

The Analysis of the Information Disclosure System of China's Securities Market

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Abstract

The securities market is a capital market. The problems existing in the disclosure of securities information will directly affect the efficiency of the securities market. At the same time, when people pursue capital benefits in the securities market, driven by interests, it will also make the disclosure of information in China's securities market violate rules, violate laws, and even commit crimes. This paper makes a brief introduction to the information disclosure of the securities market, expounds the significance of information disclosure, and puts forward some suggestions by explaining the current situation and reasons of the actual application of the information disclosure system of China's securities market.

Keywords

Stock Market; Information Disclosure; Supervision.

1. Introduction

Information is the basis for the normal operation and effective function of the securities market. Fair, transparent, timely, accurate and complete information disclosure is essential to reduce market speculation, prevent market manipulation and protect the rights and interests of investors. The information disclosure system of listed companies is the reflection of the interconnected and interactive characteristics of the securities market and the characteristics of Listed Companies in the securities legal system when the securities market develops to a certain stage. Securities companies all over the world regard all kinds of information disclosure of listed companies as an important part of laws and regulations. The information disclosure system originated from Britain and the United States. Information disclosure system, also known as publicity system and public disclosure system, is the core content of modern securities market supervision. Protecting investors is the most fundamental and direct purpose of the information disclosure system. In order to protect the interests of investors and accept the supervision of the public, listed companies must report their own financial changes, operating conditions and other information and materials to the securities management department and securities trading according to the law, When a listed company, in the process of securities issuance and circulation, publicizes or announces its business status, financial status and major events to the public in a certain way through the media in accordance with the law, so that investors can fully understand the situation.

2. Literature Review

In China, after more than 10 years of development of the securities market, China's securities market has made remarkable achievements, established the securities information disclosure system, and the system of securities information disclosure system has basically taken shape. However, because China's securities market is still in the initial stage, there is disharmony between laws and regulations, weak legal awareness of information disclosure subjects, lax law enforcement by regulatory agencies and other situations are widespread, Therefore, the

implementation of the information disclosure system is not satisfactory, and there are still many problems.

Among them, the incident of Sichuan Star Power Co., Ltd. is a typical case of untrue information disclosure. On December 1st, 2006, the Suining intermediate people's Court of Sichuan Province announced in the first instance that Zhou Yiming, the former major shareholder of Sichuan Star Power Co., Ltd. and the chairman of Shenzhen Minglun Group Co., Ltd., committed contract fraud and was sentenced to life imprisonment, confiscation of all personal property and deprivation of political rights for life. Zhou Yiming became the first listed company executive in China's securities capital market to be investigated for hollowing out a listed company for contract fraud and sentenced to life imprisonment. The development process of the case is as follows: first, the intermediary agency made a crazy fake, and fabricated Zhou Yiming's worth of 2.7 billion yuan overnight; Secondly, bank executives gave advice to let Zhou Yiming use loans to acquire equity; Finally, state-owned enterprise executives colluded internally and externally, allowing Zhou Yiming to wantonly misappropriate state-owned assets. It can be seen that this is an active false disclosure event, which seriously violates the authenticity of information disclosure requirements of China's securities market.

3. The Necessity of Information Disclosure System in Securities Market

3.1. The Information Disclosure System of China's Securities Market is Related to the Activity of China's Securities Market

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One of the important components of China's securities market system is the information disclosure system of the securities market. The effectiveness of China's securities market depends largely on the disclosure of securities market information. The information disclosure system of securities market is the most basic institutional support to improve the efficiency of securities market supervision and improve the level of market integrity. China has been committed to establishing a complete and effective information disclosure regulation system in the construction of securities legal system, and has made great progress in recent years, but there are also various non-standard situations.

3.2. The Information Disclosure System of China's Securities Market is Related to the Capital Benefits and Rights and Interests of Securities Issuers and Investors

In China, as an important part of the capital market, the securities market can never leave transparency. In the securities market, information integrity, timeliness, accuracy and disclosure are the key to maintain transparency. The information disclosed by listed companies is one of the few ways for investors to identify the quality of listed companies, and can even be listed as the main way. If a listed company, as a securities issuer, cannot continuously disclose its operating conditions and other major information that may affect its stock market price in a legal manner during the listing and trading of its shares, investors will not be able to correctly judge the stock price information of the listed company based on this, and it will not be possible to make correct investment decisions based on this. Once the listed company loses the support of investors, its existence is meaningless. Therefore, if a listed company is compared to a high-rise building, investors are the foundation on which the listed company stands and develops. Without investors, there can be no listed company.

