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Definition and Research Scope of Securities Class Action Model

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Abstract: In fact, the securities class action lawsuit brought by investor protection institutions has been blank in the legislative level of China, until 1991, the Civil Procedure Law of the People's Republic of China introduced the representative litigation system for the first time. Then, in 2001, the Supreme People's Court issued the Opinions on the Temporary Not Acceptance of Civil Cases of Securities Compensation. In 2003, the Supreme People's Court passed the "securities market false statement civil procedure law", there has been no new legislation to fill the gap, until 2015 is some specific problems in the ongoing business litigation, in 2019 China modified the "securities law", finally with the formal establishment of Chinese securities class action system, once again the new legislation. In March 2020, China's new "securities law", formed the China's new class action system, provides the guarantee for China's economic development, but at the same time, because the system development time is short, lack of litigation practice experience, litigation practice specialization, in order to perfect the system, we must pay attention to learn foreign experience, positive reference. This paper is a discussion of the responsibility of listed companies in infringing on the interests of small and medium investors. At the same time, the basic theory of securities class action mode is sorted out, the principles and forms of the litigation responsibility of the special representative are briefly explained, and the legislative experience at home and abroad is taken as a mirror, and finally suggestions are put forward. First, how to determine the legal status of minority shareholders; second, improve the scope of class action to determine the boundary more accurately; third, reasonably determine the solution of substantive problems; fourth, accurately affirm the legitimacy of procedural problems. As the new subject of litigation in the Securities Law, investor protection institutions should correctly understand the definition of investor protection institutions, their own legal status and their legal obligations to make the most fair judgment. It should not only protect the legitimate rights and interests of the right holder, but also pay attention to avoid imposing excessive obligations on listed companies.

Keywords: *Securities dispute; investor protection agency; special representative litigation; model judgment*

I. THE QUESTION IS RAISED

At the beginning of 2020, the phenomenon of "black swan" frequently appeared in A shares, and the Rising financial fraud was destroyed. Zhangzidao scallop ran away for the fourth time in six years. There are numerous cases of fraud, dissemination of false information, market manipulation and other violations of Chinese securities laws. In order to prevent the cases endangering the interests of small and medium investors from happening again, the provisions of securities class litigation are set up in paragraph 3 of the Securities Law, in order to break the difficulties of litigation and complicated litigation brought by securities class litigation, so as to more effectively protect the interests of investors. The promulgation of this regulation marks that China's securities civil compensation litigation has entered a new era of special agency system, shows the determination of China's judicial organs to protect securities investors, and actively seeks to build a distinctive Chinese investor protection system. Although in recent years, domestic researchers have made more and more research on the protection of minority shareholders' interests, but the research methods, ideas and perspectives still need to be expanded. In the process of reviewing the research, we found that in China, most of the studies on the protection of minority shareholders' interests consider the influence of external factors such as legislation and regulatory authorities, as well as internal factors such as the ownership structure, governance structure, performance, cash dividends and information disclosure of listed companies. But compared with developed countries, China's ownership structure is more concentrated and the market mechanism is not perfect. In the investor structure of China, minority shareholders occupy a large proportion, so it is of great significance to study minority shareholders. Although in recent years, domestic researchers have made more and more research on the protection of minority shareholders' interests, but the research methods, ideas and perspectives still need to be expanded. In the process of reviewing the research, we found that in China, most of the studies on the protection of minority shareholders' interests consider the influence of external factors such as legislation and regulatory authorities, as well as internal factors such as the ownership structure, governance structure, performance, cash dividends and information disclosure of listed companies. But compared with developed countries, China's ownership structure is more concentrated and the market mechanism is not perfect. In the investor structure of China, minority shareholders occupy a large proportion, so it is of great significance to study minority shareholders.

