

## Research on New Three Board Transfer Board

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**Abstract:** On June 27, 2016, the "new three board" officially implemented the internal hierarchical management, and the market was divided into the base layer and the innovation layer. The new three board is taking a separate exam and encouraging the market. However, the post-stratification market liquidity and valuation difficulties have not been improved, and many innovative layers of high-quality enterprises have the willingness to transfer board. Enterprise transfer board refers to transfer of the share manufacturing enterprise between the capital markets at different levels. The development of capital market depends on the flow of enterprises at all levels, which is conducive to optimizing the allocation of resources and satisfying the financing needs of enterprises at different stages of development.

### 1. Introduction

Most of the research literature has been focused on the board of gem listed companies to the main board market. Kedia and Panchapagesan (2011)<sup>[1]</sup> that a gem listed companies can get more into the market in the motherboard market liquidity and attention, is to determine whether the rotating plate to the mainboard of two of the most important factors. Amihud and Mendelson (1991) found that when high-mobility companies moved from a low level market to a higher-level market, there was less revenue from increased liquidity and not much difference in costs. Cowan, R.A, Richard, B.C., Frederick (1992) found that in the same industry, the companies that switched boards were less liquid than those that could switch boards but did not. Taylor (1997), based on the more mature otc market, has made an in-depth discussion in theory. Since then, Chung Dennis Y and Hrazdl karel (2009) to select a set of the NYSE and AMEX to research new samples on the market company, found that the two market trading with different liquidity and system characteristics, and the increase of liquidity will enhance market efficiency. Yiuman Tse, Erik Devos (2004), found that when high-tech companies transferred from AMEX to NASDAQ, there would be additional benefits, and institutional investors increased significantly.

### 2. Literature Review and Problems Raised

The perfect revolving board system is the organic whole of the multi-level capital market system, which can enhance the liquidity of capital. Domestic scholars have done research on whether to establish the system of rotating board and to establish the principles, conditions and legal system of the adaptation of the system. Shen chengyan (2011) believes that one of the prerequisites for the prosperity of the multi-level capital market is that the capital markets at all levels can directly realize each other. The legal system of transposition should be implemented with "landing force and lifting plate free".

Xing huiqiang (2013) believes that a real multi-layer capital market, the direct transfer mechanism between different sectors should be unblocked. The securities law of China currently has some legal obstacles to the transposition. Hou east and li jin-li (2013) believe that the framework of China's multi-level capital market has been basically established, and there is an urgent need to solve the docking of all levels of capital markets. The construction of the rotating plate mechanism should be based on the multi-level capital market, establishing perfect lifting plate mechanism, to distinguish

the different green channel, two, three board market gives the company independent board decisions and descending plate mechanism, to distinguish the different green channel, two, three board market gives the company independent board complaint lowered board decisions and right of relief. Chai Ying (2012) in the new three board market introduction of transfer board system research, the article emphasized that the new three board market is orderly flow for state-level high-tech park non-listed company and provide a trading platform, the introduction of transfer board system for high-tech enterprises in the park directly to facilitate the gem, small and medium-sized board and main board listing, has a promoting effect on the development of the new three board market.

Ceng Yingzi (2010) mentioned in the article, the need to reform the existing equity agency, making it the standardization of the otc market, the need to reform the existing equity agency, making it the standardization of the otc market, should strengthen the capital market in the institutional stratified management and establish the system of the rotating plate between different levels. In the IPO process of the enterprise, it is changed from the audit system to the registration system, so as to relax the transfer of the market. For failing to meet the small and medium-sized enterprises listed conditions, through the three board market for otc, such deals because of the face is the institutional investors and individual compliance, can adopt looser authorization. Guo haiping (2011) also explained the significance of adopting the rotary board system. He supported the establishment of the rotary board system in the "new third board" and believed that it had the following advantages :(1) to enhance the appeal of "new third board" to listed companies. (2) make the listing no longer "congested". At the same time, it also puts forward its own idea: first of all, it should make decisions and submit the application by the shareholders' meeting of the company. Next, the company will stop at the "new third board" share transfer transaction until the IPO audit results. The enterprise will arrange the fate of the enterprise according to the final audit result, and then go to the higher level capital market listing or stay in the "new third board".

In addition, pan yujun (2011) systematically introduced and analyzed the overseas otc market. The article focuses on the requirements of American companies if they want to switch board between the pink single market, OTCBB market and NASDAQ. Then, it briefly introduces the conditions of the Japanese over-the-counter market (JASDAQ) to the market of the Tokyo stock exchange and the Taiwan xingtai market to the upper counter market. On the basis of the introduction of the system in the above-mentioned countries and regions, pan yujun has put forward many ideas and Suggestions, which are related to the "new third board" rotary board system. It mainly includes the introduction of the market maker system and the internal stratification, only the high level enterprises can apply for the listing of the rotary board.