Before investors make investment decisions, the main issues they consider are the level of cost, the safety of property, the return of capital and the predictable changes of the market in the future. Therefore, they have the right to comprehensively, timely and accurately understand

the operating and financial conditions of the securities issuer, mainly the securities issuing company. Then, analyze and evaluate the current operating conditions, foreseeable future development prospects of listed companies and the risks and profits of stocks selected by securities investors, and then make relevant investment strategies.

3.3. The Information Disclosure System of China's Securities Market is Directly Related to the Healthy Development of China's Securities Market

In China, the vast majority of violations of laws and regulations in the securities market are directly related to the imperfect information disclosure system. At present, there are still many problems in the information disclosure of China's securities market, for example, the information disclosure is not timely, the information disclosure is not sufficient, and even deliberately fraud. In order to obtain excess benefits, some securities issuers even take measures that violate the rules of the securities market and the securities law through some abnormal channels. Ignore the information disclosure system of China's securities market and its relevant laws and regulations. Starting from their own interests, they do not pay attention to the information disclosure of the securities market subjectively, and hide and cover up the information they are unwilling to disclose and related to the enterprise and securities investors. Try to make a time difference. Fail to disclose the true information in time, or deliberately underestimate their own losses, overestimate their own earnings, exaggerate their own asset size, profitability and economic strength, publish wrong information to investors, and mislead investors; In the financial report, important data related to the same period of the previous year were modified without authorization, misleading investors, such as concealing and misrepresenting debts; As institutional investors, compared with ordinary retail investors, they are easier to grasp the latest dynamic information of the market, easier to manipulate the market, and even make huge profits.[1]

3.4. China's Securities Market Not Only Needs to Survive, But Also Needs to Develop Healthily, which is Determined by the Development Trend of Market Economy

If China's securities market wants to develop healthily, it must be based on a complete securities market information disclosure system. The most critical central link in the information disclosure system is the continuous disclosure of information of listed companies. As the main body of the investment, the listed company has the most real business situation of the company at this stage, the most preferred and complete latest information, and it is this information that can directly guide investors. It can be inferred that most investors will pursue the stocks of listed companies with excellent performance, while those with poor or very poor performance will be abandoned by investors. Because the survival of the fittest is always the most basic law in all market economies and capital economies. Due to its excellent performance, the support of investors who get information disclosure, and the efforts of listed companies, listed companies will grow rapidly. With the continuous development and expansion of listed companies, when this information is obtained by more investors, it will attract more investors to pursue. Therefore, efforts must be made to effectively solve the transparency of information disclosure in the securities market, especially to solve the problem of listed companies' timely disclosure of real, timely, comprehensive and complete information to public investors, which has become the key to the survival and healthy, stable and long-term development of the securities market.[2]

3.5. Under the Socialist Market Economy System in China, Transactions Occur All the Time, and Then Transaction Fairness does not Come Naturally Every Time

There are many factors that affect the realization of fair trading in the securities market, such as the status of both sides of the transaction, bargaining power, the quality of traders themselves, the amount of information, etc., which will directly or indirectly affect the realization of fair trading in the securities market and become the main obstacle to the realization of fair trading in the securities market. [3] Therefore, in China's securities market, although there are many factors that affect fair trading, the most important factor is information disclosure. It can be said that there is no stock market without information. Therefore, the securities law of our country takes the continuous disclosure of information disclosure of listed companies as one of its most important components when constructing the legal system framework of fair trading of securities prices.

4. Problems Encountered in the Practical Application of China's Securities Market Information Disclosure System

4.1. The Development of Information Disclosure System in China's Securities Market

From the history of China's stock market, after more than ten years of development, the information disclosure system of China's securities market has developed from scratch. China's market has begun to take shape, and has initially formed an information disclosure standard system with the securities law as the main body and relevant regulations, rules and standards as the auxiliary. With the internationalization, the market accelerates the standardization process of information disclosure, which plays an important role in the development of the securities market. In order to protect the interests of investors, improve the quality of information disclosure of listed companies, and consolidate the foundation for the development of the securities market, regulators have also done a lot of normative work on information disclosure. From a practical point of view, the implementation of the mandatory information disclosure system for China's stock market listing, and the exchange of laws, administrative regulations, departmental rules, normative documents and self-discipline norms constitute the entire system of information disclosure.[4]

For the Chinese securities market in emerging markets, it has taken more than ten years from the early 1990s to the present, and has gone through the development process of hundreds of years in European and American countries. It has made significant development in terms of market capacity, trading means and regulatory rules. However, over the past ten years, it has still experienced ups and downs. There have been serious acts such as "false disclosure", "misleading statements", "insider trading", "fraudulent issuance" and "information manipulation" in the history of securities development, which have damaged the interests of many small and medium-sized investors and seriously lacked confidence, so that it finally caused the suffering of market downturn from 2001 to 2005, with more than half of the market value lost and investors leaving the market, Excellent enterprises have been listed overseas, and the domestic securities market has been marginalized.[5]

