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Study on the Legal Liability of Securities Intermediaries under the Background of Registration System

Rong Ke

School of Law, Anhui University of Finance and Economics, Bengbu, Anhui, China

Abstract

Since the Third Plenary Session of the 18th CPC Central Committee proposed to promote the reform of the registration system for stock issuance, to the 18th meeting of the Standing Committee of the 12th National People's Congress passed the relevant provisions authorising the State Council to adjust and apply the Securities Law in the implementation of the reform of the registration system for stock issuance, the reform of the registration system of China's capital market has completed the transformation from policy guidance to practice. At present, China implements the approval system, there are deficiencies in the design of the system for the legal liability of securities intermediaries, it is difficult for judges to adjudicate cases of intermediaries violating the law in practice, and the legal regulation of securities intermediaries is ineffective, resulting in the functions and roles of securities intermediaries not being brought into full play. To promote the smooth implementation of the registration system reform, it is necessary to solve the problems of the legal regulation of securities intermediaries under the approval system, establish the means of regulation of securities intermediaries in line with the registration system reform, improve the relevant ancillary facilities, adjust the regulatory thinking, and promote the construction of self-regulation of the securities intermediary industry, so as to ensure that securities intermediaries play a more important role in the securities market.

Keywords

Registration System; Securities Intermediaries; Legal Liability.

1. Introduction

Since the 21st century, people have introduced the analogy of intermediaries in the United States, calling intermediaries "market gatekeepers". At the same time, the market gatekeeper theory put forward by American scholars has also been introduced and has become the theoretical basis for the allocation of intermediaries' legal responsibilities under China's securities law, forming China's gatekeeper system. In order to "solidify the responsibility of intermediaries", the legal responsibility of "gatekeepers" should be increased, but there are limits to the legal responsibility, which should not be too light or too heavy, and should be in line with the principle of "equivalent responsibility". Too light a responsibility will encourage violations of the law, while too heavy a responsibility will overburden intermediaries, impede the development of the intermediary services market, and upset the ecological balance of the capital market, which is not conducive to the healthy development of the capital market.[1].

The report of the 19th CPC National Congress proposes, "Deepen the reform of the financial system, enhance the ability of financial services to the real economy, increase the proportion of direct financing, and promote the healthy development of the multi-level capital market." General Secretary Xi Jinping pointed out that "with the development of the times and the advancement of reforms, the modernisation of national governance has become increasingly urgent in terms of the demand for a scientific and complete system of legal norms." "It is

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necessary to grasp the quality of legislation as the key, deeply promote scientific, democratic and lawful legislation, coordinate the enactment, reform, abolition and interpretation of codification, improve the efficiency of legislation, and enhance the systematic, holistic and synergistic nature of legislation." Scientific configuration of the legal responsibility of intermediaries is of great significance in promoting the diligence and responsibility of intermediaries, promoting the development of the intermediary service market, increasing the proportion of direct financing, and promoting the healthy development of the multi-level capital market. Scientific legislation, including the scientific allocation of the legal liability of intermediaries so that it is neither too light nor too heavy, requires scientific theoretical guidance.

2. Overview of the Legal Liability of Securities Intermediaries in the Context of the Registration System

2.1. Definition of Securities Intermediaries

Securities market intermediaries are full-time institutions that provide various services for the issuance and trading of securities. Securities market intermediaries are the bridge between investors and fund-raisers of securities, and are the organisational system for the operation of the securities market. Institutions that play an intermediary role in the securities market are securities companies and other securities service organisations, which are usually referred to collectively as securities intermediaries. [2]This paper discusses the intermediaries in a narrow sense other than stock exchanges and securities registration and clearing institutions, and specifically refers to the intermediaries that play a major role in the securities market.