II. DEFINITION AND RESEARCH SCOPE OF SECURITIES CLASS ACTION MODEL

Some scholars comprehensively introduced the experience of the United States in the punishment of financial false statements, securities class action, European Community litigation and fair fund, as well as the principles of damage relief, notice of securities violations and the management of third-party intermediary institutions, and suggested that China use for reference. Some experts also point out that the defects of the securities class action litigation system in the United States are largely aggravated by its settlement and insurance mechanism, so it should be remedied from two perspectives, namely, the combination of litigation and administrative law enforcement to restore the antagonism of class action litigation, and make the system closer to its original intention of protecting investors and purifying the market.

(1) Definition and scope of protection of medium and small investors

1. Definition of small and medium-sized investors

Minority shareholders, also known as small and medium investors, refer to the shareholders who own a small proportion of their shares in listed companies. In the stock market, these investors are usually small and medium-sized investors composed of individuals. The investor interests described in this document shall apply to minority shareholders or minority investors, not all investors. The concept of the protection of small and medium investors comes from the word "investor protection" in the literature of "law and finance", including two aspects: one is the protection of creditors 'rights, the other is the protection of shareholders' rights. This paper studies investor protection that only concerns shareholders' rights. In terms of shareholder rights, the "investor" in the key word "investor protection" frequently appearing in the literature of "law and finance" actually refers to the small and medium shareholders relative to the major shareholders and insiders who control the company, so this paper is called "small and medium investors". There are also views that equate medium investors (minority shareholders) with individual investors (Sun Shuwei, 2006). It must be clarified that the protection of the interests of minority shareholders discussed in this paper refers to the situation where the interests of minority shareholders are threatened by the second type of agency problems, so the gains and losses caused by the price fluctuations of the stock market do not fall within the scope of protecting the interests of investors discussed in this article.

2. The connection and difference with minority shareholders

The concept of small and medium investors and minority shareholders is often integrated with each other. However, the former is protected by securities law through investor rights, including the rights to authorize management, the right to understand the market and the right to fair trade, while the latter is protected by company law through special ownership rights, including the right to claim surplus value, the right to participate in decision-making, the right to disagree and the right to redeem. In contrast, investors have a wider range of investors. They enjoy both the rights of minority shareholders under the company law and the rights of minority investors under the securities law. The mention of major shareholders in this document does not emphasize that they are controlling or non-controlling shareholders and are regarded as the same term because they have little influence on the study of this document.

(2) Definition of the protection agencies and their operation status

On December 5,2014, the small and medium-sized investor protection institution is a securities and financial public welfare institution established with the approval of the China Securities Regulatory Commission and granted with direct management authority. The new chapter on "investor protection" provides legal recognition and gives new powers for many of the practices already taken by the investment services center industry. The role of non-profit investor protection organizations as the shareholders of listed companies in the practice of shareholder action doctrine has become a new phenomenon that cannot be ignored in the management of listed companies in China. Of course, as shareholders of listed companies in China, it is only the basic purpose of small and medium investor protection institutions to realize their institutional functions, which is more reflected in their power and public service functions, such as dispute mediation, litigation support, etc. Investment service center has a characteristic is symbolically hold some shares of listed companies, so that it to supervise and control the standardized management of the company, to send registered mail to shareholders, to attend the shareholders' meeting, participate in listing information meeting and shareholders derivative litigation to protect the rights and interests of investors, this is the key.

(3) the scope of study of class-action litigation

First, the nature of a class action is a common common law dispute of uncertain amounts, as representative disputes of uncertain amounts, can be determined from the class action provisions. If the number of "opt-join" investors exceeds 50, the court can allow the parties to request the replacement of the lawyers of the insurance institution, and the court can also voluntarily advise the parties to change the lawyers of the insurance institution to facilitate litigation. If the number of people agreeing to change the insurance institution meets the conditions, it can be converted to an "implied opt-in" class action lawsuit. Second, the exemplary adjudication system that China has explored in property disputes in recent years is also of great reference significance to ordinary litigation. Compared with other infringement disputes, the infringement disputes in the field of securities have the characteristics of broad stakeholders and strong professionalism. Judicial proceedings have the inherent disadvantage of long trial time because of their procedural rigor, which is exacerbated by the professionalism and complexity of securities crime litigation[1]. In recent years, China has conducted a unique mediation system. The new Securities Law stipulates the administrative settlement system, timely compensation system and redemption system, aiming to be shorter, simpler and faster. Compared with lengthy judicial remedial procedures, out-of-court remedial measures are faster, more effective and more cost-effective to promote the widespread use of out-of-court remedial measures and encourage parties to securities violations to actively compensate investors for their losses.

