phased disclosure is added, which makes strict disclosure provisions on the industry risk and operation risk of enterprises, and requires enterprises to promptly relevant risks in time and make voluntary information disclosure.

The degree of administrative punishment increased According to the securities law of the people's Republic of

China, the maximum penalty for illegal enterprises is 600000 yuan, and if the circumstances are serious, they are sentenced to fixed-term imprisonment of not more than five years or criminal detention. The newly revised Securities Law of the people's Republic of China imposes high penalties on issuers who conceal important facts in securities issuance according to specific illegal acts. In addition, it is stipulated in the Listing Rules of science and Technology Innovation Board of Shanghai stock exchange that the issuers, actual controllers, directors and supervisors who violate the Listing Rules shall be charged punitive liquidated damages. The cost of violation of regulations on science and technology innovation board increases, and the strict punishment mechanism has a deterrent effect on fraud.

Gradually play the role of survival of the fittest and optimization of resource allocation with a simplified delisting system

For a long time, the policy of "strict in and wide out" has been implemented in A-share market. The Listing Rules of science and Technology Innovation Board of Shanghai Stock Exchange has formulated more stringent delisting conditions and procedures than the current rules. First of all, the compulsory delisting conditions of science and technology innovation board are divided into five categories: major illegal, trading, financial and normative. The difference between the forced delisting of science and technology innovation board and other sectors is as follows: in the forced delisting of trading, the market value becomes the indicator that science and Technology Innovation Board companies should always pay attention to; Compulsory delisting of financial companies is a multidimensional measure of the loss of sustainable operation ability. Enterprises with "hollow" main business will be forced to delist from the original four-year loss to two-year loss, so as to avoid the situation of traditional A-share's life insurance. Secondly, the delisting procedure of the science and technology innovation board should be simplified, and the delisting enterprises should be terminated directly, and it should not be re listed in the future, so as to avoid the speculation before delisting. The delisting of science and technology innovation board implements the principle of market choice, allocates resources to high-quality scientific and technological innovation enterprises, and promotes scientific and technological innovation. The simplified delisting system abolished the suspension of listing, the resumption of listing and the re listing, and cleaned up the junk stocks and zombie enterprises in the capital market.

2. THE PROBLEMS OF SCIENCE AND TECHNOLOGY INNOVATION BOARD

The problems existing in the listing system are likely to cause agency problems with different rights of shares

Compensation for the loss of value of different rights of the same share. The proxy relationship will be formed between the shareholders with different voting rights, and the mistakes of the agents' decision-making and management defects will damage the interests of small and medium-sized investors. Therefore, we should make compensation for the value of small and medium-sized investors. The time limit for the transfer of special voting rights is too short. The time limit for transfer of special voting rights of companies with different rights of the same shares is different from that of non existing companies. The issuing shareholders' meeting realizes large reduction of positions through inquiry transfer or placement, which forms a situation of seizing control

power for one year after the listed of science and technology enterprises. The same transfer time seems to reduce agency cost but affects the long-term decision-making of double-layer equity structure companies. The time limit for the implementation of sunset clause is long. When the shareholders of the sponsor of the two-tier equity structure company lack reasonable maximization benefits for a long time, it is very likely to gain private benefits through internal transmission. Moreover, the risk of reaching the long-term goal of growth and the cost of agency supervision rise with time. Therefore, the time limit of "sunset clause" should be limited.

The relaxation of price limit leads to high premium and high risk. After the relaxation of the rise and fall of the science and technology innovation board, the IPO prices of many enterprises rose sharply on the first day of listing, and there was an obvious IPO discount. However, in the long run, there were fewer science and technology innovation enterprises whose stock prices continued to rise, and the stock differentiation was obvious. By the end of 2019, the average p / E ratio of the science and technology innovation board is 74.36 times. Compared with the main board with low and stable P / E ratio, the market valuation of the science and technology innovation board has a larger range of changes and increased uncertainty risk. Compared with the previous 10% rise and fall, the investor selection and identification mechanism used in the 20% rise and fall can not effectively suppress higher investment sentiment, resulting in greater market share price volatility.