Securities companies, law firms, accounting firms, asset appraisal organisations and other securities service organisations play the role of "gatekeepers". China's securities market is based on information disclosure as the core, ordinary investors in the market thousands of stock value judgement is also mostly based on the information disclosed by the listed companies, it can be imagined that the listed companies hold the absolute information advantage, which means that if there is no effective third-party information disclosure of listed companies to supervise and regulate, listed companies will be able to mislead investors through the disclosure of false information to mislead investors to make the wrong investment, and then seek undue benefits, ultimately affecting the quality of the entire securities market. Therefore, the intervention of third-party intermediaries is of great significance in realising the protection of investors' rights and interests. Intermediaries provide services for the issuance or trading of securities with their own professional skills and ethical standards, protect investors, and supervise unlawful behaviours in the securities market. Third-party intermediaries, such as securities companies, law firms, accounting firms and financial advisors, are responsible for providing investors with accurate and effective information through a reasonable division of labour and the use of their professional services in collaboration with each other, and for helping investors to select suitable securities products. As a link between issuers and investors, intermediaries are able to solve the problem of information asymmetry between listed companies and investors, help investors distinguish between investment products of different quality, and maintain the stability of the securities market.

2.2. Current Status of Legal Liability of Securities Intermediaries in the Context of the Registration System

2.2.1. Current Status of Legal Liability of Securities Lawyers

Although the lawyers engaged in securities-related lawyers accept the entrustment of the issuing company, they face not only the client, but also the public, especially investors; while the legal team of the company's legal affairs is only facing the entrustment of the issuer, in

conclusion, the securities industry lawyers have the public, while the legal affairs lawyers have more internal nature. Of course, we can't deny that some legal lawyers are also qualified in the securities industry. Therefore, in practice, there are some directly by the securities industry qualification of the legal lawyer as a listed issue of lawyers, due diligence on the company's business, in this case, as a securities intermediary law firms as the.

The role of a "gatekeeper" is contrary to the duty of loyalty owed to the issuing company. [3]At the same time, in the case of an issuer hiring two law firms, the issuer can have one securities firm coordinate the entire process of the issuance of the securities, playing the role of coordinator, while the second firm performs the disclosure of information, acting as a "gatekeeper". However, the operating cost of this method is high, and the efficiency will be reduced if the information cannot be shared in a timely manner. In the context of the registration system, and for lawyers, the face is not only the client, the face is the order of an industry, to be able to separate the different identities of lawyers is more difficult.

Securities lawyers, as professionals assessing legal risks, are obliged to assume a higher than average level of professional responsibility for legal matters and to draw professional conclusions based on their theoretical knowledge and practical experience. After the official implementation of the registration system, the Securities and Futures Commission is not conducting substantive audits, resulting in the lowering of the threshold for public offerings, and therefore the number of companies applying for listing and issuance has increased accordingly, and law firms.

The demand for legal opinions on public offerings of companies has increased, and securities lawyers have become more specialised in the light of the increased number of listings and offerings, and the risk of liability assumed by them has also increased. In the context of the registration system formally implemented, the current round of the new "Securities Law" of the legislative purpose of the relative focus on information disclosure and legal liability, because the law provides for a higher cost of violation of the law, and thus more able to play a deterrent effect, to strengthen the securities intermediaries to regulate the awareness of their own behaviour. The role of the Securities and Futures Commission (SFC) has changed from a gatekeeper to a supervisor, as the SFC no longer conducts substantive audits. Although a higher offence cost is stipulated, the reasonableness of the responsibility of each securities intermediary is still ignored.[4].

Analysing the cases of illegal securities issuance, it is not difficult to find that the sponsor, accounting firms, law firms bear the responsibility of the highest sponsor for the accounting services, the strength of its punishment and the sponsor is not similar, only the law firms subject to less punishment, which also led to the securities intermediary institutions of the reputation, word of mouth, and the importance of laws and regulations are getting lower and lower, which in turn caused the turbulence in the securities market. Under the background of the registration system, the market-oriented standard makes more and more enterprises need to entrust law firms to provide services, creating the phenomenon of increasingly fierce competition in the securities lawyers industry, so that some securities lawyers knowingly violate the laws and regulations, and continue to issue legal opinions that do not conform to the actual situation, with the nature of misrepresentation. In practice, it is difficult for ordinary investors to enquire about the integrity status of securities intermediaries, and for some lawyers who have been subject to administrative penalties to also.

