

# Preliminary Exploration and Prospect of Pilot Registration System of Science and Technology Innovation Board

Zhang Jun<sup>1</sup>, Liu Jingjing<sup>2</sup>, Yao Yu<sup>2</sup>, Lian Xinyi<sup>2</sup>, Shen Danping<sup>2</sup>

<sup>1</sup>Professor, <sup>2</sup>Student,

<sup>1,2</sup>Beijing Wuzi University, Beijing, China

## ABSTRACT

In order to comprehensively deepen the reform of the capital market, optimize the capital supply structure to meet the financing needs of scientific and technological innovation enterprises, and promote the integrated development of the financial industry and scientific and technological innovation, the science and innovation board came into being. Since its opening, it has made institutional innovation in listing information disclosure, trading, delisting and so on. Firstly, this paper compares the approval system with the registration system, so as to reveal the significance of the reform of the registration system; Secondly, it introduces the innovation and breakthrough of the information disclosure system of the registration system in terms of disclosure strength, disclosure standards and responsibility structure, and emphasizes the importance of the protection of investors' rights and interests; Thirdly, by analyzing the problems existing in information quality, audit and supervision, supporting measures and other aspects of information disclosure of science and innovation companies, this paper further puts forward corresponding measures and improvement suggestions; Finally, compare the registration system of the science and innovation board and the gem, and look forward to its future development trend according to the three-step strategy of the registration system.

**KEYWORDS:** *scientific innovation board; Registration system; Quality of information disclosure; supervision system*

As of July 2021, it has been two years since the official opening of the science and innovation board. During this period, hundreds of enterprises have been successfully listed and up to 4.5% have been listed. The total market value of trillion has accumulated valuable experience for the development and reform of China's capital market. This paper studies, analyzes and prospects the relevant problems of the registration system of science and Innovation Board at the present stage.

### Development of China's securities issuance system

In the process of applying for listing of shares of listed companies, the system that securities issuers should abide by is the securities issuance management system. Since the birth of China's capital market in 1990, the securities issuance system has been continuously improved with the reform of the securities market. So far, China's securities issuance management system has experienced three stages:

approval system, approval system and registration system. The most important one is the development of approval system and registration system.

### Approval system

The approval system was implemented in 1999. Its connotation is that when applying for stock issuance, securities issuers should not only disclose the real situation of the enterprise, but also meet the necessary conditions stipulated by relevant laws and securities regulatory authorities, that is, the regulatory authorities need to conduct formal and substantive double examination on issuers.

This system ensures the quality of listed enterprises to a great extent, avoids the intermingled good and bad enterprises in the market, and thus ensures a good securities market environment. However, due to the high listing conditions, many emerging technology-based enterprises cannot meet this standard and cannot get the support of investors. Finally, such

**How to cite this paper:** Zhang Jun | Liu Jingjing | Yao Yu | Lian Xinyi | Shen Danping "Preliminary Exploration and Prospect of Pilot Registration System of Science and Technology Innovation Board" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-6 | Issue-3, April 2022, pp.873-882, URL: [www.ijtsrd.com/papers/ijtsrd49641.pdf](http://www.ijtsrd.com/papers/ijtsrd49641.pdf)



IJTSRD49641

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enterprises can only be on the verge of bankruptcy and forced out. At the same time, when the development and Examination Committee of the CSRC makes value judgment, it is difficult to judge whether an enterprise is suitable for listing from the perspective of all investors. Therefore, some investors can't find the desired investment enterprise, and some enterprises will lose the opportunity of listing and financing.

