Paradigm shift in securities substantive regulation in the context of the registration system

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Abstract. China's securities registration-based reform shifts regulatory focus from administrative approval to market-driven mechanisms, yet introduces challenges such as fragmented oversight, information disclosure inefficacy, and unintended consequences of strict liability models. This study examines risks from decentralized review processes, including regulatory arbitrage and exchange competition, and highlights limitations in curbing retail investor herd behavior. It proposes a responsive framework integrating interactive supervision, compliance governance, and multi-stakeholder collaboration to balance market efficiency with investor protection under the new regime.

Keywords: Registration-based system; Regulatory fragmentation; Information disclosure; Responsive regulation; Compliance governance.

1. Introduction

The course of the reform of China's securities issuance registration system is the process of adjusting the power structure between the government and the market, configuring and institutionalizing the governance power oriented to marketization, standardization and professionalization, as well as the process of reconstructing the credit foundation, transferring the market risk, and adjusting the focus of supervision. China had previously adopted the approval system for a long time, and the Securities and Futures Commission (SFC) was responsible for the substantive review of securities issuance. In the market financing efficiency, distorting the price of financial transactions, resulting in an oversupply of initial public offerings and IPO price suppression under the current approval system, the overly stringent administrative review process produces a number of drawbacks.

In 2013, the "Decision of the Central Committee of the Communist Party of China on a Number of Major Issues Concerning Comprehensively Deepening Reform" clearly proposed to "promote the reform of the registration system for the issuance of shares", and in 2019, the revised Securities Law of the People's Republic of China (the "Securities Law") degrees of On February 17, 2023, the Securities and Futures Commission ("SFC") issued the rules for the establishment of the registration system related to the full implementation of the registration system for the issuance of shares, and since the date of the announcement, the registration system has been implemented in all of China's three major stock exchanges and the National Small and Medium-sized Enterprise Stock Transfer System ("NSSETS"). Thus, China's securities market has entered the era of comprehensive registration system. The significance of the market-oriented reform of the right to review and approve issuance under the registration system lies not only in enhancing the efficiency of the review, but also in returning the right of value judgment and the right to choose financing to investors, and establishing a more market-oriented and relatively liberalized financing environment. However, the registration system has also given rise to potential problems that will have a profound impact on the order of the capital market and the rights of investors in the era of the registration system. How to strengthen the regulation of the securities market in the era of the registration system is a topic that our country will continue to address in the future.

China's securities issuance review system has gone through the development of an approval system to an authorization system to a registration system. The approval system focuses on relying on the administrative regulatory body to conduct a rigorous prior review to ensure that the issuer has the appropriate qualifications and the securities have investment value, and the issuance review committee within the China Securities Regulatory Commission (CSRC) in fact holds the decision-making power to approve the application for the issuance of securities. Under the approval system, the CSRC carries out comprehensive administrative supervision of securities issuance from beforehand, during the process to afterward, and the strict examination and approval process not only fails to improve the quality of securities issuance and curb the pre-determined effect of securities fraud, but also leads to the difficulties in issuance and financing, the seriousness of rent-seeking and the high cost of issuance and other drawbacks. Therefore, the establishment of a registration system for securities issuance centered on information disclosure has become a natural direction for the reform of the securities regulatory system.

The basic logic of the registration system for the issuance of securities is to put the right to judge the value of securities into the hands of investors through full and effective information disclosure. The registration system is a highly market-oriented stock issuance system,1 The law under this system does not preset the substantive elements of the public issuance of stocks, public issuers in accordance with the relevant laws and regulations of the issuance of relevant information to be fully disclosed, and submit the application documents to the securities regulator for review, you can publicly issue stocks, improving the efficiency and transparency of the capital market. Regulators do not make value judgments on whether the stock issued by a company is good or bad, but rather the market players (investors and exchanges, etc.) conduct substantive reviews of the stock offering. First, the essential difference between the registration system and the approval system lies in the difference in the subject of judging the value of securities. The prevailing view that the distinction between the registration system and the authorization system is based on formal review and substantive review is the result of the misalignment of the two concepts of the regulatory system for securities issuance and the method of reviewing the application for issuance, which should be clarified. Both the registration system and the approval system require formal and substantive review of the application materials for securities issuance, but the registration system requires investors to judge the value of the securities on their own, whereas under the approval system, the value of the securities is judged by the administrative supervisory body. Second, investors can judge the value of securities on their own is the premise of full and effective information disclosure, and securities regulation to dry to ensure that the quality of information disclosure plays an important role, the registration system still requires the regulator to undertake the audit function, but only part of the examination and approval powers of the Securities and Futures Commission transferred to the exercise of market-oriented self-regulatory bodies. Practice has appeared in the issuer's registration application through the exchange audit and then rejected by the securities commission case, which involves the exchange audit power and the securities commission registration power of the scope of the audit and power boundaries, should explore the jurisprudence behind the basis and to be clarified.