(4) Theoretical basis

On March 1,2020, the second revision of the Securities Law of the People's Republic of China was formally implemented. The sixth chapter is a supplement to the investor protection, and puts forward a series of measures to protect the rights and interests of investors. The introduction and application of these concepts are mainly the result of the interaction between China's judicial system, the characteristics of the capital market and the securities civil litigation practice. The 2018 revised Governance Guidelines for Listed Companies include the shareholding and exercise of CIC rights in Chapter 7 "Institutional investors and other relevant institutions", allowing CIC to be treated as a special category of institutional investors. On content, "guidelines" article 78-80 encourage all kinds of institutional investors to actively participate in the management of listed companies and information disclosure, this is borrowed from the UK and Japan and other developed markets in recent years to

encourage institutional investors to actively participate in its investment in the management of listed companies and through the wording of the st Petersburg guidelines supervision of its management—encourage institutional investors to actively intervene in the management of listed companies and supervise its management. However, due to their large shareholding, strong professionalism and low cooperation costs, institutional investors are considered to be more able to participate in corporate governance and reduce agency costs than traditional individual investors[2].

III. VALUE ANALYSIS LED BY THE INSURED INSTITUTIONS

Since most Chinese investors are small investors, the representative litigation system used to solve class action lawsuits in the past is often shelved due to the high cost in securities infringement litigation and the unbalanced antagonism between the two sides. In order to overcome the bottleneck of the securities class litigation system, improve the antagonism of investors, make the litigation more cost-effective, improve the efficiency of litigation, and improve the deterrent power to the violations of the company level. The Chinese securities class action litigation emerged at the historic moment, but its specific structure and application need to be further explored, not simply transported from elsewhere. So can securities class action action and ordinary civil action be treated equally? First, they have different specialization requirements; second, securities litigation involves a large number of subjects, especially securities litigation usually involves a large number of small and medium investors, and the amount of dispute is large, which should be different from the general securities civil litigation.

(1) The significance of protecting the rights of minority shareholders

Stocks are intangible products, and investors cannot intuitively feel their value by "seeing color and feeling quality". They often rely on abstract standards, such as "the reputation, operation and development potential of a company" to form opinions, and the large number of illegal securities practices in China can damage the legitimate rights and interests of a small investor. China's civil securities liability system is not perfect, and it is difficult for minority shareholders to obtain a remedy. Although the new Securities Law has strengthened the protection of investors, the obstacle of administrative penalties in securities civil litigation still exists, and there is indeed a conflict with the protection of the rights of minority shareholders, and the protection of the rights of minority shareholders is worrying. The author should emphasize that although the protection of the rights of minority shareholders is the fundamental of the stability and survival of the securities market, the protection of the rights of minority shareholders referred to in this paper refers to the "legal" rights of minority shareholders, rather than to guarantee the beneficial rights of minority shareholders in securities trading[3]. For example, the delisting of a company must be accompanied by a decline in its share price, but "delisting" is not the basis for claims from minority shareholders. Investors must assess the company's performance and potential and make reasonable investment decisions. If a company is delisted simply because it cannot continue to operate, minority shareholders are responsible for their investment decisions and take their own risks; however, if delisting is accompanied by wrongdoing, minority shareholders cannot foresee this from the disclosure documents.

In this case, the loss caused by the default is not the risk of the investment itself, and the minority shareholder may claim the compensation against the person responsible for the loss caused by the risk other than the investment.