**Registration system**

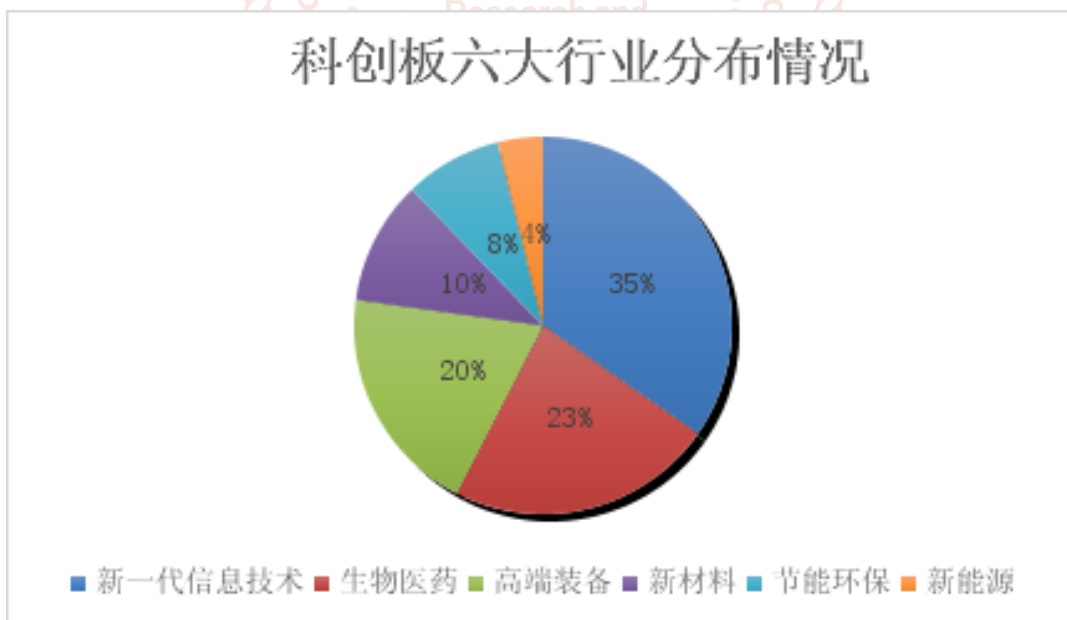
The registration system was implemented in 2019, which means that the securities issuer will disclose the relevant information and materials required by the law and submit them to the competent authority for formal examination, but there is no mandatory requirement for the substantive conditions of the enterprise. Generally speaking, the biggest difference between the registration system and the approval system is whether the object of exercising the power of "substantive examination" is the CSRC or the investors in the securities market.

Compared with the approval system, the registration system relaxes the restrictions on market access and expands the inclusiveness of the market. Can make full use of the "invisible hand" to control the market direction and regulate the market order. But on the other hand, this practice will also reduce the market

threshold, and eventually lead to the market situation of uneven quality of enterprises. Giving the power of value judgment to investors undoubtedly puts forward higher requirements for itself. For the majority of retail investors, they do not have rich relevant knowledge reserves, so it is difficult to make professional analysis on the information disclosed by enterprises, which increases the difficulty of investment and investment risk.

**The second anniversary of the opening of the science and Technology Innovation Board**

On June 13, 2019, the scientific innovation board was officially opened; On July 22, the first batch of listed companies on the science and Innovation Board was 25, with a total market value of 529.339 billion yuan; On July 22, 2020, the first anniversary of the opening of the science and innovation board, there were 140 listed enterprises with a total market value of more than 2.7 trillion yuan. As of July 22 this year, the science and innovation board has ushered in its second birthday. In the past two years, there have been more than 310 listed companies, raising more than 380 billion yuan, and the total market value has exceeded 4.7 trillion yuan. According to the data reported by Shanghai Stock Exchange, the industry distribution of more than 300 listed enterprises is shown in Figure 1-1:



**Figure 1-1 distribution of six major industries of science and Innovation Board**

We can see that the listed companies on the science and innovation board are basically concentrated in strategic emerging industries, which is also consistent with China's current science and technology development strategy. It took two years to create a "hard and technological" resource platform for China's securities market. Even though it was affected by COVID-19 in the midst of the competition, it still won a brilliant record in various sectors.

**Innovation and breakthrough of information disclosure system of science and Innovation Board**

Another important innovation of China's securities system, the registration system, is first applied to the science and innovation board, and the information disclosure system is the soul of the reform of the registration system of the science and innovation board. Therefore, the improvement of the information disclosure system of the information registration

system has a vital impact on the development of the science and innovation board.

The information disclosure system of registration system refers to the system that listed enterprises voluntarily disclose the company's financial changes, operating conditions and other information to investors in accordance with the requirements of laws and regulations. In 2018, the science and Innovation Board piloted the registration system reform in Shanghai, combining the foreign advanced information disclosure system with China's specific reality, and created China's initial registration system information disclosure system. With the passage of time, the registration system information disclosure system has made the following innovations and breakthroughs:

### **Strengthen the pertinence of the disclosure of scientific and technological innovation ability of enterprises**

Compared with other sectors, the enterprises entering the science and Innovation Board belong to China's high-tech industries and strategic emerging industries. It can be said that the science and innovation board is established to help the development of high-tech innovative enterprises. Therefore, the securities exchange market will be more targeted for the issuer's scientific and technological innovation ability and product development prospects before and after the IPO. At the same time, Shanghai Stock Exchange has also made more flexible institutional arrangements in terms of quantitative indicators of information disclosure, disclosure time point, disclosure method and business sensitive information, such as the exemption from disclosure clause stipulated in Article 41 of the Listing Rules of shares on the science and Innovation Board of Shanghai Stock Exchange (draft for comments).