The registration system reform, as a fundamental institutional change in China's capital market, marks the transition from "administrative review" to "market choice", and the transformation of the substantive regulatory paradigm: from "prior approval" to "ex post regulation", balancing market efficiency and investor protection. The reform of the registration system, as a fundamental institutional change in China's capital market, marks the transition from "administrative review" to "market choice" and the need to transform the substantive regulatory paradigm: from "prior approval" to "supervision during and after the event", balancing market efficiency and investor protection.

[1] Dai Wentao, Wang Huijuan. Research on the monitoring of internal control disclosure of listed companies in the era of registration system[J]. Friends of Accounting, 2023(22):85-92.

2. the reset of audit authority and responsibility under the registration system

2.1. Structural adjustment of the audit authority of the registration system

The audit of stock issuance under the registration system cannot be simply understood as giving up the substantive audit or even not auditing, but making structural adjustments to the main body of the audit, procedures, powers and responsibilities, etc., on the basis of the substantive audit.

2.1.1 The Exchange does not have the right to issue registrations independently.

Registered issuance audit is still a substantive audit, which is an administrative license in nature rather than an administrative filing or confirmation, and the auditing body is required to review the suitability of the conditions of the applicant for the issuance, the authenticity of the documents, and so on. Pursuant to the Securities Law and the Measures for the Administration of Registration of Initial Public Offerings, 2023 (the "Initial Public Offerings Administration Measures") and other provisions, the SEC authorizes the stock exchanges to carry out the specific affairs of the issuance review, but the SEC retains the right to decide whether or not to register the issue. Although the issuance review by the Exchange is a pre-procedure for registration by the SEC, it is only one of the links in a multi-stage administrative act, and the Exchange does not have independent issuance registration authority in general.

2.1.2 The Exchange acquires a "pre-vetting veto" over issuance applications

According to Article 20 of the Measures for the Administration of Initial Public Offering, when the Exchange believes that an applicant meets the conditions for issuance, it must report to the SFC for a decision on whether or not to register; and when the Exchange believes that an applicant does not meet the conditions for issuance, it does not need to report to the SFC and can directly make a decision to terminate the issuance of the listing audit. Such program design allows the Exchange to intercept most of the issuance applications, which is equivalent to setting up a front-end pre-trial link.

2.1.3. The registration system realizes the consistency of the main body of the issuance audit and listing audit

China adopts a "mandatory listing model", whereby initial public offerings must be listed and traded. This means that the applicant must also meet the listing conditions in order to be registered for issuance, so the issuance audit and the listing audit are actually carried out simultaneously. The unification of the specific affairs of the issuance and listing audits by the Exchange has resolved the contradiction of the unity of the auditing procedures but inconsistency of the main body under the approval system, marking the initial establishment of the Exchange's integrated mode of unity of the main bodies of the issuance audits, listing audits, delisting decisions, and so on.

The core of the above structural adjustment lies in the reversal of the allocation of reviewing power between the SEC and the exchanges. The SEC is no longer the front-loaded licensing authority under the approval system, but is gradually adjusted to become a back-loaded "quasi-judicial authority" that retains the final registration decision and the right to conduct ex post facto audits, and is no longer responsible for "business judgment" but focuses on "compliance judgment". [2]The company is no longer responsible for "commercial judgment" but focuses on "compliance judgment". As a market self-regulatory organization, the Exchange, through the integration of issuance and listing audit, pre-trial veto and other procedural design, the function of the status of the overall forward, reflecting the market-oriented registration system reform. From the perspective of consistency of power and responsibility, the decentralization of judgment and selection to the market is also accompanied by the transfer of risk responsibility to investors. Article 9 of the Measures for the Administration of Initial Public Offering has made it abundantly clear that the SFC and the Exchange do not guarantee the investment value of stocks, nor do they underwrite the price rises and falls in the capital market.

[2] Jiang Daxing. The"Power-type" securities regulatory commission in retirement—the reform of registration system and the reorganization of securities regulatory power [J] . Law Review, 2014, (2) : 39-53.

The government's power and responsibility relationship to the market is transformed from the direct control mode of "intervention + underwriting" to the indirect regulation mode of "guidance + accountability", which gradually reconstructs the credit foundation of the capital market, eliminates the credit endorsement of listed companies' stocks by public authorities, and returns to the normal market logic of investors' risk management. This will gradually reconstruct the credit foundation of the capital market, eliminate the credit endorsement of listed companies by public authorities, and return to the normal market logic of investors bearing their own risks.

In the past, under the approval system, the SEC's ex ante regulatory model has stopped a large number of credit poor enterprises in the issuance of the front-end review, and the registration system under the regulatory gate postponed to promote the "risk reservoir" facing the "floodgate discharge" of the key point, in a short period of time could lead to Credit risk influx into the market. The long-term "paternalistic" regulatory concept, but also in the invisible suppression of the balance of the structure of the main market and the development and maturity of the ability of investors to make rational judgments. It can be seen that the full implementation of the registration system must give full consideration to whether the market has the ability to assume the right and responsibility of auditing, controlling irregularities and absorbing the consequences of risks. Otherwise, new derivative risks and regulatory challenges will arise during the transition period of the registration system.

