



中国证券投资者保护基金有限责任公司

CHINA SECURITIES INVESTOR PROTECTION FUND CORPORATION LIMITED

Practice in Compensation for Chinese Securities Investors

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Moscow · October 2018

Main contents

Protection of Chinese Securities Investors

Practice of CSIPF

Overview of Chinese securities market

At present, there are over **140 million** investors in the Chinese securities market, **90%** of which are medium and small investors.

There are about **3,500** listed companies in Shanghai Stock Exchange and Shenzhen Stock Exchange, with a total market value of over RMB **50 Trillion**.

There are about **11,000** companies listed in National Equities Exchange and Quotations, with a total market value of over RMB **3.8 trillion**.

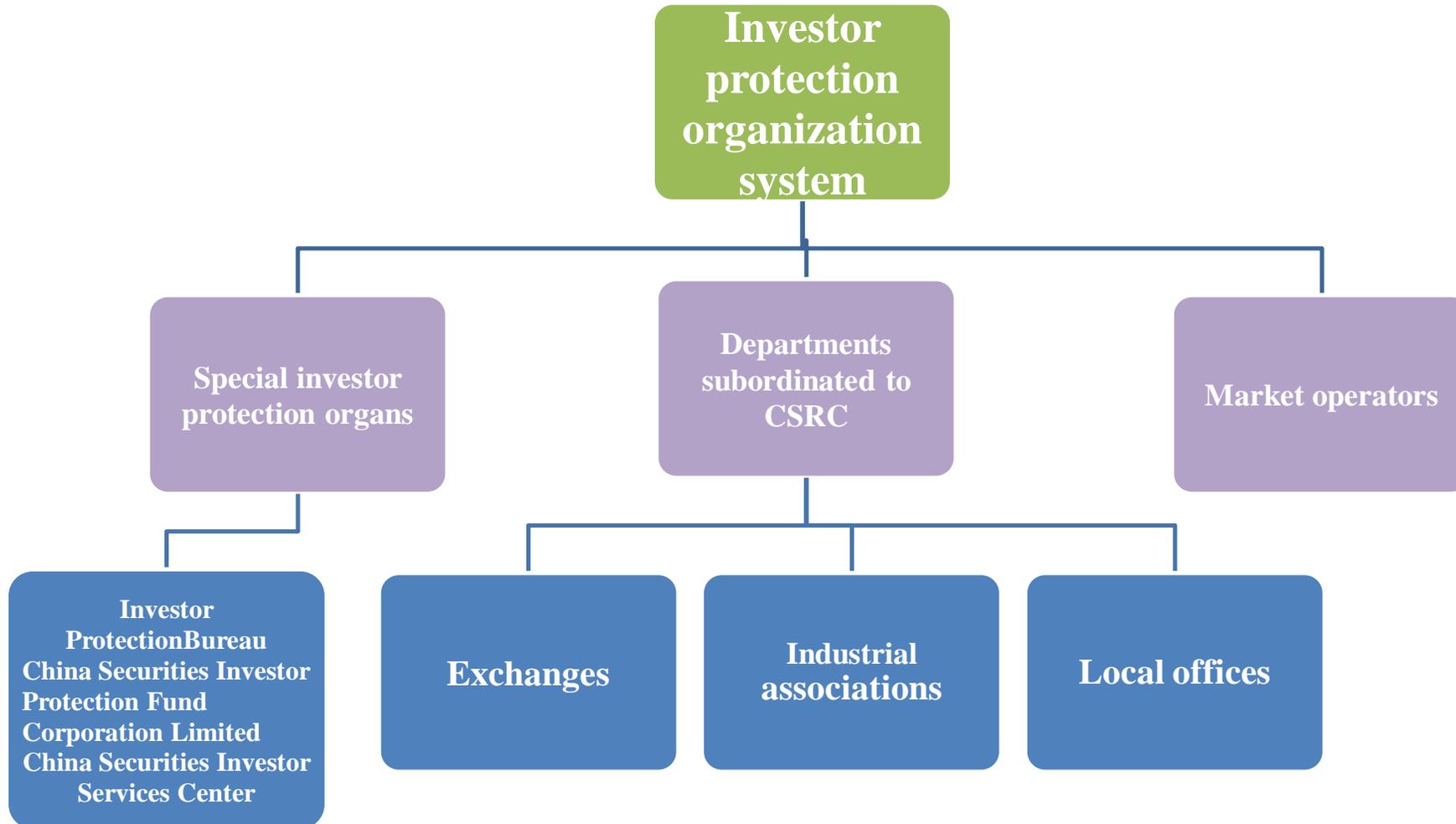
Significance of investor protection

- 1 • Strengthening investor protection is the original purpose and mission of the capital market supervision in China
- 2 • The feature of Chinese investors' structure dominated by medium and small investors highlights the importance of investor protection
- 3 • Investor protection is the fundamental project for sustainable development of the capital market
- 4 • Investor protection is an important supervisory objective of capital markets in each country