### **It constructs a two-tier responsibility structure of issuers and intermediaries**

The enterprise information disclosure provided by issuers and intermediaries is very important for investors' decision-making. Issuers should be the first responsible person for information disclosure, while sponsors and other intermediaries should bear joint and several liability. The double-layer responsibility system lists specific and detailed punishment measures for illegal information disclosure: for example, on the basis of the two existing punishment measures of circular criticism and public condemnation, the science and Innovation Board adds another punishment, that is, it does not accept the application documents or information disclosure documents submitted by the recommendation institutions and securities service institutions within

three months to three years, Application documents or information disclosure documents signed by the sponsor representative and its relevant personnel and relevant personnel of securities service institutions shall not be accepted within one to three years. This structure is conducive to intermediaries to improve their professional level, so as to provide investors with true, accurate and complete information disclosure and improve the investment environment.

### **Put forward the "three new" on the basis of "three old"**

On the basis of strictly requiring the authenticity, accuracy and integrity of the contents in the prospectus, we will increase the review of "new three natures". It is not limited to one verification method. Through the establishment of quantitative models and quantitative analysis in multiple directions, clarify the logical relationships such as internal data and events of the system of the IPO application enterprise, and fully verify whether the financial information, non-financial information and financial and non-financial information of the enterprise are sufficient, consistent and understandable, Comprehensively review whether the enterprise has illegal information disclosure.

### **The disclosure standards for enterprise operation risk and industry information risk have been improved**

Due to the high R & D cost and high R & D risk of science and Innovation Board enterprises, investors also have a greater risk of investment failure. In 2021, Shanghai Stock Exchange raised the disclosure standards for enterprise operation risk and industry information risk. This will help to reduce the high failure rate of R & D and operation caused by the innovation of mode, technology and products of scientific and technological innovation enterprises, and help investors more comprehensively screen enterprise risk information.

### **Existing problems of information disclosure of science and Technology Innovation Board Company**

#### **The quality level of information disclosure is not high**

##### **1. New three natures and old three natures**

The authenticity, accuracy, integrity (old three) and sufficiency, consistency and comprehensibility (new three) of the information disclosure of science and innovation board are the overall requirements for the information disclosure of science and Innovation Board enterprises. According to the analysis and research of Shanghai Stock Exchange and the actual situation in the practice of audit and inquiry, it can be seen that IPO reporting companies still have some



problems of information disclosure. For example, Beijing papaya Mobile Technology Co., Ltd., which withdrew the IPO application of Kechuang board, did not disclose in the application draft of the prospectus of Kechuang board that the company's main business included the game business accounting for 30% of the company's total gross profit, and its inquiry reply said that the company's main business content had not changed significantly during the reporting period; The main revenue of papaya mobile relies on the cooperation with Facebook. The cooperation amount accounted for more than 90% in 2018, which makes the risk index of the company's sustainable operation ability too high. At the same time, papaya Mobile did not fully reveal the operation risk in its prospectus, exposing its behavior of deliberately emphasizing the scientific and technological attributes and deliberately avoiding weaknesses in the process of information disclosure in order to be listed successfully, The risk information was not fully disclosed, and the reply was vague, the reason was not convincing, and the adequacy standard of the information disclosure system was violated. In the inquiry reply, the data related to Facebook required to be disclosed by the company was inconsistent with the data disclosed on the NASDAQ Exchange, exposing the illegal modification of financial data in the process of papaya mobile information disclosure and violating the consistency standard.

## 2. Comprehensiveness and differentiation

Since the pilot registration system of the science and innovation board, the institutional framework has been continuously updated and improved, and the information disclosure standards of IPO reporting enterprises are also gradually improved. However, some sci-tech start-ups simply copied or repeated the contents of other chapters on the tips of major matters in the prospectus without targeted disclosure. In addition, in the disclosure of risk factors, it is not difficult to find that most science and innovation companies have a set of templates, which do not meet the pertinence and relevance required in the information disclosure standards, and lack in-depth investigation and analysis of their industries and their own characteristics. Only by eliminating these disadvantages can we really establish a quality guaranteed information disclosure system.