The compensation system of investors is still imperfect. Securities Investor Protection Fund failed to play a role "In the "green shoe mechanism", the securities investor protection fund, which stores the spread income during the period of market stabilization, plays a role in protecting the interests of investors when securities companies are cancelled, closed or bankrupt. However, few securities companies fall into bankruptcy in the capital market, resulting in the fund being idle for a long time. It can expand the use of the fund, and protect the legitimate rights and interests of investors on the basis of ensuring the existing functions. The prepositional procedure of securities civil action has not been substantially solved. There is the problem of pre procedure when investors initiate civil claim litigation against false information disclosure. In the past, the cases of false statement were only made effective judgments with administrative penalty decision or criminal judgment. China Securities Regulatory Commission (CSRC) has only implemented regulatory measures for enterprises that make false statements on science and technology innovation board, but has not implemented administrative punishment, which restricts investors' civil claim litigation. Therefore, the prepositional procedure should not be abolished only in form. The court should substantially solve the problem of prepositional procedure and protect the interests of investors.

Problems existing in the regulatory system and insufficient differentiation in the design of trading system

The trading mode of big stock and small stock, good liquidity and poor liquidity stock, large order and small order are the same; Transaction restrictions exist objectively: transaction efficiency and capital turnover efficiency are not high; The mechanism of multi air balance is not perfect. The market maker system can be introduced in the future: maintaining

basic liquidity, stabilizing the market and reasonable pricing (efficient securities lending and securities lending).

The authenticity of enterprise information disclosure still needs to be verified. Scientific and technological enterprises will exaggerate the authority of data and mislead investors. Leading edge technology enterprises will resort to the authority of their technical data through experts, scholars and social media, but scholars will not be responsible for market recognition, and the media will make mistakes in reports. China also needs to improve the third-party evaluation system. The authenticity of enterprise's scientific innovation attribute is questionable (Yongming Chen, 2020). As of July 7, 2020, 32 companies have been excluded from the science and technology innovation board due to lack of core technology, lack of scientific research ability of R & D personnel and intellectual property disputes. In order to increase the attributes of science and technology innovation, science and technology innovation enterprises increase the R & D expenses significantly, but the number of R & D personnel is large, the salary is low, and it is difficult to verify the falsely increased R & D expenses. Therefore, the nature of science and technology innovation enterprises with higher R & D expenses is questionable.

The responsibility sharing of intermediary agencies has not been implemented. The underwriters have not perfected the reputation mechanism. Underwriting and recommendation institutions play an important role in the "green shoe mechanism". At present, the Shanghai Stock Exchange has issued a regulatory warning notice to 21 sponsor representatives of nine science and technology innovation board enterprises, warning the sponsors of failing to fulfill their due responsibilities in enterprise risk disclosure, actual controller shareholding change disclosure, important financial data disclosure and other information disclosure. Securities service institutions should increase responsibility sharing and change working habits. In fact, the sponsor only formally reviews the audit report and legal opinion. For the

losses caused by information disclosure to investors, the issuer and the securities service institution should jointly bear the joint and several liability. There are some problems in the format and supervision orientation of the company's prospectus information disclosed in the initial listing of the science and technology innovation board. The low-quality declaration draft will increase the workload of issuers, service institutions and regulatory departments, which is inconsistent with the principle of cost-effectiveness.

The risk management of science and technology innovation enterprises needs to be strengthened. Asset allocation is the best risk management. We should strengthen the asset allocation and further optimize the investment portfolio. In addition, penetration management under the epidemic situation is particularly important.

3. DELISTING SYSTEM

Although there is no delisting enterprise in the science and technology innovation board, but according to the experience of A-share delisting, we should pay attention to the value of enterprise shell and the number of listed enterprises treated as political achievements by the local government

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