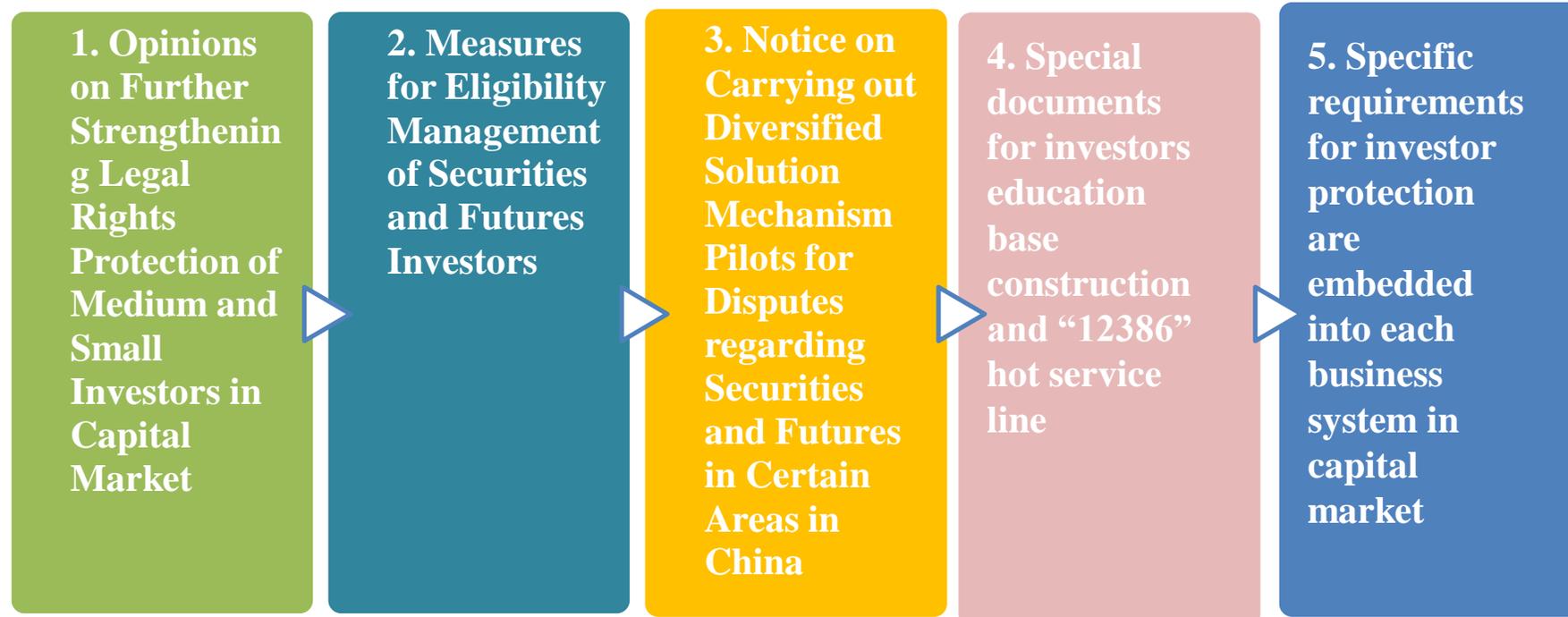
Investor protection in China

China always values and has been carrying out investor protection actively. Great achievements are made through endeavors in the past decades in China, and the work regarding investor protection is praised by all market parties. Currently, a set of effective organizational institutions and work system has been formed.

Investor protection organization system in China



Investor protection system in each business field in China



Main contents

Protection of Chinese Securities Investors

Practice of CSIPF

China Securities Investor Protection Fund Corporation Limited

- China Securities Investor Protection Fund Corporation Limited (SIPF) was registered in August 2005 with a capital fund of RMB **6.3 billion**. At present, it has raised nearly RMB **80 billion** fund in aggregate, and used RMB **22.5 billion** as investor protection fund.



