

Research on Perfecting the Forced Delisting System of List Companies

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Abstract: The forced delisting system, functioning as a mechanism for the "export" of listed companies, is pivotal in fostering market dynamism and optimizing resource allocation within the securities market by enforcing the principle of survival of the fittest. which is directly related to whether China's securities market can realize the orderly and timely clearing pattern. However, there are still difficult and slow delisting problems in China's securities market. The fundamental obstacle is that the standard of forced delisting is generally loose, the forced delisting procedure is lengthy and the connection is not smooth. Drawing on the experience of developed capital markets outside the region, it is suggested that in terms of entity system, the number of market makers should be increased to fully reflect the will of investors, and forced delisting standards for trading should be strictly formulated to strengthen market standardization, while the weight of financial profit standards in delisting standards should be reduced, and the scope of application of non-quantitative standards should be expanded to comprehensively combat delisting evasion. In terms of procedures and systems, shorten or directly cancel the consolidation period to speed up the delisting speed; At the same time, improve the transition rules after forced delisting to ensure the smooth transition of the company to be delisted.

Keywords: Listed company; Forced delisting; Market maker; Non-quantifiable; Standard; Finishing period; Cohesion rule

1. Introduction

In 2018, the introduction of the Science and Technology Board's stock issuance registration system necessitated enhancements to the delisting framework. In response to facilitating the registration system's implementation and fostering the normalization of delisting, the Securities Law underwent amendments in March 2020, significantly streamlining the mandatory delisting process. This included the abolition of listing suspensions and resumptions, delegating the authority to regulate mandatory delisting scenarios to the stock exchange, and introducing a dedicated section to underscore the safeguarding of investors' rights and interests. In 2022, the Stock Exchange revised the Stock Listing Rules for the twelfth time, further intensifying the disclosure of delisting risks and refining the delisting metrics. Subsequently, in 2024, the China Securities Regulatory Commission issued the Opinions on the Strict Implementation of the Delisting System, calling for further standardization of mandatory delisting criteria. While the reform of the registration system has resulted in increasingly refined mandatory

delisting arrangements, practical challenges persist, such as evasion loopholes, inadequate post-delisting support mechanisms, and difficulties in safeguarding the legitimate interests of affected small and medium-sized investors. These challenges pose impediments to the effective implementation of a normalized delisting mechanism. In recognition of the numerous practical issues within China's mandatory delisting system, this paper aims to conduct a thorough analysis of the current delisting framework and propose practical solutions to further refine the mandatory delisting system and safeguard the rights and interests of small and medium-sized investors.

2. Current situation of forced delisting of listed companies

2.1 Current situation of forced delisting system of listed companies

The relevant provisions of the delisting system in China were first seen in the Company Law in 1993 and the Securities Law in 1998. After several amendments, the content of the forced delisting system in the Company Law was transferred to the Securities Law. At present, China has formed a listed company delisting mechanism mainly composed of the relevant provisions of the 2020 "Securities Law", several opinions issued by the CSRC, and the listing rules of the stock exchange.

2.1.1 The provisions of the Securities Law on forced delisting

According to the relevant provisions of the current Securities Law, if a listed company violates laws or regulations or violates the delisting situation stipulated by the stock exchange, the stock exchange makes a delisting decision according to the corresponding norms and standards, and the company to be delisted has objections, it has the right to apply to the review institution of the stock exchange for review. It can be seen that the formulation of specific rules on the Forced delisting of listed companies is authorized to the stock exchange, and the company to be delisted can only be relieved through the internal channels of the exchange if it refuses to accept the Forced delisting decision.

2.1.2 SFC rules on forced delisting

In 2024, the CSRC issued the Opinions on the Strict Implementation of the Delisting System (hereinafter referred to as the Opinions), which once again emphasized that the delisting system is the key basic system of the capital market. Under the pressure of the recent market fraud wave and the downward fluctuation of the stock market, the Opinions require the exchange to scientifically set strict diversified forced delisting standards in combination with the listing conditions of enterprises, and gradually broaden the diversified exit channels to accurately achieve "should be retreated". And accelerate the revision of stock listing and related business rules, release and implement as soon as possible, and increase the clearance of "zombie shells" and "black sheep"^[1].