2.2. Derivative risks and inherent contradictions in auditing adjusted authority and responsibility

2.2.1. The risk of alienation of exchange audits.

The registration system will be issued by the Securities and Futures Commission audit affairs transferred to the exchange, but did not change the substance of the stock issue audit, also did not significantly reduce the audit process of discretionary space. The discretionary power of review is transferred from the public authority to the market self-regulatory organizations, and the risk of rent-seeking associated with the discretionary power has not been eliminated, but only changed the object and method of rent-seeking. Therefore, the risk of alienation of the exchange audit power is derived from both the market self-regulatory body and the public authority.

Firstly, there is a risk of competitization of exchanges in terms of market self-regulatory bodies, and there may even be a race to the bottom in which exchanges compete for the resources of listed companies by lowering the standards for issuance and listing. Especially after the reform of corporatization of exchanges, the competition among exchanges will lead to the commoditization of securities trading rules itself, which will become a tool for various regions or exchanges to attract companies to set up and invest in them, and will continuously lower the auditing standards and supervision, which will ultimately harm the order of the market and the rights and interests of the investors, a phenomenon which has been repeated many times in the history of development of developed capital markets in the West. Although theoretically the relationship between the three major stock exchanges in China is positioned as separate boards, staggered development and healthy competition, there is a natural contradiction between the fixed pattern of exchange separation and the mobility of capital. The result of the investment and financing market choice is that the major exchanges gradually present the phenomena of access convergence, difference formalization, and functional positioning is not prominent, which reflects the very basis of the interests of the exchange competition and the background environment.

Secondly, in terms of public authorities, it is manifested in the fragmentation of the regulation of securities issuance and listing. The registration system is not only a process of transformation from administrative audit to market-oriented audit, but also a process of transformation from unified audit by the Securities and Futures Commission (SFC) to separate audit by each exchange. The core issue in this process contains not only the limits of marketization but also the limits of local decentralization. When exchange competition is combined with local interests, the unified regulatory power of the SEC over the national securities market will conflict with the residual legislative power of local regulators. Informal regulatory norms such as guidelines, pilot measures, circulars and decisions are issued by local authorities, and the coordination of rules and regulations among local authorities declines, with many different departments and hidden rules, leading to difficulties in the application of laws by market participants, and inadvertently squeezing the space for the application of formal regulatory norms, further exacerbating the problem of fragmentation of financial regulation. Individual places to reduce the industry regulatory standards, the introduction of preferential subsidy policies, window guidance to the regulatory authorities, and other ways to indirectly reduce the region in the issuance, listing and disclosure of the company's standards and costs, and even the creation of some of the "system of depressions" in order to attract the flow of listed companies to seize the financial resources. In the short term, the competitive audit and regulatory rules can improve the audit speed and the number of listed companies. But in the long run, the lack of uniform coordination and supervision of the rules of competition phenomenon will ultimately reduce the overall credit level of the market, damage the interests of the majority of investors, and in the field of securities issuance, "bad money to expel good money" consequences.

2.2.2 Inherent contradictions in integrated issuance and listing audits.

The alienation risk of exchange audit comes from the inherent contradiction in the integrated audit of issuance and listing. Issue audit and listing audit essentially has a different value orientation and judgment standards according to coase's transaction cost theory, enterprise organization and market transactions is an internal and external two resource allocation methods. There is information asymmetry between the enterprise and the market, and the issuance of securities by the enterprise to the outside is the channel of internal risk to the external spillover. [3]The issuance of securities is a legal relationship between enterprises and investors, and it is a link for enterprises to transfer risks to the market and obtain external financing, so the core of regulation lies in eliminating internal and external information asymmetry and negative externalities of enterprises, and preventing illegal issuance from harming the interests of investors. The listing of securities is a legal relationship between equal subjects in the market, and the core of regulation lies in the balance between market transaction security and transaction efficiency, and the fair and reasonable determination of the transaction value of securities. Therefore, the issuance of registered audit should be based on corporate compliance judgment, by the public authorities based on the public interest-oriented audit: while the listing audit is based on the market value judgment, by the market institutions based on the transaction value-oriented audit. For example: the United States to implement the federal and state "two-tier regulation", the company's issuance of shares through the Securities and Exchange Commission (SEC) and the state securities regulators at two levels of the issuance of registration audit, while the listing of the transaction is only required to apply for listing of the exchange audit; Japan's "Financial Instruments and Exchange Act" stipulates that the registration of the issuance of stock review of the Under the Financial Instruments and Exchange Act, the Financial Services Agency of Japan (FSA) and its subdepartment of the Securities and Futures Bureau (SFCB) are the competent authorities for the registration and review of stock offerings, while the review of listings is conducted by the exchanges, which are self-regulatory organizations.