(2) China's securities class action litigation has advantages

Given the relatively small size of small and medium investors, the high cost and amount of time and energy required, and investors sometimes do not lose enough to cover the high litigation costs. Therefore, investors are forced to abandon legal action against illegal companies, which is not conducive to fighting crime or creating a favorable environment for the securities market. Securities class action litigation is an effective way to help the affected investors in a small scope. At the same time, it can also help most investors at one time, which is conducive to fighting crime or creating a favorable environment for the securities market. At the same time, it is in line with the principle of combining fairness and efficiency. New "securities law", make small and medium-sized investors have more choice, can choose individual litigation, also can choose joint litigation even can choose implied join method to participate in representative litigation, each lawsuit can make the rights and interests of investors can get more effective perfect protection, make the securities disputes can get more efficient solution. Class-action litigation not only helps to realize the legitimate rights and interests of investors, but also has a positive impact on the listed companies acting as defendants. If the dispute between investors and listed companies is unavoidable, investors using class action litigation can also save some litigation costs for listed companies. For example, when determining the identity of the plaintiff, we should draw lessons from the practice of "implicit accession and explicit withdrawal" of the United States, which is in line with the actual situation of China and is convenient for many investors to exercise their rights centrally. The use of insurance institutions as agents is closely related to China's institutional system and legal culture. At present, the two insurance institutions, supervised by the Securities Commission, are public welfare and can reduce the cost of protecting investors' rights and interests. For most investors, this is a new way to protect their rights, which is different from the current way that investors can only rely on individual or representative litigation. How to better protect the legitimate rights and interests of investors from infringement, and whether they can be effectively protected after infringement, is an indicator to measure whether China's securities legal system is perfect. Looking at the situation of China's securities market in recent years, the characteristics of securities litigation cases are obvious, mainly the number of plaintiffs, the region is not concentrated, the interests of small and medium-sized investors are relatively large, but the total amount of claims is large. Another major function of the securities civil group litigation is that the aggregation of groups can bring social public welfare effects that are incomparable in the general civil litigation. With the help of the potential energy of the group, small and medium-sized investors in a weak position have the opportunity to compete with listed companies. On the one hand, it can impose the most powerful sanctions on the lawbreakers; on the other hand, it is conducive to strengthening the social responsibility and professional ethics of relevant personnel and organizations, and also conducive to the healthy development

of the capital market[4]. But if investors Sue separately, many identical lawsuits will arise in different courts, and the defendants' listed companies are worried that they will not have time to deal with them. The method of class action lawsuit can merge several cases and concentrate them, saving the cost and litigation energy of listed companies.

IV. LEGAL PROBLEMS EXISTING IN SECURITIES CLASS-ACTION LITIGATION

This "implied entry" structure of class action lawsuits is beneficial for most investors, first because it allows investors to spend less effort and money to obtain enough compensation. Secondly, compared with individuals, the winning rate of class action will be higher than that of individual litigation, and it can also save the time consumed by individual litigation. Finally, to a certain extent, several cases can be merged into a large case, which can also better save the scarce judicial resources. For our current class action case, the difference between class action representation in China and the United States is substantial. In our country, we are represented by an insurance agency, while in the United States, our class action representative is an attorney. The "implicit entry and express exit" system has strict numerical limits, under which the number of investors must not be less than 50 participants in the dispute. If the number of investors is less than 50, investors can still instruct investor protection institutions to manage the dispute, but this system does not apply. If the number of investors is too small, the credibility of the system will be reduced, the trigger threshold will be more arbitrary, and the scope of class action, its arbitrary trigger will have a negative impact on the society.