2.1.3 Stock exchange rules on forced delisting

Based on the comprehensive reform of the registration system, the stock exchange, authorized by the upper Law and guided by the principles of the CSRC, formulated specific forced delisting rules according to the actual situation of the market and regulatory requirements. On April 30, 2024, based on the "Opinions" issued by the CSRC, the Shanghai and Shenzhen Stock Exchanges effectively revised and completed the relevant delisting rules and issued the "2024 Delisting New Regulations". Under the guidance of the Opinions, the new delisting regulations in 2024 further strictly regulate the standards for Forced delisting, which are mainly reflected in the following three aspects: expanding the scope of

application of Forced delisting for major violations; Tighten the financial delisting standards, improve the operating income delisting indicators of loss-making companies, and increase the delisting efforts of poor companies; Three new normative delisting situations have been added.

3. Problems of forced delisting system of listed companies

3.1 The forced delisting standard of listed companies cannot play the functions of prevention and punishment

3.1.1 Lack of market maker number standards

Market maker refers to the institution or individual authorized by the stock exchange to trade stocks, bonds, etc., in the securities market, which usually has strong financial strength and market reputation. In 2022, China introduced the system in the science and technology board, but it was not introduced in the A-share market. Some people believe that this is because the core role of the market maker system is to increase market trading volume, the turnover rate of stocks in the A-share market is already high, and there is no need to introduce it, and by comparing the turnover rate and liquidity of the science and Technology board market and the A-share market, it is found that these two indicators of the science and Technology board significantly exceed the average level of the A-share market, which indicates that the introduction of the system is not only to improve liquidity. From the analysis of market positioning, the science and technology board is in A sense the experimental field of A-share market reform, and its introduction of the market maker system has more far-reaching significance and consideration.

Although the liquidity of the A-share market is very high, the scale of China's A-share market continues to grow, and has reached more than 5,000, from the perspective of the entire A-share market, the two-level differentiation is obvious, some stocks are marginalized, and local liquidity is insufficient. In view of this, it is necessary for China to introduce this system in the A-share market, and it also has good conditions for introduction. Considering that the number of market makers can well reflect the liquidity characteristics of listed companies, and liquidity to a large extent can reflect the degree of investor favor, and investor favor is undoubtedly the basis of listed companies. Therefore, the introduction of this system is of great significance for improving the operating efficiency of the A-share market and the competitiveness of listed companies. Nasdaq's continuous listing standards stipulate the number of market makers. In the capital market sector, no matter what standard is used to obtain listing qualification, the number of market makers is required to be no less than 2; in the global Select sector and the global market sector, the number of market makers is required to obtain listing qualification according to the shareholders' equity standard, and the number of market makers is required to be at least 3. To qualify for listing on the market capitalization basis or on the total assets/gross revenue basis, a minimum of 4 market makers are required. With the in-depth implementation of the comprehensive registration system of China's securities market, the degree of marketization has been further strengthened, in this context, in order to better improve the delisting system, improve market efficiency and protect investors' rights and interests, it is necessary to consider increasing the number of market makers in the forced delisting standards.

3.1.2 The standard of forced delisting of trading class is lax

The standard of forced delisting of transactions is mainly divided into four aspects, which are the

closing price, the total market value, the turnover and the number of shareholders. The exchange also stipulates specific standards according to whether the listed company issues A shares, B shares, and both A shares and B shares. The following takes the forced delisting standard of A-share trading as an example to analyze. Total market value provisions: "The total closing market value of stocks for 20 consecutive trading days is less than 500 million yuan", this value setting does not match the status quo of China's securities market, according to Wind statistics show that as of January 1, 2024, the number of A-share listed companies is 5,346, with A total market value of 84 trillion yuan, and an average market value of 15.712 billion yuan. Listed companies with a market capitalization of more than 1 billion accounted for 99%. Considering the actual situation of the current A-share market, when stipulating the market value delisting standard, only requiring the total market value to be less than 500 million yuan is too low, which lacks realistic pressure on listed companies and cannot play the early warning role that should be had. Practice has also proved that since the standard was released in 2020, no company has been forced to delist for falling below this standard.