There is no way to know, which is why some securities law firms do whatever they want anymore.

2.2.2. Current Status of Legal Liability of Sponsoring Organisations

China applies the dual-guarantee sponsorship system, which was created on the basis of foreign experience and the characteristics of the development of China's securities market, and can

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only be engaged in the relevant work if it meets two conditions at the same time, namely: firstly, the sponsor has the qualification of engaging in the issuance of securities, and the qualification can be obtained through a certain number of application, assessment, evaluation and other procedures; secondly, the sponsor institution is responsible for the specific business of assigning a person or a team. business.

Under the background of the registration system, the sponsor representative is an individual with greater mobility, resulting in uncontrollable departure. Because the implementation of the registration system makes the status of the sponsor improve, and because of China's implementation of the dual-insurance system, the sponsor representative plays an indispensable role, so the sponsor representative in search of a better working environment, salary, they have to choose a better working environment, high mobility, which led to the situation of only recommending but not insuring. [5]Because the sponsor representative and the sponsor agency only through the agreement to agree on the rights and obligations of both parties, so once the subsequent stock listing and issuance process, problems, whether it is investors or issuers are difficult to find the sponsor representative to require it to bear the responsibility for the losses caused by its failure to diligently perform their duties, at the same time, for the sponsor representative of the responsibility for the form of only a warning with a corresponding amount of fines, the responsibility does not have any impact on the sponsor representative, but the sponsor representative is not required to pay the fine. At the same time, the form of liability for the sponsor representative is only a warning and a corresponding fine, which will not have a heavy negative impact on the future development of the sponsor representative, and this has resulted in the sponsor representative being emboldened to leave the company and not take responsibility for his/her own projects.

The Securities Law clearly stipulates the circumstances under which the sponsor is liable for civil liability, and the strength of the sponsor's liability is as harsh as that of the issuer. Specific circumstances of the former for the issuance of illegal procedures; the latter for false disclosure, misleading statements and other subjective intentional or grossly negligent circumstances, resulting in investor losses, the sponsor and the issuer of the company's directors, supervisors, senior management to bear joint and several liability. But can prove that they are not at fault except. Both paragraphs of the Securities Law stipulate that the sponsor and the issuer, the company's shareholders and other companies directly responsible for the same responsibility. In terms of nature, the sponsor, as a securities intermediary organisation, only has a contractual relationship with the listed company and does not have a profit-sharing relationship; as an intermediary organisation, it is required to bear the same responsibility as the profit-sharing recipients, which aggravates the scope of the responsibility to be borne.[6].

2.2.3. Current Status of Legal Liability of Accounting Firms

The official operation of the registration system there is a greater likelihood of an increase in the risk liability of accounting firms for two reasons, namely: reason one lies in the fact that part of the data of the company's public offering needs to be audited, and the audit is characterised by difficulty and time-consumingness. The official implementation of the registration system, the shift from regulatory to market-oriented, leading to the phenomenon of lowering the threshold of public offering in a short period of time, increasing the number of companies applying for new share issuance, and the increase in the number of audit tenders conducted by accounting firms, which will further challenge the management of the personnel, the quality of the audits, and the standard of work of the audit firms. The second reason is that the administrative and supervisory authorities have been decentralised and are not conducting substantive audits, but merely playing a supervisory role. At the same time, the content of supervision has also changed, with the focus not on the investment value of the issuer but only on whether the issuer's disclosure of information is true or not. That is to say, accounting firms according to the issuer to provide data and materials issued by the content of the audit report

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will largely become the basis for investors to value reference. The role of the audit report as a direct basis for investors to understand the financial information of the issuing company has increased significantly, and the responsibility of accounting firms has increased accordingly, which in turn has led to an increase in the business risks they face.