中国证券投资者保护基金有限责任公司
CHINA SECURITIES INVESTOR PROTECTION FUND CORPORATION LIMITED

Responsibilities

SIPF performs eight statutory duties in accordance with *Management Measures for Securities Investor Protection*.

Raising, managing and operating fund

Monitoring risks of securities companies, and participating in risk disposition of securities companies

Paying the creditors according to national policies and regulations concerned when a securities company is cancelled, shut down, bankrupt or applied compulsory supervisory measures by CSRC such as administrative takeover or trusteeship

Organizing and participating in liquidation of securities company which is cancelled, shut down or bankrupt

Managing and disposing compensation assets, and protecting rights of the fund

Putting forward suggestions on supervision and disposition to CSRC in case of finding a serious risk which may endanger rights of investors and safety of the securities market during operation and management of the securities companies

Establishing a correction mechanism with relevant departments for risks and loopholes in operation of securities companies

Other responsibilities approved by the State Council

Introduction to main business of SIPF



Investor compensation system orienting at investor protection fund, special compensation fund and administrative reconciliation payment

Compensating with investor protection fund

- By the end of June 2018, SIPF has totally participated in bankruptcy liquidation of 26 disposed securities companies, and totally appropriated investor protection fund of RMB 22.5279 billion.

Pushing forward compensating with special compensation fund

- For compensation with special compensation fund, the liable party in violation of law sets up a special compensation fund to compensate investors who suffering losses, and SIPF serves as the manager from the natural and public-welfare aspect so as to conveniently and effectively realize afterward relief to investors.
- SIPF served as manager of special compensation funds for investors in three cases of false statement of Wanfu Biotechnology, Hirisun and Xintai Electric.

Exploring compensation with administrative reconciliation payment

- The administrative law enforcement reconciliation system for the Chinese securities market was established officially in 2015.
- SIPF becomes the manager of administrative reconciliation fund to perform the duty of investor protection and safeguarding legal rights and interests of investors.



Compensating with investor protection fund

By the end of June 2018, SIPF had totally appropriated investor protection fund of RMB **22.5279 billion** to **24** disposed securities companies;

Of that amount, RMB **16.2724 billion** was used to make up the gap of customer securities transaction settlement, involving more than **9.6 million** normal brokerage accounts;

RMB **6.2555 billion** was used to purchase personal creditor's rights, involving more than **60,000** creditors.



Serving as special compensation fund manager for the rights of investors

The proportion of medium and small investors in the Chinese securities market is extremely high. In case of illegal activities and infringement, the investors suffer from problems of high cost of right safeguarding and less awareness of right protection. CSRC actively promotes the advance payment by the party in violation of law.

Compensating with special compensation fund

The party in violation of law sets up a special compensation fund to compensate investors suffering loss due to false statement of listed companies.

The party in violation of law actively contributes and sets up a special compensation fund to compensate investors suffering loss, exploring a new approach for civil compensation to investors.

As the fund manager, SIPF **has compensated investors with special compensation fund in three cases** including special fund for advance compensation by Wanfu Biotechnology, Hirisun and Xintai Electric due to **fraudulent issuance**.

➤ Three specific cases

Wanfu Biotechnology

- On Sept. 14, 2012, Wanfu Biotechnology was investigated by CSRC due to being involved in illegal and violating behaviors such as fraudulent issuance. Ping An Securities, as the sponsor of Wanfu Biotechnology for listing, contributed RMB 300 million on May 10, 2013 to set up a special fund for compensation for investors' benefits, and compensated investors for losses suffered by fraudulent issuance by Wanfu Biotechnology.
- This is the first case that a securities intermediary voluntarily contributed for advance payment for losses of investors in Chinese capital market.

Hirisun

- After the financial fraud case of Hirisun was exposed, and in order to protect benefits of eligible investors suffering losses due to false statement by Hirisun and actually undertake relevant responsibilities, four holding shareholders of Hirisun contributed RMB 200 million to set up a special compensation fund to compensate public investors for their losses caused by fraudulent issuance by Hirisun.
- This is the first case in the Chinese capital market that big shareholders actively contributed to compensate investors by use of market mechanism.