In terms of the number of shareholders: "The number of shareholders of the company is less than 2000 for 20 consecutive trading days", this standard is also too loose, first of all, China's A-share market small investor base is large, with the development and growth of the size of the securities market, the number of investors will continue to increase. At present, few companies are forced to delist because of the standard, and there will be fewer in the future, so it is necessary to combine the actual situation of China's securities market, and moderately raise the delisting standard of the number of shareholders. In addition, the period of 20 consecutive trading days can also be criticized. When the number of shareholders of the listed company may fall to the forced delisting standard, within 20 trading days, the listed company can take various means to manipulate the number of shareholders. As long as it does not meet the requirements of "continuous", it can easily resolve the delisting risk, at the same time, in terms of supervision, the stock exchange and the CSRC are difficult to monitor the change in the number of shareholders in real time, and there are obstacles to the investigation and collection of evidence of illegal regulation and control behaviors, which bring costs to supervision, and cause the dilemma that inferior listed companies should not withdraw. In view of this, it is necessary to shorten the period of 20 trading days in view of the actual situation of the stock market.

3.1.3 Financial profitability criteria are overweighted

Compared with mature markets such as Nasdaq, the delisting standards of Shanghai and Shenzhen exchanges focus more on financial criteria such as net profit and operating income. According to Wind data, in 2023, among A-share delisting companies, financial delisting accounted for 44%, and trading delisting accounted for 40%, at the same time, there were four new cases of major illegal delisting in 2023, the specific reasons are also related to false revenue and profit. Therefore, to some extent, stock exchanges tend to formulate and adopt financial standards in the forced delisting standards, which may be due to the frequent occurrence of financial fraud in practice. At the same time, it may also be due to the fact that stock exchanges pay more attention to the consideration of financial standards in the delisting standards, leading to the delisting of more companies. It is undeniable that financial standards are the most intuitive indicators reflecting the operating conditions of a company. For stock exchanges, the delisting of listed companies based on quantitative financial standards is undoubtedly the most

cost-effective. Compared with the normative information disclosure review and the illegality identification of major violations, it saves a lot of human and material resources, and also reduces the conflicts caused by differences of opinion.

However, everything has a dual character, and quantitative financial standards are also the "cost performance" pursued by listed companies to avoid delisting. For example, the current delisting rules tighten the financial standards and improve the operating income standard of loss-making companies, increasing it from "100 million yuan" to "300 million yuan", and adopt the combination standard of "total profit/net profit/withholding non-net profit + operating income". Compared with the revision before, the standard coverage is wider, the surface appears more demanding, but in fact, listed companies are forced to delist to touch the double standards of profit and operating income, as long as the operating income is not less than 300 million yuan, even if not profitable, do not have to worry about delisting. In this regard, the stock exchange has limited the scope of the main business income of listed companies to a certain extent, in order to combat the inflated operating income of listed companies through non-main income channels. However, in practice, listed companies often avoid delisting by rapidly increasing their operating income by confirming the recovery of accounts receivable in advance. In recent years, the phenomenon of listed companies deliberately whitewashing financial statements through contractual arrangements and manipulating income by adjusting completion schedule is not uncommon, and it is difficult to completely eradicate in the future. In addition, delisting standards tend to focus on financial standards can also lead to "mistake", evaluation of a company's good or bad, can not only based on whether the loss, need to consider its sustainable business ability and potential. Moreover, the delisting rules adopted by China have led to the delisting of some companies that have touched major illegal delisting standards according to other standards. Among other standards, financial standards are the easiest to identify, which to A certain extent explains why financial delisting accounts for the largest proportion in the A-share market.

3.1.4 Non-quantified standards are not comprehensive

Non-quantitative standards, that is, qualitative standards, can not be measured by specific values or indicators, mainly involving corporate governance, illegal and other aspects. In the stock market of most countries and regions, the delisting criteria of listed companies usually include quantitative criteria, such as continuous losses, low stock price, insufficient number of shareholders, etc. These criteria are clear and clear, making it easier for regulators and investors to assess delisting risks. However, non-quantitative standards tend to be more subjective and flexible.