In 2006, when the securities market recovered and prospered, and in the prosperous market boom, we should still be soberly aware that compared with the foreign mature securities market for hundreds of years, the practice of China's securities market, as the main institutional driving force, is still insufficient, resulting in a long way to go to improve the information disclosure system.[6]

4.2. Some Problems of Information Disclosure System in China's Securities Market

The information disclosure is untrue and inaccurate. The information disclosure of some listed companies is seriously untrue, ranging from prospectus to interim and periodic reports. This is the most serious and harmful problem in the information disclosure of listed companies at present. There are also some securities issuers, in order to obtain excess benefits, through some abnormal channels, and even do some actions that violate the norms of the securities market and the securities law. Ignore the information disclosure system of China's securities market and its relevant laws and regulations. Starting from their own interests, they do not pay attention to the information disclosure of the securities market subjectively, and hide and cover up the information they are unwilling to disclose and related to the enterprise and securities investors. Try to make a time difference. Fail to disclose the true information in time, or deliberately underestimate their own losses, overestimate their own earnings, exaggerate their own asset size, profitability and economic strength, publish wrong information to investors, and mislead investors; In the financial report, important data related to the same period of last year were modified without authorization, misleading investors, such as concealing and misrepresenting debts. When disclosing information, listed companies must be accurate and true, and must not make false records, mislead or cheat. This is the most basic requirement. Specifically, the untruthfulness of information disclosure in the securities market is mainly manifested in two aspects: one is the exaggerated packaging of the prospectus, resulting in a large deviation in profit forecasts. For example, some listed companies use illegal accounting methods to cover up the financial information and the information they do not want to publish in the financial report, cover up the true situation of the company's assets and liabilities, and falsely increase profits; Second, there is profit manipulation. For example, some securities investors make promises of profits or dividends by using the words of "no choice" to help them fantasize about considerable future earnings. This part of information disclosure is obviously fraudulent and misleading.

Incomplete information disclosure. Not only the disclosure of the solvency of enterprises and related transactions is insufficient, but also the disclosure of social information is insufficient. From the information disclosure report of listed companies, we can only understand the asset scale, profits and other conditions of the enterprise. For the realization of the social value of the enterprise, we hide the accounting information unfavorable to the enterprise by protecting trade secrets. Mainly in the following aspects:

(1) Insufficient disclosure of transaction information between affiliated enterprises. The confirmation and disclosure of related party transactions are always secretive, and cannot be objectively and completely disclosed in accordance with national laws and regulations. For example, Chongqing industry has made various decisions since 2000

The related relationships between the top four shareholders and the facts of the actual controllers were not disclosed in the current report.

(2) The disclosure of the enterprise's financial indicators is not sufficient, and the disclosure of the enterprise's solvency is not sufficient. For example, from May 1995 to November 1996, Foshan Lighting made 630million yuan of illegal loans to banks and securities companies.

(3) Incomplete information disclosure on the direction of capital investment. For example, many companies only listed the actual investment of the funds raised in the previous time, without specifying whether to change the use of the funds raised in the previous time, and whether the change of the use of the funds raised has been approved by legal procedures.

(4) Insufficient disclosure of some important matters. For example, Shenzhen development directly hyped the company's shares with 311 million yuan between March 1996 and April 1997.

Information disclosure is not timely. The business process of the superior company is a dynamic process. Due to information asymmetry, listed companies delay the timely disclosure of important information for some purpose. In the stock market, time is money. Timely information disclosure can help investors make correct investment judgments, and then the untimely disclosure of information may cause certain losses to small and medium-sized investors. Because the business process of listed companies is constantly changing, listed companies should disclose relevant important information according to law without delay. However, some listed companies, worried about the impact of the disclosed information on the company's stock price, often delay in disclosing the company's major information, causing investors to suffer heavy losses because they did not get the company's major information in time, or missed profit opportunities, or were locked up.

Information disclosure is not serious. Although the securities regulatory authorities have formulated many regulations on the information disclosure of listed companies, the randomness of information disclosure of some listed companies is still very strong. Disclose information at will regardless of time, occasions and methods, and some even decide to publish important information about national economic decisions without the approval of regulatory authorities. This practice is not conducive to the fair enjoyment of investors' rights to the relevant information of listed companies, nor to remind investors to pay attention to the new changes of the company, which will have a negative impact on listed companies and investors.