The integrated audit of issuance and listing mixes two different audit processes: first, the market-oriented logic of listing audit permeates the administrative regulatory logic of regulating negative corporate externalities, and the excessive relaxation of issuance audit exacerbates the credit crisis in the market and the risk of investor losses. As mentioned earlier, the competition between exchanges and the fragmentation of issuance and listing regulation are its specific manifestations. Secondly, the administrative supervision of issuance review bundles the self-regulation of listing review, which makes the self-regulation administratively alienated, and at the same time blurs the legal status of the administrative relative and the way of relief. Out of the practical need to maintain the credit level of the market, although the SEC has delegated part of its review authority and business to the exchanges,

[3] Gan Peizhong. On the environment and logical defects of the subversive reform of the company capital system and the system remedy [J] . Science and law, 2014, (3) : 498-515.

it can still intervene and manipulate the review and approval of securities issuances and listings through the internal coordination procedures, personnel arrangements, window guidance, final registration authority, and so on, so much so that it has become the "de facto control" of the review process of the exchanges. The result is that the so-called self-regulation of the exchange to a large extent exercises the authority of administrative licensing, but there is no clear provision for the supervision of administrative procedures and the way of relief for the relative. For example, the aforementioned exchange's "pre-trial veto" in the procedure is not laid out to submit to the SEC for approval or filing, the relative administrative review and litigation and other standardized supervision and relief channels. And the SEC to influence or even decide the results of the audit of the various informal interventions hidden in the exchange after the audit process, and then there may be the main body of the responsibility for supervision of the invisibility of the program seat supervision is weakened and other issues.

3. Shift in regulatory focus of the registration system and its limitations

The above derivative problems of the registration system are in fact the continuation of the regulatory problems of the approval system, and the dilemma of strengthening and deregulation is still the core contradiction of the registration system: at the market level, it is how to prevent the credit risk of enterprises from spilling over to the market and harming the rights of investors, and at the regulatory level, it is how to standardize the operation of the audit discretion and improve the efficiency of the audit. The registration system has changed the direct regulation from ex-ante access to ex-post indirect regulation, and the focus of regulation has been gradually shifted to the information disclosure system and the mechanism to recover responsibility for violation of the law, but both of these indirect regulation have their limitations, and they cannot yet fully realize the compensation for the system function of direct access regulation.

A mature stock market regulatory mechanism should have such elements as a legal system, unified supervision, efficient means, risk prevention and control, and strict law enforcement. China's current regulation has the following outstanding problems:

First, the boundaries of regulatory powers and responsibilities are unclear. In the context of the "administrative reform", the overlapping and lack of functions of regulatory agencies coexist, and the coordination mechanism is not smooth. For example, in the Evergrande Real Estate incident, the Securities and Futures Commission, public security and other departments have crossed responsibilities, resulting in inefficient disposal.

Second, the effectiveness of intermediary "gatekeepers" is inadequate. The legal definition of intermediary supervision is vague, resulting in frequent dereliction of duty by auditing organizations. Typical example is Xinghua Accounting Firm in 2018, Linzhou heavy machinery inventory monitoring procedures are missing, but still issued an unqualified audit opinion, condoning 207 million yuan of financial fraud.

Third, the sponsor responsibility constraints virtualization.2024 In less than a month at the beginning of the year, nearly 40 intermediaries were subjected to regulatory sanctions, exposing the sponsor and the issuer collusion fraud problem. The root cause is the sponsor's legal status is vague, the accountability mechanism lack of coercive force.[4]

3.1. Limitations of disclosure regulation

The publicist regulatory philosophy focuses on strengthening disclosure systems and expanding the conditions for adequate information in free markets, rather than replacing competition with direct regulation. [5]The attractiveness of the information disclosure system for modern securities market regulators lies in its slight degree of intervention, low difficulty in rule-making, small regulatory costs,

[4] XU Hong,YANG Xinyi. Re-examination of the Registration System for Stock Issuance in the Context of the New "Nine Articles of the State"[J]. Accounting Friends,2025,(08):18-25.

[5] Stephen Breyer. Li Honglei, et al. . Regulation and its reform [M] . Beijing: Peking University Press, 2008.

and its negative effects are often ignored, but the information disclosure system is always an indirect regulatory tool, which has to rely on the combination of a stable capital market environment, a reasonable subject structure, a mature level of investor rationality, and a higher quality of information disclosure. The joint effect of many conditions can play a regulatory effect. At present, the limitations of information disclosure regulation are more prominent in China's capital market environment.

1. From the external environment, the structure of market players and the degree of investor rationality constrain the institutional effect of information disclosure.