(1) Entity problems

The existence of securities class action will have a significant impact on the future of civil securities litigation in China and the ecology of the whole securities market, but there are advantages and disadvantages. Everything has two sides. In terms of system construction, there are still some aspects of securities class action that deserve careful study. Ordinary representative litigation and special representative litigation have different characteristics and functions. The former is more inclined to facilitate the trial and settlement of disputes, while the biggest characteristic of the latter is to reduce the litigation cost of investors on the premise of ensuring the interests of investors. Because the investor institution is established led by the state, investors will naturally believe that the public power owned by the investor institution, and the determined scope of the investor protection institution includes almost all investors. This leaves investors not to opt out of the large group, because even if he loses the case, there are many other ways to resolve it."China's securities market may be entering the era of universal litigation," said a lawyer at Zhonglun Law Firm. Of course, the implementation of the investor Protection Bureau's representative procedure system also depends on the position of the tribunal, where the tribunal decides the "uncertain representative procedure" and expresses its opinions. When the system is established, civil securities litigation will not only become more standardized and computerized, but its number may increase by ten times, or even hundreds of times. That is, it still poses a greater threat to "social stability" than before. If the system fails, it is a failure for enterprises; then back to the political task of social stability that the judges care most about.

I am not sure whether the system is strong enough to be applied in practice, but it will not become a conventional system, or socioeconomic conditions prevent it from becoming a conventional mechanism.

(2) Procedure problems

Different from ordinary civil litigation, securities class action involves a wide range of legal relations. The function of securities class action system is to improve the efficiency of the court system, improve corporate governance and maintain the order of the financial market. Therefore, a perfect litigation system is particularly important. Legal proceedings need to be designed to make securities class-action lawsuits possible. For such a complex and important system, the key procedural issues must be detailed to ensure rapid implementation. However, the revision of the Securities Law is relatively systematic, without stipulating further procedural improvements, which will encounter great resistance in practice. In the securities market, the role of lawyers is self-evident, and with the development of the securities market and the intervention of capital, some people also begin to have prejudice against securities lawyers. These people would think that lawyers cannot fully care for the interests of their own investors and only for their own interests. In recent years, although there have been some attempts and improvements between investor protection institutions and national policies, the professional level of investor protection institutions still needs to be improved compared to professional lawyers. Therefore, we should not deny their professionalism in civil securities litigation based on the subjective assumption that lawyers only pursue their own interests. On the contrary, without the active participation of professional lawyers, the securities class action lawsuit in China cannot proceed smoothly and efficiently. The "implied accession, express exit" system facilitates the work of investors and the courts, however, the current provisions of the system are still principled and there are some obstacles in practical application. Under the "implied entry, express exit" system, the investor concerned must state whether it joins or exits[5]. There are still no details on how to notify implied investors joining the company and how to ask about their willingness to take legal action. Nor are there details on which institution an investor to clearly opt out should apply to, or the procedural stage at which he can opt out. Without specific execution procedures, the system will be chaotic in practice and investors' rights will not be guaranteed.

Securities class action lawsuit is generally very expensive, therefore, legal expenses cannot be ignored. The question of who should bear the costs has become a sensitive issue that needs to be addressed. Under the provisions of the Civil Procedure Act and the Court Costs Ordinance, usually the plaintiff must first pay the court costs, and then, according to the outcome of the action, decide which party shall bear the court costs. In the representative litigation under the new Securities Act, the plaintiff is a registered investor. Even if the legal costs are shared by all the plaintiff investors, the amount is still very high, which is a big burden for small and medium investors. At the same time, due to the simultaneous existence of registration and merger, there may be unregistered investors, and the same result shall be applied to them, but their identity cannot be confirmed in advance. If the parties involved in the registration have to share the litigation costs, this could lead to unfair distribution and speculative problems for the remaining investors. A survey by the UN Bureau of Statistics has found that in 1980,15 percent of victims who participated in the 1938

survey, and 15 percent of victims who participated in the 1966 survey participated in a change in civil proceedings. The survey used a valid exit procedures for 15% of the respondents. The opt-out system is designed to protect investors. The "investigation" system includes some states that provide overall benefits to investors and clients; however, the procedural model also strengthens the protection of the internal rights and interests of investors and other people who contact the "procedure".