Unqualified audit report opinion as the core part of the information disclosure, the quality of the audit affects the accuracy of the information disclosure, and at the same time the quality of the audit can also directly reflect the professional ability of the accounting firm as well as the working attitude towards the project. The quality of the audit report is a specific conclusive opinion, and the accounting firm as an organisation exists, and is not the direct subject of the audit report, the real subject is one to two certified public accountants, that is to say, the quality of the audit report depends on the merits of the certified public accountants. For example, in the disclosure of accounting reports, there are often cases of arbitrary adjustments to the distribution of profits, once the interim report is too simple, which will affect all subsequent reports based on this, but also easily affect the judgement of investors and investment decisions, and finally damage the interests of investors. There are almost no legal documents regulating the quality of auditing, and only the Basic Guidelines for Quality Control of Chinese Certified Public Accountants provides general regulations, which require the quality of audit reports to be controlled. That is all, and further more detailed regulations are still in a state of limbo. In the context of the registration system, the lack of experience and the wide range of problems that have arisen, such as the lack of information sharing among securities intermediaries, the lagging and inefficient methods used by accounting firms, and the wide range of client groups, have all affected the quality of audit reports.

3. Problems with the Legal Liability of Securities Intermediaries in the Context of the Registration System

3.1. Unclear Standard of Duty of Care among Securities Intermediaries

According to the Securities Law, in addition to issuers and investors, sponsors, accounting firms and law firms all play the role of gatekeepers, which appear to be of the same nature, but because of their own uniqueness, there is a difference between the three. Under the background of the registration system, because the securities commission no longer exercise the function of approval, the responsibility of the intermediary institutions can be strengthened, and then its requirements will increase. China's securities intermediaries are centred on the sponsor, other securities intermediaries to support the operation of the system.

On the one hand, in the context of the registration system formally implemented, securities intermediaries in their respective duties, positioning accurate, but whether the new securities law or the old securities law are not refined diligence obligation boundaries or standards, although the experts and scholars often mention the general duty of care and special duty of care, but the current law does not distinguish between the duty of special care and the duty of general care to be stipulated or explained. [7]Various securities intermediaries cooperate with each other, the current laws, regulations, rules and regulations do not have a clear delineation of responsibilities between the various institutions, the definition of the scope of the fuzzy, which leads to confusion in practice, so in the pursuit of legal responsibility, it is difficult to determine the share of the responsibility of the subject, resulting in the securities intermediaries can not play a role in their own professional field, and thus infringing on the legitimate rights and interests of the investor. The situation of legitimate rights and interests of investors.

On the other hand, the sponsor has the function of "lead", which can be understood as a bridge between other securities intermediaries and the issuer, and it is precisely for this reason that other securities intermediaries lack independence. Although it is said that the relationship

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between the securities intermediaries is solidarity and assistance, but in our sponsor-led model, because the sponsor has a great deal of decisiveness, not only the law directly stipulates that the other securities intermediaries to fulfil the obligation to cooperate with the sponsor's work, but also the sponsor and the issuer of the communication between the sponsor and the issuer more closely. In practice, it is difficult to maintain independence from other securities intermediaries.