Xintai Electric

- As the sponsor and main underwriter of the IPO and listing of Xintai Electric, Industrial Securities announced on June 9, 2017 to contribute RMB 550 million and set up the "special compensation fund for advance payment for fraudulent issuance by Xintai Electric" in order to pay the investors suffering losses due to fraudulent issuance of Xintai Electric.
- Xintai Electric is the first stock delisted due to fraudulent issuance.

Website of special compensation fund

万福生科虚假陈述事件投资者利益补偿专项基金

首页 基金公告 常见问题

特别提示

本网站系万福生科虚假陈述事件投资者利益补偿专项基金（“基金”）专题网站，网站致力于为投资者提供便捷的信息获取及联系与沟通渠道，以更好地实现基金设立之目的。本网站主要提供如下服务：

- 1、供投资者查阅基金发布的所有公告文件等基金管理运作的相关信息；
- 2、基金管理人在专项补偿金额的计算、复核并经审计后，将通过网站发布补偿金额的计算结果。请投资者可以在注册并登陆网站后，查询其补偿金额及其计算方法；
- 3、通知投资者如果接受补偿金额，自愿与平安证券达成和解，需要通过网站实现对《和解承诺函》的点击确认；
- 4、投资者可以自愿在注册时提供个人信息及有效联系方式。基金管理人将在对投资者个人信息严格保密的前提下，就补偿事宜与其进行沟通交流；
- 5、投资者可以在线提交有关基金补偿事宜的咨询。

当期阶段

- 发布公告阶段
- 2013-5-20 公告、确认和解阶段
- 2013-6-17 有效确认阶段
- 基金赔付阶段

基金公告

万福生科虚假陈述投资者补偿

1. 自2013年5月20日起，投资者可通过本网站查询补偿金额及计算方法。

中国证券投资者利益

中国证券投资者保护基金有限责任公司
China Securities Investor Protection Fund Corporation Limited

Change language: 中文

Risk Disposal Special Compensation Administrative Reconciliation Laws and Regulations International Communication About CSIPF

Special Compensation

- Wanfu Biotech Case
- Hirsun Case
- Xintai Electric Case

Your are here: > English > Special Compensation > Wanfu Biotech Case

Case of the Special Fund for Investor Interest Compensation with respect to the Misrepresentation of Wanfu Biotechnology

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On September 14, 2012, CSRC started official investigation against Wanfu Biotechnology that was the first listed company in GEM (growth enterprise market) issuing stock fraudulently. On May 10, 2013, Ping An Securities Co., Ltd. ("Ping An Securities"), as the sponsor institution and lead underwriter for Wanfu Biotechnology's initial public offering and listing, contributed RMB 300 million to set up the "Special Fund for Investor Interest

➤ Website of special compensation fund

海联讯虚假陈述事件投资者利益补偿专项基金

最新公告：1.深圳海联讯科技股份有限公司股东章锋、孔朝、邢文彪、杨

合格投资者服务

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- [补偿办理流程](#)

特别提示

本网站系海联讯虚假陈述事件投资者利益补偿专项基金（“基金”）专设网站，网站致力于为投资者提供便捷的信息获取及联系沟通渠道，以更好地实现基金设立之目的。本网站主要提供如下服务：

- 1、供投资者查询基金发布的所有公告文件等基金管理运营
- 2、基金管理人在完成补偿金额的计算、复核并经审计后，投资者可以在注册并登陆网站后，查询其补偿金额及其计算方法；
- 3、适格投资者如果接受补偿金额并自愿达成和解，需要接受补偿方案并自愿达成和解
- 4、投资者可以自愿在线提供其个人信息及有效联系方式，就补偿事宜与其进行沟通联系；
- 5、投资者可以在网站发表有关基金补偿事宜的咨询、

Special Compensation

- [Wanfu Biotech Case](#)
- [Hirisun Case](#)
- [Xintai Electric Case](#)

You are here: > [English](#) > [Special Compensation](#) > [Hirisun Case](#)

Case of the Special Fund for Investor Interest Compensation with respect to the Misrepresentation of Hirisun

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After the financial fraud of Shenzhen Hirisun Technology Incorporated ("Hirisun") was exposed, in order to protect the interest of eligible investors suffering from investment losses due to the misrepresentation of Hirisun and truly assume relevant responsibilities, on July 18, 2014, four controlling shareholders of Hirisun, Zhang Feng, Kong Biao, Xing Wenbiao and Yang Deguang contributed RMB 200 million to set up the "Special Fund for