In a mature capital market dominated by institutional investors, the information disclosure system can form a multifaceted check-and-balance force against irregularities of issuing listed companies through the joint participation of short-selling institutions, intermediary service organizations, credit rating agencies and other professional market players. At present, the number of accounts held by natural person investors in China accounts for more than 99.7%, and the total number of transactions accounts for more than 80%, but the market value of shares held accounts for only 23.2%. [6]The significant difference between the institutional and natural person share pattern reflects the mismatch between trading activity and trading influence of China's market structure. Institutional investors in China are underdeveloped and rarely play an active role in monitoring the governance behavior of listed companies, while a large number of retail investors are highly active in securities trading with a small market capitalization, reflecting the "herd effect" of following price changes. Natural person investors are susceptible to market sentiment, their investment behavior is highly concentrated and systematically correlated, and their ability to rationally perceive and judge important information and digest market risks is relatively insufficient, so the securities market, which is dominated by natural person investors, faces even more prominent barriers to information acceptance. In this environment, the transmission process of information disclosure into market regulatory power is more uncertain, which will significantly weaken the indirect regulatory effect of the information disclosure system on the behavior of listed companies.[7]

2. From the viewpoint of intrinsic factors, the quality of the content of disclosure information determines the institutional effectiveness of disclosure regulation.

Idealized information disclosure regulation tends to full and complete information disclosure: the more the number of information disclosed, the more complete the content, the more it can reduce the PO price suppression, to protect the market fair competition, regulate the trading behavior of listed companies. However, if we ignore the effectiveness of information disclosure, comprehensibility, wind, risk pointing and other quality standards and unilaterally emphasize the quantity of information, but will result in the proliferation of redundant information and overwhelm the ordinary investor's understanding of cognition. In the past, the information disclosure under the approval system was oriented to cope with the regulatory audit, and the quality of information disclosure was not high, and the problems of formalization and even falsification have existed for a long time. Prospectuses and annual reports produced by listed companies and other important disclosure documents can easily be hundreds of pages, more than 100,000 words, but failed to take into account the effectiveness of the information and the degree of investor understanding. Under the registration system, the regulator further emphasizes the importance of information disclosure, and no longer guarantees the authenticity and accuracy of disclosure documents, which may cause some listed companies to increase the tendency of formalized and redundant information disclosure, and even intentionally increase the difficulty of comprehension and lower the quality of information in order to mislead investors. Due to the above internal and external constraints, relying solely on information disclosure to achieve effective regulation is ineffective. Even reforms such as simplification and popularization of information disclosure are only formal improvements to the system itself. The disclosure system, which is based on indirect regulation and private enforcement, is unable to bear the responsibility of continuous regulation under the registration system alone, and it is still necessary to introduce direct

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[6] Shanghai Stock Exchange. Shanghai Stock Exchange Statistical Yearbook (Volume 2023)[M]. Beijing:China Finance Press,2023

[7] Kumar A., Lee C. M. C.. Retail Investor Sentiment and Return Comovements[J].Journal of Finance, 2006,61(5):2451-2486.

regulatory measures, which are based on public enforcement. Especially in China's securities market, which is dominated by natural person investors, there is a close link between the systemic importance of financial security and the stability of social groups, and a direct regulatory system focusing on the protection of natural person investors is even more indispensable.

3. Spillover effects and heterogeneity constraints on disclosure under the registration system

The registration reform can significantly curb the herd behavior of institutional investors in peer non-registered listed firms through strict and comprehensive disclosure requirements, and this spillover effect gradually increases with the increase of registered listing events in the industry. Mechanism analysis suggests that the increase in the level of voluntary disclosure by peer firms and the increase in analyst attention are the main paths of action. It is further found that the more readable and sufficient forward-looking information in the prospectuses of registered public companies, the more significant is the inhibition of irrational behavior of institutional investors in peer companies. Heterogeneity analysis, on the other hand, reveals that the positive spillover effects generated by the registration reform are more prominent under conditions of a more competitive environment and a more opaque information environment in peer firms. This suggests that the regulatory efficacy of information disclosure not only depends on the quality of issuers' own disclosure, but is also subject to the linkage between the industry's competitive landscape and the market's information ecology. In the absence of coordinated regulation of the disclosure level of the industry as a whole, the regulatory effect of the single-point breakthrough of the registration system may be diluted by the local market environment.[8]

3.2. Practical dilemmas of the strong liability regulation model

The registration system era has also opened up a strong liability regulation model in China based on the information disclosure system: the Securities Law implemented in 2020 established the registration system at the same time that stipulates a strict information disclosure system and the liability of intermediaries; in 2020, the Central Committee for Comprehensively Deepening the Reforms considered and adopted the "Opinions on Several Opinions on Combating Securities Illegal and Criminal Activities in accordance with the Law in a Strict Manner" at the sixteenth meeting of the Central Committee for Comprehensively Deepening Reforms to establish the In 2020, the Central Committee for Comprehensively Deepening Reform adopted the "Opinions on Cracking Down on Criminal Securities Activities in accordance with Law" at its 16th meeting, which established the practice guideline of "building a system, non-interference, and zero tolerance"; and in 2021, the results of the administrative penalties and judicial decisions of the typical cases of Kangmei Pharmaceuticals and Wanyang Bonds fully reflected the practice tendency of aggravating the joint and several liabilities for the violations of the law, such as misrepresentation. In 2022, the "Provisions of the Supreme People's Court on the Trial of Civil Compensation Cases of Misrepresentation and Infringement of the Securities Market A number of provisions of the Supreme People's Court on the trial of securities market misrepresentation infringement civil compensation cases" to increase the fraudulent issuance of securities to controlling shareholders and actual controllers of civil and criminal liability, increase the cost of securities issuance of misrepresentation of the law; 2024 the head of the SEC's comprehensive business department in a press conference, clearly stated that the implementation of the registration system must be "harsh and severe laws, heavy punishment to cure the chaotic ", adhere to the "zero tolerance" to combat fraudulent issuance, financial counterfeiting and other serious violations of the law.9