Information disclosure is not active. As an enterprise, listed companies are bound to put revenue first. Because information disclosure will have a certain impact on their own companies and listed companies have more negative information in their operation and management that they do not want the public to know, listed companies usually have a fear and avoidance of information disclosure, and regard information disclosure as an additional burden. Instead of regarding it as an obligation that should be undertaken and the rights that shareholders should obtain, it is often not to actively disclose relevant information, but to disclose as little as possible or not, so that listed companies are in a passive position in information disclosure.

5. Suggestions on Regulating Information Disclosure in Securities Market

5.1. Strengthen the Construction of Information Disclosure System

Although China's securities market has developed for more than ten years, it has basically gradually formed an information disclosure system based on the company law and the securities law and centered on the rules for the compilation of information disclosure by companies that publicly issue securities. However, we should continue to strengthen the construction of information disclosure. The main recommendations are as follows:

Increase the company's violation cost. The reason why violations of information disclosure are common is that huge benefits can be obtained from these violations of information disclosure. Even if it is found by the relevant regulatory authorities, there is still a high profit after the punishment. In other words, the benefits of information disclosure violations are much higher than the amount punished by the regulatory authorities. Therefore, in order to avoid such violations, we must greatly improve the punishment.

Strengthen the supervision efficiency of supervision institutions and improve the professional level and moral quality of supervisors. After investigation, many institutions or individuals who violate the information disclosure system are out of luck. These people believe that their violations of the information disclosure system are not easy to be discovered by regulators. It is the inefficient investigation and treatment of information disclosure violations that give information to violators who are preparing to violate the information disclosure system. At the same time, we must ask, is it that the regulators can't find these problems, or don't find them,

or don't want to find them at all? Therefore, while we emphasize increasing the efficiency of supervision, we should not forget to improve the professional level and moral quality of our supervisors.

5.2. Strengthen the External Supervision of Intermediary Institutions

A considerable part of the information of listed companies is provided by accounting firms, asset appraisal institutions, law firms and other intermediary agencies and personnel, which are the backbone and new force of information disclosure in the securities market. In order to ensure the supervision quality of intermediary institutions on listed companies, first, intermediary institutions should continuously improve their professional level and professional ethics with a serious and responsible attitude towards the majority of investors. Second, as an intermediary, the Department should really shoulder the binding ability and sense of responsibility of the intermediary. Once an intermediary institution commits an act that violates professional ethics or rules, the management department as a relevant intermediary institution must not ignore it and should deal with it seriously. For the listing of the company, in the whole process of application, including the guidance before listing, the preparation of listing related materials and the final listing and issuance, the securities company bears the role of general planning, general responsibility and general check. The quality of professional ethics and the level of practice of securities companies to a large extent determine the quality of information in the process of listing. Therefore, a tracking and inspection system should be implemented for the underwriting projects of securities companies. Securities companies must bear corresponding responsibilities for those who defraud listing qualifications or have significant differences with the original announcement information after listing.

5.3. Improve the Corporate Governance Structure of Listed Companies and Protect the Rights and Interests of Minority Shareholders

The victims of listed companies' publishing false financial information are often small and medium-sized investors. Therefore, in the process of improving the corporate governance structure, the protection of the interests of small and medium-sized investors should be put in the first place. If small and medium-sized investors have the right and enthusiasm to participate in and supervise listed companies, they can prevent major shareholders from covering up the sky and reduce the possibility of corporate management manipulating profits. However, due to the huge cost of small and medium-sized investors' direct participation in company management and high requirements for personal quality, it is advisable to vigorously develop institutional investors, use the investment managers and market analysis technology of institutional investors to evaluate the operating performance of listed companies on behalf of investors, and allocate assets on behalf of small and medium-sized investors.

6. Conclusion

In a word, although China has more than ten years of experience in the development of the securities market, in these years, China's securities market has been making continuous progress and improving the relevant systems. The professional level and supervision ability of the supervision institutions are steadily improving, and an information disclosure standard system with the Securities Law as the main body and relevant regulations, rules and standards as the auxiliary has gradually formed. We also have to say that China's securities market disclosure system is still very young, and there are many old problems that have not been better solved. At the same time, there will be some new problems in the development.

In the future construction of the securities market disclosure system, we should take the purification of China's securities market as the fundamental purpose, the interests of securities

issuers and securities investors as the starting point, the improvement of China's securities market information disclosure system as the core, the improvement of the relationship between listed companies, intermediary institutions and supervisory institutions as the basis, fair and just legislation as the basis, and the strengthening of supervision and the increase of violation costs as the main means.

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