China's current delisting system in terms of qualitative standard requirements, mainly includes in the standard category, major illegal category two aspects. In 2020, the Shanghai and Shenzhen Stock Exchanges issued the "Shanghai and Shenzhen Stock Exchange Listing Rules (December 2020 Revision)", which added qualitative standards for "information disclosure" and "reporting false records". In 2023, in order to meet the requirements of the implementation of the comprehensive registration system, the listing rules of Shanghai and Shenzhen exchanges were revised again, and the qualitative standards in terms of normative categories mainly include false records, changes in share capital/equity, forced dissolution, bankruptcy reorganization, etc. The category of major violations stipulates the qualitative criteria for damages to market order, national interests and public interests, and is refined through a

"qualitative + quantitative" approach. For example, listed companies involved in major illegal acts stipulated in Article 9.5.1 (a), When the amount falsely recorded in its operating income, total profit or net profit reaches the maximum proportion of the amount in any year, it will trigger a major illegal forced delisting. In 2024, the stock exchange amended the stock listing rules under the guidance of the Delisting Opinions to expand the scope of major illegal delisting and increase the situation of continuous fraudulent delisting in terms of qualitative standards. Compared with 2020, China's non-quantitative standards have been more comprehensive, but compared with foreign mature markets, the coverage of qualitative standards is narrow. A-share corporate governance and sustainable operation standards need to be further improved, such as the development of more comprehensive and strict non-quantitative standards for forced delisting, involving shareholder voting rights, related party review and supervision, compensation distribution, audit committee management, independent directors and other aspects.

3.2 The forced delisting procedure rules of listed companies cannot achieve efficient delisting of companies to be delisted

3.2.1 The forced delisting period in the procedural rules is long

In April 2024, the exchange's revision of the stock listing rules did not involve the Forced delisting procedure rules for listed companies. At present, the basic process of Forced delisting for listed companies is as follows: triggering delisting conditions - delisting risk warning (except for trading) - termination notice and decision letter - Delisting consolidation period (except trading) - delisting - board transfer trading or bankruptcy reorganization. The delisting arrangement period refers to the period of time for liquidation and arrangement of a company after receiving the notice and decision of the stock exchange to terminate its listing.

According to the delisting process, the listed companies entering the delisting consolidation period have gone through the "delisting risk warning" and other links, which last for 2 to 6 months, and the exchange has served the notice of termination of the listing and the decision, on this basis to set a 15-day delisting consolidation period is cumbersome. The delisting period is intended to provide an opportunity for the company to rectify its business and financial position and avoid being delisted. For this purpose, it may lead to two situations: first, in this very short period of time, the company is difficult to achieve the boom, even if the success of profit, it is also a small profit, if based on this small profit listing again, it can not rule out the company in the short term to face the possibility of delisting again, in the long run, is not conducive to market stability; Second, it is easy to lead companies to take risks to commit fraud, causing greater disruption and resistance to the market and supervision. There are also views that the delisting consolidation period is set up to provide the final exit channel for shareholding investors, but also to give investors willing to hold the last buying opportunity. The author believes that this view is too idealistic, because once the company is issued by the exchange to terminate the listing notice and decision, it is necessary to disclose information in a timely manner, for such a buyer's market at this time, the investors who buy in the delisting period are completely out of the mentality of speculation and gambling. In practice, there is often a "light" before the official delisting of the company, such as diamond retreat, the stock price soared on the fourth day of the delisting consolidation period, and the cumulative increase in 11 trading days is as high as 91.3%. This surge is obviously unreasonable,

and the delisted stocks have lost the substantial investment value, which is completely the speculative gambling behavior of investors relying on capital advantages. Seriously disrupting market order.

3.2.2 The connecting rules of the turntable are not smooth

The stock market should be an "in and out" market. Compared with foreign mature markets, the delisting rate of listed companies in China is low. The reason lies in the lack of perfect rules for connecting the board after delisting. At present, the exchange only stipulates that delisted companies need to transfer their shares to securities trading venues such as the New Third Board for transfer, but the specific operating rules are not clear.

In practice, listed companies often transfer to the new third Board market after delisting from the main board market. This one-size-fits-all approach makes it more convenient for regulators to supervise them in the later stage, but it is very unfavorable for companies in need of financing and small and medium-sized investors whose rights and interests are damaged. Because the New Third Board market has been in the "mud" for a long time, the liquidity is very poor, which undoubtedly increases the difficulty of these companies in financing, but also makes the protection of the rights and interests of small and medium-sized investors face greater challenges, so the new third Board actively introduces the market maker system. However, due to the small scale of market makers, high threshold, narrow scope of targets and other reasons at this stage, the function of the market maker system has been restricted, and the liquidity of the new third Board market has not been greatly improved. The author believes that the root cause of the poor liquidity of the new third Board lies in the small investor base of the new third Board and the lack of investor confidence in this sector. According to the relevant regulations, the threshold for individual investors to buy and sell shares in the delisting consolidation period is: more than 2 years of trading experience and no less than 500,000 yuan of securities assets per day (within 20 trading days before the opening of the authority). The restrictions were originally intended to protect investors and reduce the risk of trading in delisted sectors. However, with the deepening of the marketization of China's securities market, investors should be given greater transaction autonomy and lower threshold restrictions. At the same time, strengthen the information disclosure of delisted companies to enhance investor confidence. In addition, the current transfer rules may lead to huge transfer costs, according to the provisions of the exchange, after the company to be delisted, the exchange has agreed to revoke the probability of the decision to terminate the listing of the company's shares, but at this time the company's shares have been transferred to the new third Board and other securities trading venues, need to go through the share confirmation, registration and other procedures, resulting in a waste of resources.

