



CFAA Event Note 8/2/2012

“Chinese Capital Market is A Supermarket”

On August 2, 2012, Mr. Tiejun Shi, Partner of a top-tier law firm (Beijing Jun He Law offices 北京君合律师事务所) in China gave Chinese Finance Association of America (CFAA) an informative and interesting speech. Mr. Shi started his practice in law after he graduated from Peking University in 1992 and is one of the most respected corporate law veterans of the Chinese capital market including being a former member of China NASDAQ IPOs Audit Committee at China Securities Regulatory Commission (CSRC).



Mr. Shi's speech was mainly focused on three aspects of the Chinese capital market: the current situation, changes, and restrictions. Mr. Shi summarized four characteristics of the present state of the Chinese capital market: policies are made public promptly, marketization, specialization, and normalized regulation. Among these, marketization is the most obvious to observe. This explains why CSRC's policy stayed neutral in the past 3 years even when Chinese stock market tumbled from 6000+ points to about 2000 points.





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When talking about changes, Mr. Shi pointed out the most important change is the change of the IPO pricing mechanism. In the past, China only had 20 security companies advising on the IPO pricing, but they were not allowed to participate in the IPOs. Now, a larger number of security firms are involved in the IPO market making process. As a result, the IPOs are more efficiently priced with less manipulation which benefits millions of retail investors.



Although Mr. Shi remained positive on the Chinese capital market, he acknowledged several issues and challenges. For instance, he believed the high PE multiples of the Chinese stocks could persist for another decade, which may not be favorable for the growth of the security market. Another potential challenge is that the stock market will continue to be one of the most important investment channels in China given lack of alternative investment vehicles, which may further pressure the valuation on the upside. There are currently 140 million stock brokerage accounts in China, or on average one out of every three households in China owns a brokerage account. This also implies that the stock market volatility would have significant impact on ordinary people's wealth therefore the societal stability, a fact that the Chinese government is very mindful of when coming to regulating and administrating the stock market.

At the end of his speech, Mr. Shi provided some valuable advices to the Chinese MBA students who are studying in the U.S. and interested in a career in the Chinese finance or business world. He emphasized the importance of hard skills such as accounting expertise as well as a keen awareness of the reality and culture in China, or the so-called "Emotional Intelligence".

The audience applauded Mr. Shi for his insightful speech and valuable advices. Several of them approached Mr. Shi after the formal program to continue dialogue on the related topics. CFAA once again provided our members and audience a value-added and informative event.



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About CFAA

Chinese Finance Association of America (CFAA) is an independent not-for-profit, non-partisan organization committed to promoting educational and cultural exchange among finance professionals between the United States and Greater China through facilitating communication and the exchange of ideas in the financial industry. Incorporated and headquartered in Chicago, Illinois, CFAA is aimed to serve Chinese finance professionals and others who are interested in the financial industry of Greater China. Please visit our website www.ChineseFinanceAssociation.org for more information about CFAA. To become a CFAA member, or to renew your CFAA membership and make your membership payment, please go to the [membership section](#) on our website. If you are interested in the volunteering opportunities at CFAA, please submit the [volunteer and staff application form](#). For global career opportunities in finance, please visit our newly launched [Online Job Center](#) through our partnership with one of the leading global career placement companies eFinancialCareers.com.a