## 3. Popularization and specialization

In addition, in the business technology disclosure, some prospectuses use industry professional terms in large length, which is not popular enough, which reduces the decision-making efficiency of investors; Some prospectuses excessively use beautifying terms such as advertising, but fail to analyze objective facts

qualitatively and quantitatively, and fail to make full use of intuitive disclosure methods such as charts, third-party data and data sources, which is suspected of falsifying the essence of the event; There is a long description of the issuer, which is not relevant to the industry, and some of the information is not relevant to the technology innovation. In order to solve these problems exposed in the early system practice, it depends on the continuous improvement of the detailed rules of information disclosure in the later stage.

## Lax audit and supervision of information disclosure

### 1. From the perspective of CSRC

From the administrative punishment decision published on the CSRC website, it is not difficult to find that the CSRC has handled most of the illegal disclosure acts of listed companies for up to two to five years. At this time, the timeliness of information disclosure has long been lost, and it is difficult to accurately measure the negative impact and economic loss of violations on investors' investment decisions. Similarly, part of the reason why the illegal disclosure phenomenon in science and Innovation Board enterprises continues despite repeated prohibitions is that the supervision of the CSRC lags behind.

For example, public information shows that Borui pharmaceutical's share price has been tepid since it landed on the science and innovation board in early November 2019. Its announcement on the progress of antiviral drug development disclosed in early February 2020 has ignited the investment enthusiasm of many investors. After verification, in the relevant information disclosure, Bo Rui medicine claims that the company has produced mass production of anti New Coronavirus raw materials and preparations, "Reed West Wei", which is yet to be sold. It is still in the research and development stage, and has not yet obtained the approval of the drug regulatory department, nor has it obtained the patent authorization. It has no qualification for commercial mass production. Such false statements and the fraud of forcibly rubbing against the hot spots of anti epidemic have caused heavy losses to investors, which has constituted a major feature stipulated in the new securities law. In contrast, the CSRC, informed by the Shanghai Stock Exchange, has not yet filed a case and taken any punishment measures, which can be seen from its lagging supervision.

### 2. From the perspective of intermediaries

As the intermediary between enterprises and the CSRC, the intermediary itself has dual attributes. On the one hand, the intermediary is the trustee and has the responsibility to help the science and innovation

company achieve the goal of successful listing; On the other hand, it also plays the role of goalkeeper, which should strictly control and supervise the information disclosure of Listed Companies in advance. This may lead to such a situation in practice. Intermediaries are bent on seeking listing for science and innovation enterprises, and "release water" in the level of information disclosure.

On April 6 this year, the official website of the CSRC uniformly disclosed 29 pieces of business violation information about major investment banks, of which five head securities companies, including Haitong Securities, Oriental Securities and China CITIC construction investment, were subject to varying degrees of administrative penalties. On the whole, large investment banks are mostly punished for violations in the recommendation business of the science and innovation board, while small and medium-sized securities companies are mostly attributed to various illegal operations of the gem and the new third board. Specifically, Haitong Securities was issued a warning letter during the IPO recommendation business of Sifang optoelectronics Co., Ltd. because the recommendation report and

other materials submitted by Haitong Securities did not disclose that Xiong Youhui, the issuer and controller, was suspected of bribery and other matters; Dongfang securities is the sponsor of the IPO of Shanghai Zhijiang Biotechnology Co., Ltd. considering the fact that it has insufficient verification on the issuer's revenue recognition principle, fixed assets and related party transactions, and the effectiveness of internal control, it was issued a warning letter; In addition, century Space Co., Ltd., sponsored by CSC, was forced to terminate its registration by the CSRC when it was close to listing in November 2019.

The review dynamics of the science and innovation board released by the Shanghai Stock Exchange and the CSRC show that many of the intermediaries that should have been the gatekeepers of the capital market are still immersed in the inertia of helping issuers deal with and pass the examination and approval in the previous approval system, have not really possessed the concept and ability to match the registration system, and their awareness and ability to perform their duties need to be improved.