欣泰电气欺诈发行先行赔付专项基金

最新公告：1.欣泰电气欺诈发行先行赔付专项基金赔付工作组关于适格投资者赔付资金划付、

适格投资者服务

特别提示

本网站系欣泰电气欺诈发行先行赔付专项基金（“基金”）专用的信息获取及联系沟通渠道，以更好地实现基金设立之目的。本

- 1、供投资者查询基金发布的所有公告文件等基金管理运作情况。
- 2、基金管理人在完成赔付金额的计算、复核并经审计后，将赔付金额通知投资者。投资者可以在注册并登陆网站后，查询其赔付金额及其计算方法。
- 3、适格投资者如果接受赔付金额并自愿达成和解，需要通过系统，确认接受赔付方案并自愿达成和解。
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- 5、投资者可以在线提交有关基金赔付事宜的咨询。

Website of special compensation fund

中国证券投资者保护基金有限责任公司
China Securities Investor Protection Fund Corporation Limited

Change languages: 中文

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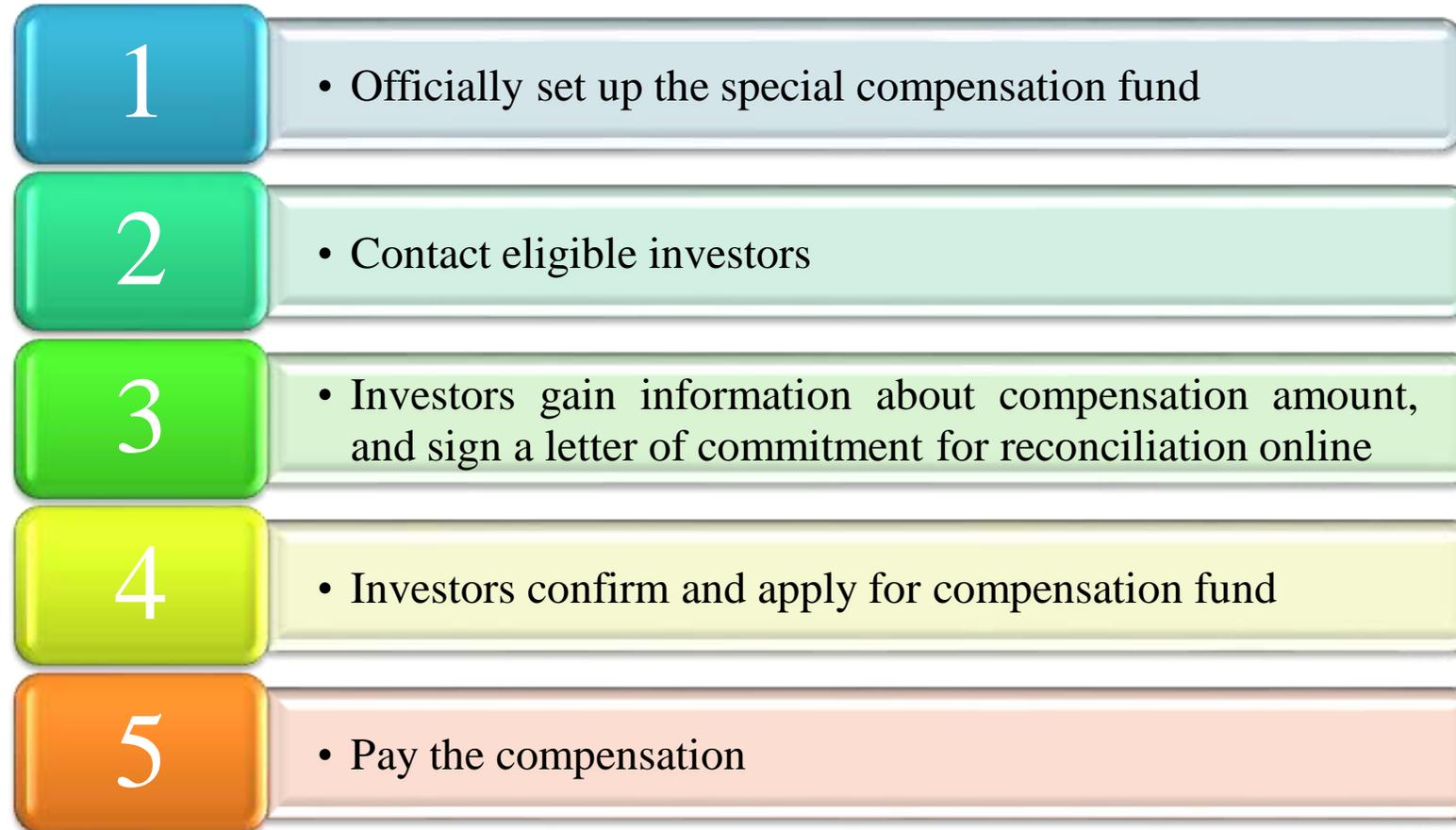
Your are here: > English > Special Compensation > Xintai Electric Case