Huang qiqi (2012) disapproved of the "new third board" of enterprises directly to the higher level market, and replaced by "green channel" to operate the switchboard. Through the "new third board" transfer board of the special person, to realize the efficiency of speed shifting board, reduce the cost of rotary plate and so on. Liu Liu (2012) study of the "new three board" market marketmakers, rotating plate and information disclosure, in his vision transfer plate have two kinds of different forms, namely: the turn plate with IPO and turn plate but not finance.

### **3. Analysis of the Driving Force**

The market liquidity of "new third board" is limited

The higher the liquidity of the market, the more attractive the enterprise will be. The "new third board" is now facing a liquidity squeeze. This will make the ability of corporate financing to be greatly restricted and the capital requirements that will enable enterprises to achieve long-term development will not be met. And the "new third board" market liquidity is limited.

The higher the liquidity of the market, the more attractive the enterprise will be. The "new third board" restrictions are facing liquidity difficulties. This will greatly limit the ability of enterprises to finance their financing and will not be satisfied with the capital requirements that will enable enterprises to achieve long-term development. Unlike the "new third board", the a-share market is more active. Therefore, it is feasible for enterprises to obtain the funds that can meet the development

needs of the company during the IPO queue suspension, and then transfer to the two exchanges in Shanghai and shenzhen through the financing of "new third board". As of December 31, 2016, more than 10,000 enterprises have chosen to be listed on the "new third board". But for transaction data, the "new three board" stock trading polarization, speedy securities, securities in the east China sea and jiuding group occupied the top three volumes, specific data, respectively is 7.99 billion shares, 2.23 billion shares and 2.14 billion shares. However, there have been 5,820 stocks that have not been traded since the listing, accounting for 56% of the total.

The listed companies of the "new third board" had 2,589 funds raised in 2015 through private placement. As of the end of 2016, the number of listed enterprises in 2016 has increased by a slight increase of 17.46%. In terms of the amount of funds raised, the "new third board" will raise 147.782 billion yuan in 2016. In 2016, 5034 companies were added to the list of "new third board", and the total number of listed companies was nearly 2 times that of 2015. However, the total financing amount was only 15.83 percent. This shows that as the number of listed companies has skyrocketed, the total amount of "new third board" has not increased in a synchronous way, reflecting the urgent need to raise the financing capacity of "new third board".

#### **4. Situation Analysis of "New Three Board" Transfer Board**

In addition to the long-listed software (IPO) and samsung new materials (the latest IPO) listed on the main board, 12 companies have chosen to list on the gem. Basically, except for the pesticide industry in jiangsu, the rest of the company belongs to the new industry. Many companies are part of the reason of high and new technology industry is rotating plate in front of the banner of jiangsu enterprises are listed before 2009 "new three board", "new three board" when listing companies can only is the company of Beijing zhongguancun science park, so the company belongs to high-tech industry. The company that followed the banner in jiangsu province was driven by the country's 13th five-year plan.

Currently, it is expected that the IPO will be accelerated, and the CSRC will accelerate the acceptance and review of the materials for the initial application of the "new third board" enterprises. As of January 12, 2017, at least 84 companies in the "new three board" companies applying for a-share listing are in normal review status. Of those, 53 wanted to list on the shenzhen stock exchange, accounting for 63 per cent, while 31 wanted to list on the Shanghai exchange, accounting for 37 per cent. This is because the "new third board" listed companies want to be listed on the gem. With more than one companies listed in the "new three board", expanding market scale, a lot of good listed companies has released announcement of presentation, said the company is undergoing an IPO. The "new third board" listed companies significantly accelerated their IPO, with about 200 companies receiving IPO guidance in 2016. It can be concluded that most of the "new third board" enterprises that have the intention of turning boards still belong to the gem board.

#### **5. Analysis of the Status Quo of Successful Enterprises**

##### **5.1 The rising valuation level of the transfer board**

Market value is the most intuitive indicator of the company's valuation level. This paper USES the market value of the company's last transaction date before "turning board" as the valuation level of the enterprise on "new third board", and compares it with the market value of December 29, 2016.

One of the biggest increases in market value was const. Compared with the market value of 0.18 billion yuan on the last trading day of the "new third board", the market value of the a-shares on February 29, 2016 was 473.7 billion yuan, which was 263.17 times the value of the "new third board" at that time.

