

UNIVERSITY OF HONG KONG
FACULTY OF LAW
ASIAN INSTITUTE OF INTERNATIONAL FINANCIAL LAW

Staff Seminar

23 April 2007 (Monday)
Room 425, 4/F KK Leung Building
1:00 – 2:00 p.m.

**Reputational Sanctions in China's
Securities Market**

co-authored by Curtis J. Milhaupt and Benjamin L. Liebman

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Literature suggests two distinct paths to stock market development: an approach based on legal protections for investors, and an approach based on self-regulation of listed companies by stock markets. This paper traces China's attempts to pursue both approaches, while focusing on the role of the stock exchanges as regulators. Specifically, the paper examines a fascinating and unstudied aspect of Chinese securities regulation--public criticism of listed companies by the Shanghai and Shenzhen exchanges. Based on extensive interviews and event study methodology, we find that the criticisms have significant effects on listed companies and their executives. We evaluate the role of public criticisms in China's evolving scheme of securities regulation, contributing to several strands of research on the role of the media in corporate governance, the use of shaming sanctions in corporate governance, and the importance of reputational mechanisms in supporting China's economic growth.

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