Special Advance Compensation Fund for Xintai Electric's Fraudulent Issuance

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Dandong Xintai Electric Co., Ltd. (hereinafter "Xintai Electric") was initiated an investigation by the CSRC in July 2015 for misrepresentation of relevant financial data in IPO and GEM listing application documents and misrepresentation and major omission in regular reports disclosed after the listing, and received an administrative sanction on July 5, 2016. Industrial Securities Co., Ltd. (hereinafter "Industrial Securities"), as the IPO and listing sponsor and lead underwriter for Xintai Electric, published an announcement on June 9, 2017.

➤ **Implementation process of special compensation fund**



➤ **Compensation settlement result**

Listed company involved	Number of claimers paid	Total number of claimers	Ratio of claimers paid	Compensation amount paid	Total compensation amount payable	Ratio of compensation amount paid
Wanfu Biotechnology	12,756	13,426	95.01%	178,565,084	179,354,242	99.56%
Hirisun	9,823	10,264	95.7%	88,827,698	89,897,719	98.81%
Xintai Electric	11,727	12,196	95.16%	241,981,273	238,813,949	99.46%
Total	34,306	35,886	95.29%	509,374,055	508,065,910	99.28%

➤ **Compensation settlement result**

Listed company involved	Number of shareholders	Number of claimers paid	Total number of claimers	Duration	Ratio of investors paid
Wuliangye	330,386	141	330,386	5 Years	0.04%
Wanfu Biotechnology	7,242	12,756	13,426	2 Months	95.01%
Hirisun	6,703	9,823	10,264	2 Months	95.7%
Xintai Electric	11,898	11,727	12,196	5 Months	95.16%

[1] Based on the practices in special compensation fund for Wanfu Biotechnology and Hirisun, usually, the number of investors to be compensated will be higher than the total number of shareholders of the listed company.

Whereas it was impossible to know the accurate number of people to be compensated in Wuliangye case, the number of shareholders was used as the total number of claimers.