3.2. Excessive Sponsor Liability among Intermediaries

The sponsor, because of its special position, is both the leading party in the issuance process and the mover of multiple interests. The current law provides that the sponsor in the process of public offering, not only responsible for their own professional field, linking the listed company, but also to the accounting firms, law firms to review the professional documents submitted by the law to make their obligations to be clearly stipulated in a way, due to the sponsor failed to fulfil its obligations to lead to the investor suffered losses, the sponsor should bear joint and several liability. In this case, the sponsor is faced with more stringent legal provisions and broader conditions for assumption of responsibility, and it is more appropriate to refine the provisions of the sponsor, rather than general and simple provisions. [8]The current law does not specify the criteria for the sponsor to verify the professional opinions issued by other securities intermediaries, that is, how to determine whether the sponsor has fulfilled its responsibility. In addition, the current law exempts the sponsor from liability, that is, except for those who can prove that they are not at fault, so can the sponsor prove that they have acted with due diligence and are not at fault within the scope of their own ability. These things are missing from the current law and difficult to define in practice. From another perspective, the current law stipulates that the sponsor has the obligation to exercise diligence and due diligence and prudent verification, but it has been controversial whether the sponsor needs to re-verify the professional opinions issued by the securities intermediaries, and it is unreasonable to re-examine them as follows: the sponsor, the accounting firm and the law firm are all intermediaries in the process of the listing and issuance of the company, although the sponsor plays the role of a leader, but the other The professional opinion reports of securities intermediaries involve complex data and a wide range of matters, while the sponsor agency under the law is generally a securities company, and it is difficult to review whether the audit reports and legal opinions are true and complete, and to assume heavier responsibilities on the basis of no detailed provisions, which is not conducive to the long-term development of the sponsor agency.

3.3. Lack of Standards for Exemption from Liability under Different Duties of Care between Intermediaries

In the context of the registration system, the Securities Law provides for a presumption of fault as the principle of attribution for the liability of intermediaries, but does not provide for specific exemptions from liability. [9]It is indeed difficult for securities intermediaries, whose work is cross-cutting in nature, to prove that they are not at fault. The problems exposed in the process of the pilot of the Kechuan Board, due to the audit report and legal opinion, as well as the professional documents issued by the sponsor need to cross-reference the data and conclusions of other securities intermediaries, and not simply reference, but a large amount of data as a base for citation and analysis. [10]Intermediary institutions due to their own professionalism to make the opinion report violates the provisions of the legal responsibility, which is the provisions of the securities law, should be strictly in accordance with the provisions of the law. But in practice, due to the existence of securities intermediaries cited each other, the emergence of cross-part of the responsibility of the intermediaries between the responsibility is not clear, at present, China's securities law does not clearly stipulate the cross-part of the legal responsibility, for the part of the cross responsibility for the exemption of the situation is also

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not clearly stipulated. Because there is no clear standard, it leads to the occurrence of disputes, it is not clear whether there is intentionality or negligence, general negligence or gross negligence, which also aggravates the responsibility.[11].

4. Reconfiguration of the Legal Liability of Securities Intermediaries in the Context of the Registration System

4.1. A Clear Distinction between Obligations of Special Care and Obligations of General Care

Although the sponsor and law firms, accounting firms are intermediaries, but due to the sponsor's own special characteristics, resulting in its and other intermediaries and there is a clear difference between, at the same time, each securities intermediaries in the production of documents inevitably use other securities intermediaries issued by the data. [12]Thus, in such cases, the American system of experts and non-experts, which Chinese scholars refer to as the special duty of care and the general duty of care, should be borrowed. The special duty of care means that the securities intermediary should be clear that in its professional field, it should strictly abide by the rules of practice, diligently and conscientiously express its professional opinions; the general duty of care means that the securities intermediary should be prudent in checking the use of other professional data, and it should be held responsible if it fails to fulfil its duty of reviewing the obvious violations of the provisions of the securities law.

Professional duties refer to the duties to be performed in the professional field, the professional duties of an accounting firm are the duties in the auditing process, while the professional duties of a law firm are the duties in the process of issuing legal opinions. It has its own unique advantages, because of its high degree of professionalism, the issuer will be entrusted to engage in related business, at the same time, investors and the public will be more trustworthy of its professional opinion. Within the scope of professional duties, it should pay special attention to the obligation. That is, the issuer's information disclosure violation of the securities law, the issuer has inflated the turnover of the situation, the accounting firm in the audit process is not diligent, failed to find the issuer's misrepresentation of the behaviour of the accounting firm in this case, the accounting firm did not do their professional duties under the special duty of care, will bear the corresponding responsibility. The special duty of care under professional duties is the core of a securities intermediary, and any securities intermediary should exercise due diligence and special duty of care when engaging in securities-related work in its professional field.[13].