行政监管类	行政监管类
• 关于对李永昊采取认定为不适当人选3个月措施的决定	2021-04-06
• 关于对赵鑫、王璟采取暂不受理与行政许可有关文件3个月措施的决定	2021-04-06
• 关于对钟夏楠采取认定为不适当人选3个月措施的决定	2021-04-06
• 关于对肖涛、曹海颢采取暂不受理与行政许可有关文件3个月措施的决定	2021-04-06
• 关于对任家兴、陈雯采取暂不受理与行政许可有关文件3个月措施的决定	2021-04-06
• 关于对胡珉杰采取认定为不适当人选6个月措施的决定	2021-04-06
• 关于对中山证券有限责任公司采取责令改正措施的决定	2021-04-06
• 关于对中信建投证券股份有限公司采取监管谈话措施的决定	2021-04-06
• 关于对杨振慈、汪岳采取监管谈话措施的决定	2021-04-06
• 关于对王志超、李栋一采取出具警示函措施的决定	2021-04-06
• 关于对孙伟、朱玉峰采取监管谈话措施的决定	2021-04-06
• 关于对黄洪俊采取监管谈话措施的决定	2021-04-06
• 关于对胡小燕采取监管谈话措施的决定	2021-04-06
• 关于对海通证券股份有限公司采取出具警示函措施的决定	2021-04-06
• 关于对中国国际金融股份有限公司及赵言、黄钦采取出具警示函监管措施的决定	2021-04-06
• 关于对海通证券股份有限公司采取监管谈话措施的决定	2021-04-06
• 关于对国金证券股份有限公司采取出具警示函措施的决定	2021-04-06
• 关于对郭鑫、贺塞采取出具警示函措施的决定	2021-04-06
• 关于对郭春生、袁莉敏采取监管谈话措施的决定	2021-04-06
• 关于对顾峰、焦阳采取出具警示函措施的决定	2021-04-06

**Figure 3-1 information on violations of major investment banking businesses (Figure source: Official Website of CSRC)**

**Incomplete supporting measures for information disclosure**

The information disclosure system of the registration system of the science and innovation board is a complete system, which not only includes the information required for the initial disclosure and continuous disclosure of listed companies, but also includes a series of supporting measures. At present, the delisting mechanism of the science and innovation board is becoming more and more complete, but the protection of investors still needs to be strengthened.

1. There are defects in the legal system of investor protection

Article 95 of China's new securities law clearly stipulates the representative litigation system, which can be called a milestone in the protection of ordinary investment rights and interests in China's securities market, but

its protection scope and strength are still controversial. For example, the premise for investor protection institutions to conduct representative litigation is that they must be entrusted by the same type of investors, otherwise they have no right to intervene in investors' securities civil compensation litigation. At the same time, when the number of entrusted investors is less than 50, the institution does not have the qualification of litigation representative. This makes the investor protection institutions fall into passivity, and makes it more difficult for investors to achieve private relief.

第九十五条 投资者提起虚假陈述等证券民事赔偿诉讼时，诉讼标的是同一种类，且当事人一方人数众多的，可以依法推选代表人进行诉讼。

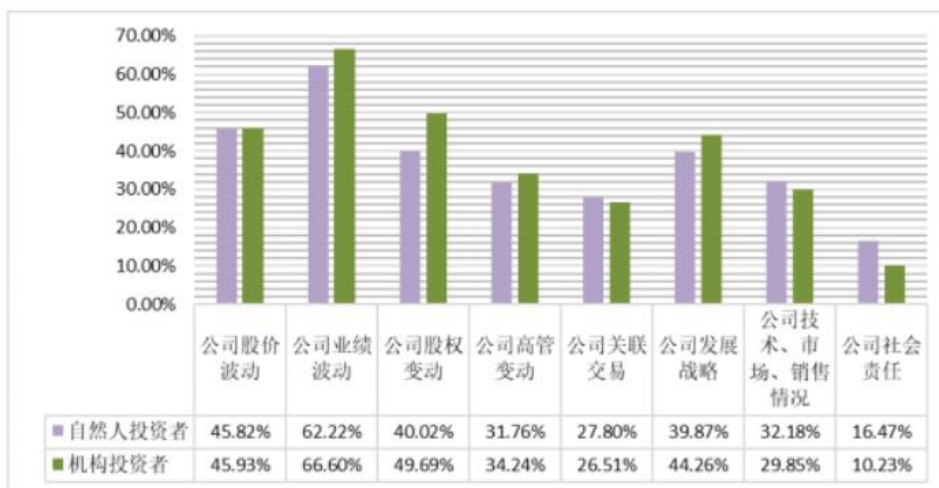
对按照前款规定提起的诉讼，可能存在有相同诉讼请求的其他众多投资者的，人民法院可以发出公告，说明该诉讼请求的案件情况，通知投资者在一定期间向人民法院登记。人民法院作出的判决、裁定，对参加登记的投资者发生法律效力。