However, the strong liability regulation model has encountered some difficulties in practice. In the case of fraudulent issuance and false disclosure, the relevant laws and regulations have not clarified

[8] Li Qinyang,Liu Jieping. Spillover Effects of Registration System Reform--Based on the Perspective of Institutional Investors' Herd Behavior[J]. Contemporary Financial Research,2025,8(03):19-39.

[9] China Securities Regulatory Commission.January 19, 2024 Press Conference[EB/OL].https://hfggaf9bdf7c146dd4c38h5p5qpuwvbq6q6p69fhaz.libproxy.ruc.edu.cn/csrc/c100029/c7458464/content.shtml,2024-1-19.

the intermediaries, securities service organizations and other subjects of the rules of joint and several liability, the final responsible person and the right to recover. Supervisory authorities and judicial organs have not formed a unified standard to accurately determine the responsibility, resulting in joint and several liability to guarantee liability, exacerbating the loss of institutional underwriting investment "deep pockets" effect, resulting in intermediaries and other subjects to bear the responsibility of its actual power does not match the harsh responsibility. In some of the misrepresentation triggered huge joint and several liability cases, China's securities market, a number of intermediaries and the issuance of the applicant temporary termination of the contract, the independent directors of listed companies have left the tide. It can be seen that, under the "chilling effect" triggered by the strong liability regulation model, intermediaries and professional auditing organizations have begun to appear the tendency of adverse selection, in order not to participate in the supervision of the way to avoid joint and several liabilities. The original cooperative supervisors take a passive response, shirking their responsibilities, which further leads to the loss of institutional talent and reduces the effectiveness of the whole process of supervision. The reason for the above phenomenon is that it only emphasizes the ex post facto increase of responsibility without effective ex ante prevention, monitoring and discovery mechanisms. (4) While increasing penalties and liability is a way to curb disclosure violations, improving prevention and auditing capabilities and building a multi-dimensional monitoring mechanism are more direct and effective measures. Without increasing the probability of detecting violations, increasing the responsibility of individual disclosure violations detected will inevitably leave out a few, scratching the itch, and in some special cases, there is also the risk of selective enforcement and discriminatory supervision. And in the case of mismatch of power and responsibility, the lack of supervision during the incident to increase the responsibility after the incident, also has the same suspicion of not teaching but punishment, do not quit regarded as a success. In the ex ante, ex post supervision is relatively weak, there are still many companies will be driven by factors such as high returns and luck and illegal disclosure, if only one-sidedly strengthen the ex post facto liability supervision, it is difficult to curb the source of corporate disclosure of misrepresentation behavior.

4. The Development Path of Responsive Regulation in the Era of the Registration System

Responsive regulation is the methodology of a "soft paternalism" or "liberal Patemaism" regulatory philosophy. It reduces direct intervention, guides and encourages market players to make the right choices, emphasizes consultative feedback from the regulated and prefers mild regulatory measures, but still retains coercive power as a potential deterrent. The registration system reform with Chinese characteristics also constructs a "soft paternalism" regulatory model, i.e., the market self-regulatory system under the administrative dominance: under the premise of retaining the government's right to make registration decisions and the right to deal with violations of the law, it prioritizes the authorization and application of self-regulation, and at the same time, establishes formal or informal channels of coordination between the governmental authorities and the industry's self-regulation. formal or informal coordination channels. Therefore, the responsive regulatory model has a high degree of compatibility with China's traditional concept of securities regulation, and can also provide a new path for the optimization and development of securities market regulation under China's registration system. According to the four core elements of the responsive regulation model, namely, "response, shaping, relationality, and synergy", interactive regulation, compliance regulation, proximity regulation, and authorization regulation are the focuses of system construction.

4.1. Interactive regulation

Making good use of regulatory inquiries and enforcement escalation measures Regulatory inquiries are the behavioral feedback of the regulatory authorities in the process of issuance review and issuance of inquiry letters, and the relevant company's response letter explaining the content of the inquiries or making corresponding rectification. As the starting point of the "enforcement pyramid" with the lowest coercive force, regulatory inquiries are often the first choice of regulatory measures and an important means to improve the quality of information disclosure. According to the empirical experience of the KTC, the information quality of IPO audit inquiry letters and response letters is significantly and negatively correlated with the company's initial price suppression: the greater the amount of information in the response letters, the higher the degree of information visualization, the lower the density of accounting terminology and backward-looking components, the greater the reduction in the degree of initial price suppression. Inquiry letters can significantly improve the quality of corporate disclosure and internal audit, reduce the information asymmetry between investors and firms, identify potential risks, and reduce the bid-ask spread and internal control purchasing behavior after the inquiry.