4. Experience in designing legal system of forced delisting of foreign listed companies

4.1 Diversified Forced delisting standards ensure the quality of stock listed companies

4.1.1 NASDAQ: a combination of quantitative and qualitative delisting standards

In view of the diversified characteristics of the market, NASDAQ combines quantitative analysis and qualitative evaluation methods, and formulates differentiated delisting standards according to the uniqueness of each market. First, trading standards, including minimum number of investors, minimum public shareholding, number of registered and active market makers; The second is the going concern

standard, including pre-tax income (pre-tax profit from continuing operations)^[2], total assets, total cash flow, etc.; The third is compliance standards (mainly from the perspective of the company's internal governance), including independent directors, solicitation agents, audit committees, executive salaries, voting rights, financial disclosure and other requirements. Among them, transaction standards and going concern standards are quantitative standards, and compliance standards are qualitative standards^[3]. It can be seen that although NASDAQ adopts a combination of quantitative and qualitative methods to formulate delisting standards, it still prefers qualitative standards in general and pays more attention to the weight of enterprise compliance. At the same time, the delisting standards of the three market segments within NASDAQ also have clear differentiation arrangements, taking the shareholder equity standard as an example, the global select market needs to reach at least \$55 million, the global market needs to reach at least \$30 million, and the capital market only needs to reach \$5 million^[4].

4.1.2 LSE: The exchange takes subjective consideration based on the actual situation

The biggest difference between the LSE and other global trading markets is that when dealing with the delisting of listed companies, it often makes subjective considerations based on the actual situation. This subjective approach reflects LSE's emphasis on market flexibility and situational awareness, making its delisting system more in line with the actual needs of the market.

The UK rarely sets quantitative standards for forced delisting, and LSE has certain discretion when considering whether to force a company to delist from the exchange, and will comprehensively consider a variety of factors, including but not limited to the company's financial condition, business performance, governance structure and future development prospects. As the LSE Main Board forced delisting situation provides: The Exchange reserves the discretion and flexibility to adjust the standards in certain areas where appropriate, breaches of this standard shall be at the sole discretion of the Exchange. London's Alternative Investment Market (AIM) also has rules: securities trading is chaotic; Listed companies violate rules; It is necessary to protect investors; In order to maintain the reputation of market integrity, in the above cases, the exchange will conduct a comprehensive assessment of the overall situation of the company and make a subjective judgment based on the market environment and the interests of investors, and may suspend the trading of securities when it considers appropriate. According to the Financial Services and Markets Act (FSMA) issued by the British government, the suspension and Forced delisting criteria of the London Stock Exchange mainly include financial status, fee payment, illegal and other aspects. When the listed company does not meet the relevant continuity obligations or does not comply with the regulations, the exchange may order it to suspend trading or force it to delist^[5].

4.2 The efficient forced delisting procedure promotes the normalization of delisting of listed companies

4.2.1 NASDAQ : Hearing system program design

Forced delisting is initiated by the exchange, and when the listed company triggers the delisting conditions, NASDAQ will take measures such as independent review, suspension rectification and delisting. The specific procedure is as follows: First, NASDAQ issues a delisting warning. On a daily basis, NASDAQ's Eligibility Department monitors listed companies in real time and compiles a list of companies that violate the continuing Listing Rule. Once it is determined that a listed company has violated one or more of the Continuing Listing Rules, NASDAQ will send a delisting warning to the listed company. If the