投资者保护机构受五十名以上投资者委托，可以作为代表人参加诉讼，并为经证券登记结算机构确认的权利人依照前款规定向人民法院登记，但投资者明确表示不愿意参加该诉讼的除外。

**Figure 3-2 Article 95 of the new securities law**

**2. The investor education system is still lacking**

The 2019-2020 survey report on investors in the national stock market released by China Securities Investor Protection Fund shows that in terms of investment sector preference, natural person investors prefer to invest on the main board and small and medium-sized board more than the general institutional investors surveyed, and the proportion of investing in science and innovation board and small and medium-sized board is slightly higher than that of general institutional investors. It is precisely these retail investors who have weaker basic investment knowledge, lower anti risk ability and insufficient awareness of self-protection. When asked whether the various investor education activities organized by the regulatory authorities will help to promote the strengthening of ties between investors and listed companies, up to 83.58% of the surveyed investors held a positive view. Therefore, we can draw the following conclusions: it is very necessary to improve the investor education system and carry out full and effective investment education.



**Figure 3-3 main issues concerned by investors**

**Suggestions on perfecting the information disclosure system of the registration system of science and Innovation Board**  
**Comprehensively improve the quality of information disclosure**

1. Comply with the overall disclosure requirements of the combination of old and new

The information disclosure of sci-tech innovation board must strictly follow the new standards and the original standards, that is, authenticity, accuracy,

integrity, adequacy, consistency and understandability. The new standard is not to replace the original standard, but to supplement and improve the original standard. The two promote each other and are indispensable. The difference and connection between the old and new standards also reflect the market-oriented principle of the registration system, and finally emphasize the usefulness of information for investors' decision-making.



2. Follow the general disclosure direction of avoiding light and focusing on heavy

In the preparatory work, the science and technology innovation company needs to conduct in-depth investigation and Analysis on its industry. It should make comprehensive and targeted disclosure in combination with the industry situation and its own specific situation, and cannot simply apply the template. It is recommended to hire industry legal counsel to fully explore the specific risks of the company and the industry. In the disclosure rules, more emphasis should be placed on the disclosure of detailed risk factors and growth information. Other information with insufficient representation, low particularity or low reference value should be disclosed simply, so as to reduce the burden of investors' information intake.

3. Optimize the writing method of each written material

In the documents of information disclosure, science and innovation companies should pay attention to the universality of their language, try to avoid using obscure terms in large length, and explain even some necessary professional terms, so as to make it clear to the majority of investors at a glance. At the same time, listed companies should strengthen the use of visualization technology in the process of information disclosure, so that a lot of complex and cumbersome data can be clearly displayed, so as not to make the reading process too boring and make investors lose interest.

### **Improve the supervision system of information disclosure level by level**

1. Internal supervision - improve the company's internal governance and support the internal control system

China's corporate governance structure is prone to power concentration. If the board of directors and other organizational forms do not play a supervisory role, problems in internal control are inevitable. In order to prevent such problems from causing adverse effects, first of all, we can start from the ownership structure of the company, appropriately control the shareholding proportion of shareholders, and guard against the phenomenon of "one share dominating"; Secondly, the company should regularly carry out legal and professional ethics training for senior executives, create an honest and trustworthy enterprise environment, and eliminate violations of information disclosure from the root; In addition, we should especially strengthen the professional training of accountants. The non-standard information disclosure is partly due to the accountants' inadequate understanding of the standards. Accountants need to

deal with various changes in accounting business through continuous learning to ensure the accuracy and reliability of accounting information.

2. External supervision - ensure the effectiveness of supervision by third-party institutions

Under the registration system of the science and innovation board, the supervision of the CSRC on the issuer's information disclosure has been weakened in form, but it does not mean that the supervision of the issuer has become lower. For the behavior and responsibility of intermediaries in China's science and innovation board market, we can consider further constraints from the following aspects. First, enhance the independence of intermediaries. Intermediaries need to conduct in-depth analysis of the information disclosed by the issuer, and provide timely guidance to the issuer when it is found that the information does not meet the relevant provisions; Secondly, in view of the particularity of science and innovation companies, intermediaries need to improve their business level, especially to strengthen the training of technicians in professional fields; Finally, the integrity file system established by the U.S. securities market provides practical experience for China. When intermediaries fail to effectively perform their duties, they will be punished and recorded in the integrity file, so as to further ensure that intermediaries are diligent in performing their duties.