Under the registration system, it is even more important to give full play to the role of inquiry-based regulation, change the one-way audit mode, promote the communication and feedback between the application and the audit sides, and form an interactive and feedback-responsive regulatory mechanism. The inquiry mechanism can also make the audit process more modular, open and organized, and thus be operable and supervisable, avoiding the disclosure of information in the form of supervision. Article 19 and Article 23 of the Measures for the Administration of the First Issue have stipulated the relevant contents such as examination and inquiry by the exchange, public inquiry materials and electronic inquiry, but no systematic and standardized procedural provisions have been made for the regulatory inquiries of the SEC. Subsequently, differentiated inquiry procedures should be proposed to address the specificity of the industry and sector positioning of the regulated parties, appeal or hearing procedures in the process of replying to inquiries, and procedures for escalating regulatory measures in the event of negative replies and feedbacks from the regulated parties, and so on. Through the refinement of inquiry procedures, the level of standardized application of flexible supervision can be improved. In addition to regulatory inquiries, other interactive regulatory measures such as consultative dialogues, industry talks and opinion solicitation in the process of formulation and implementation of regulatory systems should also be actively promoted, so as to convey the regulatory policies and orientations in the process of collaborative participation in the interaction of legislation and law enforcement, to enhance the sense of participation and identification of regulated persons with the system, to guide market behaviors and to shape the sense of corporate subjectivity. Interactive regulation, such as regulatory inquiries, does not have direct coercive power in itself, but must be enhanced by other regulatory measures and law enforcement deterrence. Regulators should establish a multi-level and interlocking enforcement "toolbox" to deal with all kinds of irregularities in issuance and disclosure: horizontally, to identify the risk characteristics and behavioral motives of listed companies in different fields, and to target fraudulent issuance, false records and misleading statements, improper connected transactions and insider trading, refusal or obstruction of on-site inspections, and other irregularities. Vertically, a series of weak-to-strong regulatory measures, such as supervisory conversations and consultative guidance, inquiry letters and warning letters, administrative coercion and administrative penalties, administrative settlements and non-prosecution of compliance, and referral of criminal prosecution and attribution of responsibility, have been constructed to realize the linkage and collaboration between self-regulation, administrative supervision, civil claims, and criminal pursuit of responsibility. The measures to improve the escalation of enforcement should be based on consultation and coordination. Improvement of law enforcement escalation measures should be based on the principles of consultation and mutual trust and prudent punishment and punishment, laying down the necessary discretionary power and regulating the operation of the discretionary power, and establishing a more stable and clearer diversion, articulation, and linkage mechanism between administrative supervision and criminal liability. For example, the Securities and Futures Commission (SFC) has formed a coordinating working group for illegal activities in securities issuance and listing, and the Securities Crime Investigation Bureau of the Ministry of Public Security and the Financial Crime Investigation Team of the Procuratorate are stationed at the SFC to improve the cooperation mechanism for sharing information on cases, joint special operations, and the linkage of responsibility. While retaining the mandatory deterrent effect, the regulatory measures will be adjusted based on the feedback from the regulated parties.

4.2. Compliance Regulation: Improving Corporate Compliance Governance and Compliance Exemption Norms

Compared with the "stop-loss" after-accusation, the regulation in the era of the registration system should return to the original way and strengthen the "cure before disease" continuous regulation during the incident. Compliance regulation of listed company issuance is an important dam to prevent excessive risk spillover caused by excessive issuance under the registration system. Compliance regulation has led to the deepening of regulatory rules from the level of behavioral law to the level of organizational law, with the fundamental purpose of enhancing the level of corporate compliance and governance, and controlling and mitigating the risk of non-compliance within the corporate organization. Relevant departments in China have formulated and issued regulations such as Measures for Compliance Management of Central Enterprises, Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies, Measures for Compliance Management of Insurance Companies, as well as guiding documents such as Requirements for and Guidelines on the Use of Compliance Management Systems and Guidelines for Compliance Management of Enterprises' Overseas Operations, in order to address the compliance governance issues of key industries and enterprises. In addition, regulatory incentive policies have also been applied to compliance supervision, i.e., enterprises meeting compliance standards can be relieved or exempted from certain legal liabilities in the law enforcement and judicial process, as a way to promote the establishment of internal compliance systems. For example, in 2020, the Supreme People's Procuratorate promoted the pilot reform of "non-prosecution for compliance" for enterprises involved in cases, and in 2021, the State Council issued the "Measures for the Implementation of the Commitment System for the Parties to the Administrative Enforcement of Securities and Futures Laws", which stipulates that investigations can be terminated after the parties concerned have fulfilled their commitments, and other related initiatives.