In the context of marketisation, the sponsor's role as "gatekeeper" has been given the mission of connecting the issuer with the investor, and the Securities Law stipulates that the sponsor and the issuer shall be jointly and severally liable to compensate the investor. Therefore, due to its uniqueness, the sponsor's general duty of care is heavier than that of other securities intermediaries. The sponsor's general duty of care means that the sponsor is required to verify the accuracy of the underlying information on which the professional opinion issued by the securities intermediary entrusted by the sponsor is based and, at the same time, to judge whether the professional opinion is in compliance with the law and is trustworthy. Although the basic information has professional limitations, but the sponsor as engaged in the securities industry, the basic information for the mastery of its essential skills, the sponsor in the information disclosure process, can do to ensure that the selected securities intermediaries have the appropriate qualifications, information disclosure of the basic information is true can be deemed to have done its general duty of care. By the same token, the data quoted by the accounting firm comes from the report made by the lawyer, as long as the accounting firm can do its duty of care to verify the truth of its basic information.

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4.2. Granting of Reasonable Reliance Defence to Sponsors

According to the Securities Law, with regard to the liability of the sponsor, the sponsor is not only jointly and severally liable with the issuer, but also jointly and severally liable with other intermediaries. Whether it is the old securities law under the background of the approval system, or the new securities law under the background of the registration system, the sponsor's liability has not changed, its legislative purpose is to protect the legitimate rights and interests of investors, the sponsor as a core role, the requirement of joint and several liabilities with a certain degree of reasonableness, but the sponsor in the intermediary institutions within the responsibility for the overweight has always been a problem that needs to be solved. Drawing on the operation mode of the principle of distinction in Hong Kong and the United States, the sponsor can be given the right to reasonable reliance on the exemption from liability.

According to the Securities Law, professional documents produced by law firms and accounting firms have independent legal effect and status. In a more marketised securities trading market, the law requires sponsors to exercise due diligence, including the prudent verification of professional opinions issued by accounting firms and law firms. Compared to sponsors, accounting firms and law firms are in a better position to conduct due diligence checks due to the special characteristics of their industry. The act of requiring sponsors to undertake substantive review of highly specialised documents has undoubtedly increased the burden of sponsors. Therefore, the registration system is in the initial stage, the construction of the sponsor's general duty of care system is an urgent task, can alleviate the sponsor's responsibility to bear the pressure of overweight, is conducive to improve the securities intermediaries internal responsibility.[14].

Sponsor for other intermediaries issued professional documents for substantive review, not only aggravate the sponsor to repeat the review of the work procedures also easily lead to the sponsor to bear increased responsibility. However, looking at the overseas securities trading system, it is not difficult to find that, for the professional documents issued by accounting firms and law firms, it is sufficient for the sponsor to do its general duty of care. Therefore, in order to reduce the sponsor's responsibility to bear too heavy the frequent occurrence of the situation, through the form of law to give the sponsor reasonable right of reliance, that is, to strengthen the securities intermediaries diligence and due diligence, strict control of the issuance of professional opinions of the authenticity and accuracy of the work of the appropriate relaxation of the sponsor's work, as long as the sponsor can prove that it is to the extent of its general obligation of care, can be exempted from liability. Therefore, granting the sponsor the right to "reasonably rely" on the expert opinions issued by accounting firms, law firms, etc. to be exempted from liability can alleviate the sponsor's responsibility.