### **Follow up the supporting measures of information disclosure according to the facts**

1. Improve the litigation mechanism against securities fraud and other acts

At present, Kechuang board has established a relatively strict delisting system, which has operated well and achieved remarkable results, but the litigation mechanism other than administrative supervision still needs to be improved. Compared with the foreign group litigation system, the threshold for the use of the representative litigation system stipulated in the new securities law is higher, and some small and medium-sized investors are difficult to prosecute because they cannot meet the litigation standards. However, no matter which system is chosen, the ultimate goal is to try to increase the illegal costs of issuers and listed companies. From this perspective, regulators can also further standardize the information disclosure of the securities market by strengthening in-process and post event supervision and supporting specific punishment measures to match with the existing information disclosure system, Effectively protect the legitimate rights and interests of the majority of small and medium-sized investors.

## 2. Strengthen investor education in line with the reform of the registration system

When facing the investment problem of science and innovation board, participants should not only treat it with an ordinary heart, but also lose their sense of awe. The development of any new thing is not achieved overnight. The initiation and development of China's science and innovation board must also be a gradual process. Investors should rationally look at the market evolution in this process. When eyeing the "snowball" income brought by Unicorn enterprises, we should also expect that the first day break or even investment failure may occur at any time. The government or third-party institutions can take advantage of the convenience provided by the Internet to strengthen the education of investors through but not limited to publicity videos, knowledge manuals, case analysis and other diversified ways to help investors expand their knowledge in the field of investment, strengthen their rational investment awareness and improve their ability to protect their rights and interests, so as to meet the higher requirements of a mature market for investors.

## Prospects for the future of the registration system of scientific innovation board

Information disclosure is the core of the registration system. With the gradual improvement and development of the registration system, the detailed rules of information disclosure are also further improved. To a certain extent, the development process of information disclosure can be related to the development process of the registration system. As an important part of the capital market reform, the registration system of the science and innovation board, as the first part of the registration system reform, has many imperfections. With the emergence of the gem registration system, it has been improved to a certain extent, and the ultimate goal is to realize the whole board registration system. Therefore, the future trend of the science and Innovation Board registration system must move towards a perfect registration system in the real sense.

Before the implementation of the gem registration system, there was a certain gap between the two boards. The spin off listing of Jinshan office gem failed, which was reflected in the case of turning to the spin off listing of science and innovation board. The main difference is that the gem is still using the approval system, which is relatively inefficient and lack of market vitality. Under the registration system, it pays attention to market response and market value, which gives enterprises more room to play. Jinshan office realizes the split listing of the science and

innovation board through the implementation of two value management means.

## Under the current development trend

The "three-step" plan for the reform of the registration system has entered the second step. The gem registration system has been optimized and improved on the basis of the registration system of the science and innovation board. Although the two boards have made differentiated positioning, as the "advanced version" of the registration system of the science and innovation board, the improvement of the gem registration system also shows the current development trend of the registration system of the science and innovation board to a certain extent. The following is the trend shown in the comparison between the two boards. Based on this, the future of the registration system of the science and innovation board is prospected:

### 1. Transaction rules

#### A. The price limit has been relaxed

In terms of price limit, in the new trend, the price limit is increased to 20%, which better adapts to the characteristics of the initial stage of stock listing, improves more space for the full pricing of the market and improves the pricing efficiency. At the same time, the price limit of 20% is also extended to other fund stocks, which improves the overall pricing efficiency of the capital market.

#### B. The maximum number of single declarations has been increased

In terms of the maximum number of single declarations, the current price is raised from 100000 shares to 300000 shares, and the market price declaration is also raised to 150000 shares, which can limit some abnormal trading behaviors and restrict short-term speculation in stocks. In addition, new pricing trading methods have been introduced, which is conducive to enriching market liquidity, better meeting trading needs, and conducive to the long-term and healthy development of the capital market.