By registering on the information platform, users are informed of the relevant cases. In the case of market abuse, the site helps calculate losses based on the assets of investors, the average amount and scope of compensation in such cases, the investor fills out the registration form, agrees to participate in the process and instructs the ISS to handle the case. ISS has developed a maximum recovery platform for such cases. They will also receive email alerts about related matters, including court documents and monthly reports from the ISS research team, which will help them claim compensation to cover their losses by communicating the progress of the legal process. It is a peer-to-peer service that is open and transparent throughout. ISS users have three business models: first, annual users pay the annual fee and they get all the compensation provided by ISS in the violation of listed companies; second, temporary users, they only receive a certain proportion of compensation for the class action service of ISS class lawsuit in the violation of listed companies; third, mixed users, they pay part of the annual fee and recommendation fee, that is, the average proportion of compensation. The insurance center in Taiwan is a consortium legal person established according to the Securities and Futures Investor Protection Law of 2002, that is, the securities and futures investor protection fund funded by the stock exchange, futures market, securities companies and other relevant securities market institutions.

Donations, donations, and grants made by the relevant agencies for their business. The fund, with a capital of RMB 1,131 billion, is mainly engaged in fund management, mediation, arbitration and settlement of civil disputes arising from the trading of securities or futures trading, compensation to bona fide investors in the bankruptcy of securities and futures dealers, consultation and complaints on relevant laws and regulations, as well as investor education. After the 2009 law amendment, TIC can act on behalf of shareholders, either through direct or recourse litigation, and the conditions for doing this are not limited by the Companies Act. In addition to the two common class action models of lawyers and non-profit organizations (class action), the Securities and Futures Commission of the Hong Kong Special Administrative Region (the "CSRC") has taken direct civil litigation against securities infringers to help injured investors quickly obtain civil compensation. In the case of CSRC v. Hongliang International in 2009, the CSRC filed its first civil lawsuit in accordance with Article 213 of the Securities and Futures Regulations."The Hong Kong High Court approved the CSRC's application to" force the parties to resume pre-listing conditions " by return the funds raised for about $1 billion to about 7,700 investors. In SFC v. Tiger Fund, the regulator again froze the defendant's assets pursuant to Section 213 of the Securities and Futures Ordinance and ordered him to return the funds, the pre-listing position[6]. The case was appealed to the court of final appeal, the court of final appeal in its ruling, the legislators of article 213 is to alleviate the loss of market abuse of the parties, in such litigation, SFO " not act as a public interest prosecutor, but as the defendant suffered the loss of the collective interests of the defenders."Thus, in Hong Kong, the SFC created a swift and effective civil remedy for injured investors, using evidence requiring relatively low civil litigation and seeking court orders such as asset freezing, resumption of pre-transaction terms and invalidity or invalidation of contracts. As a market supervision body, the CSRC has its own characteristics and value when taking direct actions against those responsible for securities fraud. First of all, the form of the lawsuit is relatively simple. When a large number of plaintiffs are brought to the court, the role of the CSRC as an individual plaintiff greatly reduces the procedural burden in the class action lawsuit and the pressure on the court. Second, it effectively avoids abusive sexual litigation. Finally, the CSRC will not take improper actions to increase private profits. In addition to the two common class action models of lawyers and non-profit organizations (class action), the Securities and Futures Commission of the Hong Kong Special Administrative Region (the "CSRC") has taken direct civil litigation against securities infringers to help injured investors quickly obtain civil compensation. In the case of CSRC v. Hongliang International in 2009, the CSRC filed its first civil lawsuit in accordance with Article 213 of the Securities and Futures Regulations."The Hong Kong High Court approved the CSRC's application to" force the parties to resume pre-listing conditions " by return the funds raised for about $1 billion to about 7,700 investors. In SFC v. Tiger Fund, the regulator again froze the defendant's assets pursuant to Section 213 of the Securities and Futures Ordinance and ordered him to return the funds, the pre-listing position. The case was appealed to the court of final appeal, the court of final appeal in its ruling, the legislators of article 213 is to alleviate the loss of market abuse of the parties, in such litigation, SFO " not act as a public interest prosecutor, but as the defendant suffered the loss of the collective interests of the defenders."Thus, in Hong Kong, the SFC created a swift and effective civil remedy for injured investors, using evidence requiring relatively low civil litigation and seeking court orders such as asset freezing, resumption of pre-transaction terms and invalidity or invalidation of contracts. As a market supervision body, the CSRC has its own characteristics and value when taking direct actions against those responsible for securities fraud. First of all, the form of the lawsuit is relatively simple. When a large number of plaintiffs are brought to the court, the role of the CSRC as an individual plaintiff greatly reduces the procedural burden in the class action lawsuit and the pressure on the court. Second, it effectively avoids abusive sexual litigation. Finally, the CSRC will not take improper actions to increase private profits.