4.3. Clarifying Exemptions for Securities Intermediaries

Comparing the old and new Securities Law, it is not difficult to find that the exemption of intermediaries is mentioned in the proviso of the principle of attribution, i.e., "except for those who are able to prove that they are not at fault", in addition to the specific exemptions, which are not mentioned. The implementation of the registration system and the promulgation of the new Securities Law have, to a certain extent, increased the enforcement standards and penalties for securities intermediaries. But securities intermediaries only as a service institution exists, its increased obligations, should also be given a certain exemption matters, so as not to bear the premise of market-based responsibility overburdened, only the intermediary exemption standard specific, with references, can be in the practical sense of the implementation of the concrete operation.[15].

The Securities Law provides that securities intermediaries are subject to the principle of presumption of fault, and that for the substantive audit part, the securities intermediary may be exempt from liability only if it can prove that it has exercised special care and has not

detected the existence of an offence. This situation is only derived from the presumption of fault, and there is no legal provision to clarify it. As can be seen from the above, the securities trading system has a professional duty of care, a general duty of care and a statutory duty of care, and it is not possible to claim exemption from liability if the securities intermediary directly relies on the advice of others in the area for which it should be responsible. [16]For example, during the pilot period of KTB, the SFC clearly stipulated that the sponsor should be responsible for the operation and internal management of the company to give professional advice, while the legal opinion issued by the law firm includes the internal management of the company, under such circumstances, both parties should exercise special duty of care, rather than adopting the opinions issued by other securities intermediaries directly without ascertaining the situation, and should always maintain the independence of practice and use professional knowledge to investigate the findings. independence of practice and make professional opinion on the investigation results with professional knowledge. Because of the special nature of the sponsor, the condition for the sponsor to be able to apply this circumstance for exemption from liability is to verify the information underlying the opinion of a professional nature. Otherwise, the defence cannot be applied.

The exemption of the general duty of care is based on a clear distinction between special and general duties of care. The current developments in the securities market are such that a clear distinction is imminent. Its specific application is in the non-professional field to adopt the field of professional opinion, the cited person to exercise general duty of care, can prove that the cited opinion does not exist obvious illegal behaviour can be exempted from liability. The specific circumstances are that there is no reasonable suspicion of intentional misrepresentation, there is no obviously inaccurate data, and there is no clear basis. By listing the clear non-professional areas of exemption, not only in line with the existing securities law in the principle of fairness, but also a reasonable distribution of responsibility.[17].

5. Conclusion

Since the promulgation of the new Securities Law, in order to fully protect the interests of public investors, the independence and public mission of intermediaries have been strengthened, and they are required to play a good role as "gatekeepers" in the securities market, and to effectively play the function of objective examination to screen out compliant and high-quality companies for listing and trading. And through multiple borrowing, China's mainland implementation of the "strict sponsor-led liability" model has been a period of time, although several fine-tuning, however, this seemingly meticulous care did not effectively inhibit the occurrence of illegal behaviour, too harsh responsibility, on the contrary, easy to make the intermediary institutions overwhelmed by the burden, breeding "hit the big time! "mentality, and even conspire with their clients to cheat and cover up the problem, but also objectively exacerbate the brokerage firms and appraisers, lawyers, accountants and other intermediaries on the function of the division of unclear.

From the Main Board, GEM to KEM, the registration system reform centred on information disclosure in the context of the full implementation of the new Securities Law is a major shift in the development of China's securities market. As the regulatory function of the Securities and Futures Commission (SFC) is gradually "retired", the role of intermediaries in the securities market is becoming more and more prominent, and as an important link between the issuer and the investors, the intermediaries should improve the quality of information disclosure by fulfilling their obligations of diligence and due diligence from the perspective of investors. However, at present, the legal liability system of intermediaries in China's securities market is not perfect, the division of responsibilities among intermediaries is still unclear, the exemption standard under joint and several liability is missing, and the regulatory system is not yet perfect,

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which is not conducive to the promotion of the comprehensive deepening of the reform of the securities market.

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