listed company violates the compliance or operating standard version of the Continuing Listing Standard, it shall submit a compliance improvement plan to Nasdaq for review and regain compliance with the NASDAQ Continuing Listing Standard within 45 days after receiving the Nasdaq delisting alert. The grace period generally does not exceed 180 days (up to 360 days can be extended). If the listed company does not meet the liquidity indicators in the listing standards for 30 consecutive days, after receiving the Nasdaq delisting warning, the listed company shall make corrections within 180 days and meet the liquidity standards for at least 10 consecutive days. If the continuous listing requirements are not met, the listed company can automatically drop the board or enter the delisting process. If a listed company disagrees with a decision such as a delisting warning, it can submit a written application and appeal the decision step by step, the basic process is: Listing Eligibility Committee - Hearing panel - Listing and Suspension Review Committee - the US Securities and Exchange Commission.

4.2.2 TSE: Steping program design

TSE is the central stock exchange market in Japan. It is divided into two markets, the first board and the second board, according to the scale and liquidity standards. Newly listed companies are listed on the second board market. Will be relegated to the second board market.

The TSE has established a step-by-step procedure for forced delisting of listed companies. The basic process is: When the exchange finds that the company does not meet the conditions for continued listing, it first carries out special treatment (similar to China's ST system) and gives a certain grace period to test whether it can meet the listing standards again. If it meets the standards again, it revokes the previous treatment; if it does not meet the standards, the TSE will make further restrictions on it. They are classified as "supervisory shares" (which are handled by the Supervisory Office within the exchange). If the company still fails to meet the standard within the time limit, the stock exchange will designate it as a "consolidation stock" and confirm that the listed stock has been forcibly delisted. After designating it as a "consolidation stock" (which is processed by the consolidation office of the stock exchange), the company will be delisted after a three-month consolidation trading period. Most of the listed companies forced delisting is due to corporate restructuring and liquidity reasons, by the executive director of the stock exchange to make the company forced delisting decision, the decision can be effective once made, is not actible^[6].

5. Improving the legal system of forced delisting of listed companies

5.1 Strengthen the preventive and punitive functions of the forced delisting standards for listed companies

5.1.1 Add the Standard of market makers to the forced delisting criteria

According to the relevant provisions of China's Securities Law, the way of listing securities can adopt other legal ways approved by the securities regulatory agency. Market maker trading is one such way. Therefore, the introduction of market maker system in the A-share market, and then increase the number of market makers in the continuous listing conditions of listed companies, there is A definite upper law basis.

On January 19, 2024, the Beijing Stock Exchange released the results of the 2023 annual evaluation of market makers, showing that by the end of 2023, the Beijing Stock Exchange had a total of 16 market

makers and filed 198 single market making stocks, involving 88 stocks. Compared with the market makers before joining, the average daily turnover rate of the underlying stocks increased by 34%, the relative bid-ask spread and intraday volatility decreased by 18% and 7%, respectively. It can be seen that relative to the number of listed companies, the team of market makers in China still needs to be expanded. Therefore, it can guide more qualified market making institutions to participate in the construction of the New Third Board market, and increase the number of market makers in the continuous listing conditions. This move can also provide experience for increasing the number of market makers in the forced delisting standard of the A-share market. The market makers are highly specialized investment institutions, while the majority of investors in China are individuals, and the investment blindness is large. Adding the number of market makers to the forced delisting criteria can provide a good model for individual investors. However, some scholars believe that the implementation of the market maker system in A-shares may induce market manipulation and adversely affect the market order. At the same time, market makers need to hold 1% to 5% of the shares of the listed companies responsible for market making, the required capital scale is huge, and the volume of securities companies in China is limited, so the implementation of this system faces challenges. After more than 30 years of development, China's securities market has grown into an influential international market, and the supervision mechanism of the securities market has been continuously improved. Large securities firms such as Sinolink Securities and CITIC Securities have already met the market making requirements^[7]. Nevertheless, in view of the limited number of market makers at present, it is recommended to moderately relax the number of market makers, while maintaining a prudent attitude to the qualification requirements of market makers.