## **5.2 The rising financing capacity of the transfer board**

Five of the companies that have made the switch have had financing on the "new third board", which has the highest total financing amount in the century, but can only raise \$87 million. After the success of the board, it is obvious that the financing capacity of enterprises has been greatly improved. The company that has raised the minimum capital amount since it was listed in the successful enterprise is const, with a total amount of 184 million yuan. The company that raised the maximum amount of money was software for a total of 1.535 billion yuan. Neither conster nor its software has had any financing in the "new third board".

## **5.3 The Better Mobility than the "New Three Board" after the Transfer Board**

The most interesting aspect of the current "new third board" is the liquidity problem. Strong liquidity can give companies a more accurate valuation, and the withdrawal of investment will not be an obstacle for investors. The reality is that the a-share market has better liquidity than the "new third board".

Compared with the average daily turnover rate of around 1% during the "new third board", the company can significantly improve its daily turnover rate after listing. In the most recent "switchboard" to a-share company, the turnover rate of the combined technology was the most significant, up from 0.49% to 12.59%.

The average daily turnover of successful companies has also been significantly improved. During the "new third board" listing period, the successful enterprises of the rotary board achieved the average daily turnover of about 100,000 yuan, the highest of which was the east soil technology, whose daily turnover was 351.15 million yuan. After the success of the board, most of the turnover has been achieved with the average daily turnover of 100 million yuan. Among them, the lowest transaction volume of the company also has a turnover of 5651.08 million yuan.

## **6. The Explicit Obstacles to the Establishment of the "New Three Board" Transfer Board System**

### **6.1 Lack of detailed rules for the listing of "new three board" and lower level**

By the China securities regulatory commission approval, and on January 1, 2013 implementation of the non-listed public company supervision and management measures for article 60, "public company to a public stock offering specific object, shall abide by the" securities law "and the China securities regulatory commission related regulation. If a public company applies for listing on a stock exchange, it shall comply with the relevant provisions of the CSRC and the stock exchange. Approved by the China securities regulatory commission on February 8, 2013 by the national small and medium-sized enterprise stock transfer system of the enforcement of the limited liability company shares transfer system is the national small and medium-sized enterprises (try out) "in the fourth chapter listed company stipulated in section 5 the China securities regulatory commission approved the application for initial public offering, agree with its shares or stock exchange listed company, shall be in the national stock transfer system company terminates its stock.

In October 2014, after the gem delisting system, issued by the securities and futures commission in its, about support shenzhen capital market reform and innovation of article 15 of the clearly put forward the "allowed to meet certain conditions is not yet profitable Internet and innovation of science and technology enterprises in the national stock transfer system of small and medium-sized enterprises to 12 months after listing on the gem."

On June 27, 2016, hierarchical management was officially implemented in the national small and medium-sized enterprise share transfer system limited liability company. The method of hierarchical management once again clarified the transfer standard of the innovation layer and set three sets of parallel standards.

Due to the lack of strict rules on the policy, the companies with the need to switch boards have

chosen the normal IPO process, and there are no companies listed directly on the board. The above provisions for the "new three board" turn plate issue reserved to the open market condition, can reduce the difficulty of the future for a more detailed policy provisions, but after all this frame type provision which does not take the place of real transfer board system. With the development and improvement of the securities market, the demand of "new third board" enterprises is increasing, and it is more and more urgent to develop a feasible system.

## **6.2 Restrictions on listing conditions of securities law**

Rotating plate listed, though so far no law to regulate, but according to the principle of "no ban can be", in the third chapter "securities law" is not mentioned in the second quarter for limiting conditions of listed companies, listed on turning plate is still a strictly. But if the new third board is to go public, it will have to be a public offering of shares, as well as an IPO. The "new third board" listed companies can be traded in the national sme share transfer system because of the approval of the SFC's public transfer. It is important to note that there is a fundamental difference between "public transfer" and "public offering", which is for qualified institutions, individual investors and the latter for the public. Since the latter has a wider influence and investors have lower barriers to entry, stricter requirements for issuers are more conducive to protecting the legitimate rights and interests of investors.

According to the "host law because XiaWeiFa principle", the above discussion of the administrative rules and regulations, some regulations and normative documents are not involve the law changes, this leads to the low maneuverability, executive level. Some scholars have called for the National People's Congress to timely revise the securities law and institutionalize the relevant content including the switchboard.

## **6.3 Obstacles in the market environment.**

Rotating plate system function into full play is necessarily to health "new three board" market as the premise, both rely on each other, complement each other, now "new three board" market as a new trading platform, there are still such as lack of trading volume, enterprise qualification level supervision omission, etc. These problems indicate that the development of "new third board" needs adequate time. Standing in the Angle of the policy makers to consider, if only to turn to reach the company board and too hastily turn plate system, there are all kinds of risks, influence the stability and prosperity in the securities markets, therefore, problems of its own and became "new three board" rotating plate mechanism to promote.

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