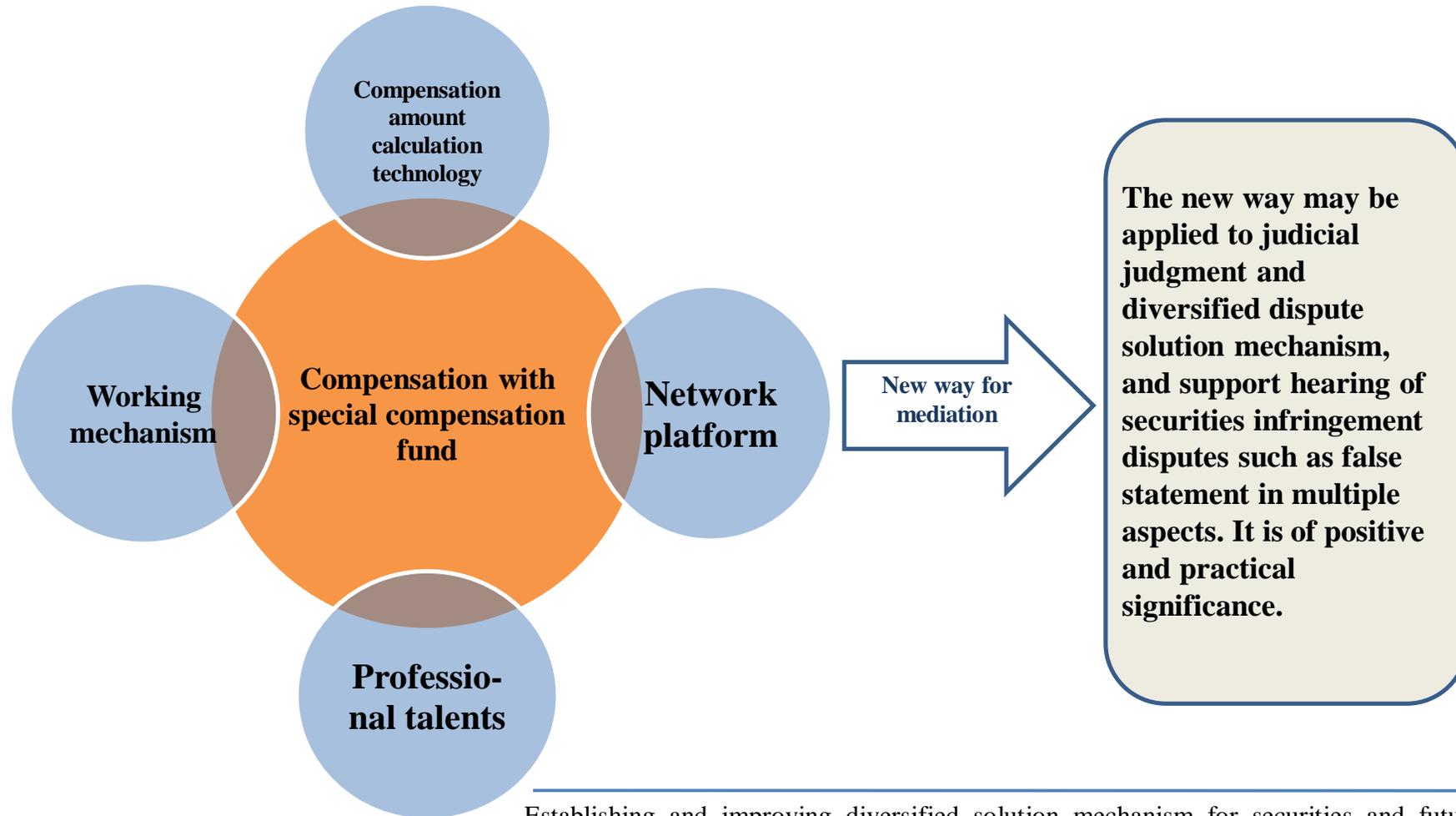
According to announcement of Wuliangye on Sept. 30, 2014, Wuliangye settled with 141 people through mediation, and totally compensated RMB 13.44 million.

[2] The number of shareholders of Xintai Electric is based on the data on Sept. 30, 2015.

➤ **Work effect**

The successful cases of investor compensation with special compensation fund gained favorable social effect, and successfully pioneered investor protection way in the capital market. These cases provide new ideas for further exploration of effective investor protection in false statement events, and are an innovative, demonstrative milestone.

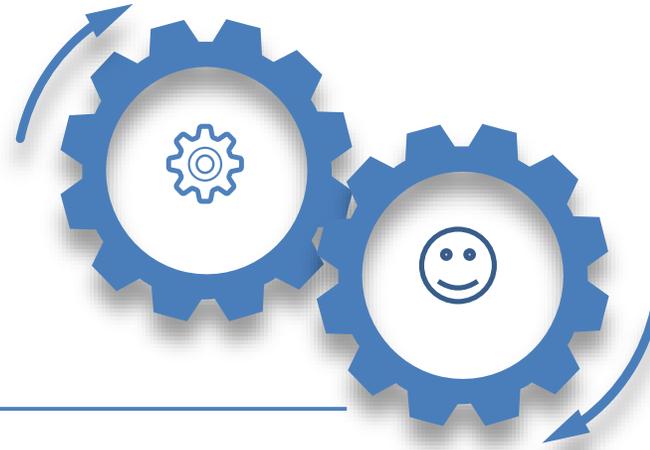
➤ **Exerting the professional superiority to explore new ways for mediation**



Establishing and improving diversified solution mechanism for securities and futures disputes with organic linkage, coordination, high efficiency and convenience.

Supporting case hearing in courts

- On Aug. 6, 2018, the court made the first-instance judgment for false statement dispute of a certain listed company, and ruled the listed company to compensate investment loss, totally RMB 1.1 million, to the plaintiff Liu.



- SIPF accepted the entrustment of the court to provide professional consulting opinions on the case during court hearing, which were approved by the court. SIPF helped solve the difficulty in false statement case hearing of listed companies to certain degree, shortened hearing period, effectively implemented the tenet of “protecting legal rights of investors”, and gained favorable social effect.



Thanks