5.1.2 Strictly formulate forced delisting standards for transactions

The new rules for delisting in 2024 raise the expected market value, income and other standards of the third set of listing standards. The estimated market value of the third set of standards will be increased from "\$8 billion" to "\$10 billion", and the operating income in the latest year will be increased from "\$800 million" to "\$1 billion". It will also increase the market value standard of the main board A shares (including A+B shares) from the current "300 million yuan" to "500 million yuan". The author believes that, on the one hand, the improvement of the standard shows that the exchange and the CSRC have realized that the current standard setting cannot keep up with the development of the securities market, but on the other hand, compared with the increase of the expected market value of the listing standard, the increase of the forced delisting market value standard is too low, which does not meet the coordination principle of the delisting of the securities market. From "300 million yuan" to "500 million yuan", in practice, it can not put forward substantive requirements for the governance level of listed companies, for the realization of "should retreat", and promote the formation of an orderly and timely liquidation pattern. It is suggested to refer to the European Union's Digital Market Law on the determination of whether an enterprise has a significant impact on the internal market, based on a certain proportion of the overall average market value of listed companies each year, the last place is eliminated, and the listed companies that do not meet the market value and do not meet the conditions during the grace period are forced to delist. Regarding the forced delisting standard for the number of shareholders, we can learn from the relevant experience of Nasdaq, and set different requirements for

the number of shareholders according to different standards for companies to obtain listing qualifications. At the same time, we can also further refine the requirements for the number of shareholders according to different industries of listed companies. For example, for hot investment fields such as new energy industry and artificial intelligence, differentiated requirements for the number of shareholders can be set up according to different industries of listed companies. The standard for the number of shareholders required for Forced delisting should be raised accordingly. Taking into account the differences between China's securities market and the US market, investors in the US securities market are mainly institutions, while small and medium-sized investment accounts for a large proportion in China, so accordingly, in the number of shareholders, a certain forced delisting standard setting, China's current standard should be further improved, according to the disclosure of shareholder data of 1117 listed companies since 2024. The number of shareholders is in the hundreds of thousands, so it is proposed to raise the standard of forced delisting shareholders to more than 3000.

5.1.3 Downplay the role of financial profitability criteria in delisting criteria

Downplaying the status of financial profit standards in delisting standards does not mean that financial standards are not important in delisting supervision, but aims to better play the synergistic effect of various forced delisting standards and avoid financial standards becoming the only dominant one. This is not an abatement or weakening of the existing rules, but a further clarification and strengthening of the applicable principles of the forced delisting standard for listed companies.

Regarding the application of forced delisting standards, China's current system follows the principle of "first touch first apply", but the author believes that this principle has drawbacks in specific practice, and should adopt the principle of core touch for delisting arrangements. The so-called core touch means that the delisting is not simply decided according to the order of the listed company's forced delisting standards. Instead, a comprehensive consideration should be given to the various standards touched by the listed company, and the delisting should be arranged according to the standards that best reflect the core requirements of the stock exchange's supervision of listed companies. Taking Shanghai Zhongchang Big Data Co., LTD. (hereinafter referred to as "Zhongchang") as an example, according to the full text of the delisting Zhongchang (600242) announcement, in 2023, Zhongchang was punished by the CSRC for information disclosure is not timely and incomplete, and in 2022, the company's performance loss was 599 million yuan, and shareholders illegally reduced their holdings of stock companies. Financial statements were issued unable to express opinions, in 2021, the company's performance loss of 472 million yuan, the company's director and the original person in charge of the subsidiary during the term of office suspected of embezzlement of the company's interests, embezzlement of funds were criminally filed. It can be seen that the shareholders and management of the company have been violating laws and regulations for a long time. In the end, the stock exchange terminates the listing based on the principle of "first touch, first apply" and the audit report that its accounting report is issued and cannot express its opinion. However, the application of this standard to delisting does not have a strong warning effect on listed companies. The author believes that the core reason for the delisting of the company is a major illegal behavior, involving the violation of major information disclosure and seriously affecting the listing status, and it should be delisted according to the forced delisting provisions, so as to better highlight the regulatory function of the forced delisting

system, and also better warn potential illegal companies.

5.1.4 Broaden the coverage of non-quantified standards

In terms of non-quantitative Forced delisting standards, foreign exchanges have more extensive discretion. In addition to paying attention to information disclosure, bankruptcy liquidation, and fee payment, non-quantitative standards such as shareholder voting rights, executive compensation, audit system, and related transactions are also included in Forced delisting standards, and there are some non-quantitative standards. For example, the compliance of the corporate governance structure, the soundness of the internal control mechanism, and the performance of the company's social responsibility are directly related to the interests and rights protection of investors^[8].