Strengthening the compliance supervision of listed companies under the registration system requires not only continuing to improve the compliance supervision system and formulating higher-level corporate codes of conduct for the issuance and listing of securities, but also promoting the transformation of external codes of conduct into internal organizational norms, so as to achieve the reasonable setup of the compliance organization, the effective operation of the compliance process, and the matching of rights and responsibilities between the compliance authority and the compliance obligation.[10] In addition, compliance supervision incentive rules should be further improved, and based on the scope of compliance obligations of the relevant subjects, combined with the common forms of violations in the field of securities issuance and listing, such as fraudulent issuance and misrepresentation, violation of the financial auditing procedures, violation of the increase or decrease of registered capital or misappropriation of company assets, etc., the establishment of a "company - person in charge - third party" should be explored. Explore the establishment of a "company---responsible person---third party" multi-directional system of liability cutting rules. First, in terms of the company corporation, the company has established and operated an effective compliance and internal control system, which can be cut with the individual members of the company's responsibility for the violation of the law; second, in terms of the person in charge of the individual, the individual who has already fully performed the compliance authority and obligations can also be mitigated or exempted from the personal responsibility of the company's violation of the law; third, in terms of the securities intermediary institutions, auditing institutions, professional services, and other third parties, should be based on the institution's responsibility for the violation of the law and its obligations. Thirdly, for third parties such as securities intermediaries, auditing organizations,

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[10] Chen Xi. The governance structure and development path of responsive corporate compliance [J] . Enterprise Economy, 2023, (5) : 140-150.

professional service providers, etc., the basis of attribution of joint and several liability should be clarified in accordance with three different levels of obligation standards such as institutional compliance standards, professional prudence standards and general prudence standards. If the third-party institution meets the internal compliance and governance standards, and has fulfilled its duty of professional prudence for professional issues and general prudence for non-professional issues, it can cut the liability with the company that has violated the issuance and listing rules, and mitigate or exempt the third-party from joint and several liability. In short, through the direct regulatory norms of compliance governance and the regulatory incentive policy of compliance exemption, promoting the issuance of listed companies to take the initiative to build a compliance system and assume positive responsibility, shaping and improving the company's compliance awareness and ability is a major focus of the responsive regulatory model in the era of the registration system for securities issuance.

4.3. Proximity regulation: building presence-based regulation and institutional linkage mechanisms

Modern securities market regulation often uses big data analysis, artificial intelligence, blockchain and other digital technologies to establish market monitoring and risk early warning mechanisms, which can effectively prevent and detect hidden dangers and accurately combat securities violations, but over-reliance on digital and automated technologies will produce a lack of field effect between the regulator and the regulated, which will lead to the problem of regulatory alienation. On the one hand, the use of digital technology by the regulator often means the outsourcing and authorization of technology research and development enterprises, which not only implies the potential risk of infiltration of corporate capital profit-seeking purposes and monopoly interests into the operation of public power, but also makes the regulator invisible behind the digital technology, with the "technological black box" as a tool to create regulators. On the other hand, the regulated are also absent, abstracted and disassembled into data and symbols that can be monitored, analyzed and controlled in front of digital technology, and their individual rights and subject status are often neglected and degraded, thus blocking the connection and mutual trust between the regulator and the regulated and further suppressing the subjective status of the regulated. The subjective consciousness and positive sense of responsibility of the regulated are further suppressed. The purpose of market regulation has also changed from "optimizing the market environment" to "completing digital planning tasks", resulting in the problem of tool orientation.

Therefore, digital and automated models of regulation cannot replace the role of proximity regulation. The core element of the responsive regulatory model lies in the proximity and "relationality" between the regulator and the regulated: firstly, the subject screening process must be linked to the micro and macro level of cognition, and the field research and technical analysis of the regulated jointly serve as the basis for differentiated regulation, and different intensity of regulatory measures are taken according to the specificity of the regulated, to avoid over-reliance on data and neglecting the real needs of market participants; secondly, the presence-based regulation requires the formation of stable institutional links and two-way information between the regulator and the regulated. Second, presence-based regulation requires the formation of stable institutional links and two-way information communication channels between the regulator and the regulated, in order to enhance the rate of communication and feedback between the two sides and the effectiveness of the operation of the regulatory power. For example, securities regulatory authorities have set up front-line regulatory coordinators in exchanges and key industry enterprise programs, and permanent outreach commissioners in listed companies' internal compliance agencies, etc., who are specifically responsible for collecting and transmitting important information in a timely manner, and identifying and reviewing the relevant risks in various business processes. In formulating and enforcing regulatory rules, regulatory authorities use consultation and guidance, letters of inquiry, legislative research and industry seminars to convey regulatory policies and deterrent signals, assist regulated parties in assuming proactive responsibilities, and enhance compliance capabilities before escalating mandatory measures.

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