CONCLUSION

Based on the failure of the above internal control mechanism of the company, I think the appointment and removal mechanism of supervisors should be improved, so that the board of supervisors can really play a supervisory role. Most importantly, an independent supervisory body should be established. Shareholder supervisors represent the interests of the shareholders. If the management of the company violates the law for the short-term interests of the company, it is difficult for the shareholder supervisors to maintain neutrality beyond the pursuit of the short-term interests of the company. The employees and supervisors are under the supervision of the company's management, which controls their positions and

salaries, so they are inevitably in a weak supervisory position. In contrast, independent supervisors have no interest in the company and can maintain role neutrality. First, the share of the independent directors is guaranteed, so they have a strong position in the supervisory board. Secondly, he ensured that the independent supervisors have no interest in the company. Then, improve the conditions for the removal of supervisors. The legal grounds for dismissal should be stipulated, and no one can be fired at will[7].

Second, improve the protection system of the rights of minority shareholders in delisted companies, strengthen the responsibilities and requirements of independent directors, and prevent the surface of the independent director system. The public publication of voting proposals should be distinguished from calling for voting as a separate category for the exercise of rights. Public non-voting proposals can avoid excessive restrictions on listed companies on major issues affecting corporate performance and stock prices, but this is controversial, and the practical experience of voting advisers and foreign institutional investors is worth discussing. Of course, whether it is publicly soliciting votes or simply announcing the voting proposal, CIC must be exemplary and follow the relevant information disclosure rules, and introduce the facts and reasons to the partners truthfully, accurately and completely.

China's securities regulation has always been led by the CSRC, and the new regulatory goal in the revised Securities Law to protect investors is consistent with the legislative intention of the law. The new Securities Law introduces a registration system for stock issuance, and the CSRC only conducts a formal review of the issuance documents, which reduces the workload of the CSRC and enables it to abandon complex due diligence and focus on follow-up supervision[8].

Some researchers believe that the management of a company is only concerned about its own vital interests, and that the appointment of investment service providers by the company's shareholders can separate the investment service providers from the management to avoid the possibility of a conflict of interest. However, shareholders also represent their own interests, and their direct role as principals does not change the relationship between the company and the securities service provider.

In my opinion, the new director must meet two characteristics. First, there is no interest relationship between the new client and the securities service provider, and second, there is the possibility of authorization. In this case, the stock exchange is also excluded, because one of the revenue sources of the stock exchange is the company's listing fee. The CSRC meets these two requirements. Protecting the legitimate interests of securities is one of the goals of the CSRC supervision, so it is more meaningful for the CSRC to take the initiative. This could be a court-appointed receiver whose administrative costs were borne by the corporation, and likewise the SFC appointed a securities service provider whose expenses were paid by the corporation. In this model, the securities service provider has no fiduciary relationship with the company and does not have to prioritize the interests of the company, which helps to maintain neutrality. Provide for the registration and exit procedures of the investors, the nature of the registration and the time of the registration. The process should be known to investors without explicit exits so that the process such as application determination, withdrawal and modification and participation in the plan, waiver and amendment, participation in settlement and mediation, and other important issues related to the litigation. If implied registered investors feel that the legal process does not met their expectations, they can apply for a step further in the legal process and withdraw in due course.

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