In contrast, China's current non-quantitative Forced delisting standards are limited to the reporting authenticity, Forced dissolution, bankruptcy reorganization and other companies' relatively shallow operating conditions, and do not involve the shareholder voting rights within listed companies, the compliance of governance institutions, financial audit and whether there are connected transactions. In practice, in order to avoid the fate of forced delisting, many poorly operated listed companies transfer their non-performing assets to other companies through related party transactions, and then inject high-quality assets to beautify their financial reports^[9]. In addition, some listed companies change their control rights through the acquisition of related parties or buyback of their own shares, as well as through the private placing price lower than the share price or book value, which will seriously damage the legitimate rights and interests of investors. Therefore, it is necessary to address the above-mentioned speculation to avoid delisting. In the subsequent revision of the listing rules, the coverage of non-quantitative standards will be further expanded to better combat the behavior of listed companies to avoid delisting.

5.2 Multiple measures to promote the forced delisting procedures of listed companies to achieve efficient delisting

5.2.1 Shorten the consolidation period before forced delisting

In view of the difficulty of delisting in China's securities market and the low delisting rate, we can consider learning from the practice of mature markets^[10], and suggest limiting the consolidation period before Forced delisting to within 7 trading days or further cancel the setting of the consolidation period for touching all Forced delisting standards. According to the above discussion, no matter whether the setting of the consolidation period is to save the listed company or to protect the investors who hold shares, the setting of the consolidation period cannot play a good expected effect. In the former case, a warning period of as much as two to six months will not allow listed companies to regain the conditions for listing, and a short period of consolidation after the decision to delist will not have much effect. On the latter, after the delisting decision of the exchange was disclosed, new investors entered the market completely out of a speculative mentality, they rely on capital advantages, low absorption and high selling to earn the difference, and finally cashing out, which is bound to bring more investors greater losses.

From the perspective of liability, the shareholding investors of the delisted company should seek self-equity relief according to the fault principle. If the stock is delisted due to market factors, investors should bear the profit and loss risk. If the delisting is due to human factors such as managers and major

shareholders, the responsible party should make compensation, instead of selling shares through the secondary market within the consolidation period. It is also doubtful whether it can inherit the former investor's right to claim damages from the responsible party. Even if there is a right of inheritance in theory, the maneuverability in practice is low, which undoubtedly constitutes unfair treatment for new investors. On the contrary, the existing investors have received full compensation from the responsible party, and the setting of the delisting consolidation period has lost the necessity.

5.2.2 Improve the rules for connecting the board after forced delisting

With the implementation of China's registration system and the implementation of the normalized delisting mechanism, some companies with good operating conditions may also be forced to delisting due to the "1 yuan delisting" standard, and there are also enterprises that choose to actively delisting. The delisting of these companies does not mean their demise, and they may be re-listed in the future. Therefore, it is important to provide perfect transition places for these enterprises, ensure their smooth transition and maintain market order. In order to achieve this goal, we can strengthen the construction of the new third board market^[11], reduce the entry threshold, increase the investor base, and improve market liquidity. At the same time, increase the information disclosure of the delisted companies on the New third Board to ensure that investors understand the operating conditions and reasons for delisting. For companies delisted for different reasons, set differentiated information disclosure requirements, especially for major illegal enterprises, the highest standards should be set to reveal risks^[12]. The implementation of these measures not only provides a good transition place for delisted companies, maintains market order, but also enhances the attractiveness and competitiveness of the New Third Board market, and provides investors with diversified investment options.

At the same time, we can learn from NASDAQ's practice of transferring to the board after delisting, and NASDAQ listed companies have three choices after forced delisting: transferring to other exchanges, over-the-counter trading system or privatization. Different exchanges have different listing standards, and delisted companies can transfer to the board if they meet the requirements of other exchanges. After China's listed companies are delisted from the main board, they may still meet the listing standards of other trading plates, such as the science and Technology version and the GEM board, which have relatively low requirements. Therefore, if the company to be delisted meets the requirements of these sectors, it can directly apply for transfer to the board without re-listing. The two sectors are highly liquid, helping investors limit their losses. It is suggested that in the later stage, when improving the transfer rules of the company to be delisted, we should break through the single delisting path and formulate the transfer rules from the main board to the GEM or the science and technology innovation board. In addition, in order to avoid wasting resources, the buffer period should be reserved for the consideration of the Listing Committee to avoid the reversal of procedures when optimizing the connection rules of the transfer board.

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