### 2. Continuous supervision rules

#### A. Clarify the listing conditions of red chip Enterprises

In the new trend, in addition to the basic requirements of the registration system of the science and innovation board, the requirements for the profits and operating income of red chip enterprises have been added, and the relevant systems of listing and trading have been improved. At the same time, the requirements for profitability and operating income will be extended to general profitable enterprises, which will help to improve the content of high-quality enterprises in the market and improve the vitality of the market.



#### B. ST and St systems have been added

In the assessment of enterprise risk, the word mark is added to distinguish it from other enterprises. The marking of the enterprises that are subject to risk warning is conducive to protect the rights and interests of investors and warn the existing problems of enterprises to a certain extent. At the same time, it is also a positive guide to the overall atmosphere of the market and maintain the harmony of the market.

#### C. The two links of suspension and resumption of listing have been cancelled

In order to improve the quality of enterprises in the market, these two links have been cancelled in delisting. After the enterprise is warned of delisting risk, it is necessary to disclose the first annual report in time. If it is not disclosed within the legal period, the company's shares may face the dilemma of terminating listing.

#### D. New delisting indicators

In the transaction delisting, "the market value of less than 500 million yuan for 20 consecutive trading days" has become a new indicator. Not only that, but also the delisting standards of other types have been improved. Investors need to be more cautious in the selection and development of the stock market, which also requires investors to further improve the quality and development of the stock market.

### 3. Issuance and listing review rules

#### A. Clarify the negative list of the industry

Different sectors have different considerations when setting the negative list of the industry. Under the new trend, the negative list is more in line with the actual needs and characteristics of each sector, which is conducive to the cooperation and complementarity between various sectors, which is in line with the essence of differentiated positioning. It also provides information and reference for enterprises to select sectors, and guides the flow of investors.

#### B. The listing committee is more objective

In terms of the management of the listing committee, the selection of members is more open and transparent, and more perfect information disclosure is carried out when issuing opinions and decisions. It helps to protect the legitimate rights and interests of investors, improve the efficiency and fairness of the committee, improve the quality of listed enterprises and the public reliability of the committee, and make investors full of confidence.

### 4. Underwriting rules

#### A. The pricing restraint mechanism has been improved

Under the guidance of the characteristics of stock reform, the pricing methods of new share issuance

have been diversified. One is to solicit opinions from professional institutional investors for pricing, and the other is direct pricing to improve the issuance efficiency and opportunities of small and medium-sized enterprises. The assistance of the two methods is conducive to more reasonable and objective pricing, gives enterprises more pricing space and improves the development enthusiasm of enterprises.

#### B. Optimized and improved the follow-up investment mechanism

Differentiated arrangements have been made for the follow-up investment of mandatory recommendation institutions, which no longer requires follow-up investment for all their recommendation projects, but for specific four types of companies, which improves the flexibility of the follow-up investment system and the freedom of investment banks, helps to expand the choice space and risk resistance of investment banks, and further opens the choice to the market.

### Future prospects under the ultimate goal

After the gem registration system is gradually stabilized, the registration system reform will enter the last step, that is, to popularize the registration system to the whole board. In the process of development, in addition to their own exploration, we also need to learn from the system of international mature capital market registration system, such as NASDAQ. Obviously, China's capital market is not yet fully mature, and the maturity of investors is far less than that of developed countries. I'm afraid it will take a long time to realize the full board registration system. The following are some simple prospects arising from the comparison between the two:

#### 1. Listing standards tend to be differentiated

Under the ultimate goal, more flexible and targeted listing standards will be produced. For companies of different types and sizes, listing standards in line with their own characteristics will be put forward to ensure market vitality and enterprise quality. The "one size fits all" standard will become a "stumbling block" for many enterprises. In the future, the market stratification system may also be used for reference to manage companies at all levels and give companies room to rise to enhance their capabilities.

#### 2. Market participants tend to mature

At present, China's market participants are not mature enough and the number is not as large as expected. Under the ultimate goal, there will be multiple levels of market participants entering the market to provide capital support. After the market is gradually improved, there will be more and more mature participants.

### 3. The market tends to stabilize

On the premise that the market liquidity is enhanced, the quality of stock companies is improved, and investors are becoming more mature, the valuation and pricing of stocks will become more reasonable, the information disclosure will be more open and transparent, the abnormal trading behavior will be reduced, and the market will tend to be harmonious as a whole. The number of newly listed and delisted companies will also be relatively stable. A stable market and perfect mechanism are conducive to the high-quality development of high-tech industry.

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