



## Provisional Code of Corporate Governance for Securities Companies

### Chapter 1 General Provisions

Article 1 With a view to standardizing the operations of securities companies in line with the modern enterprise system, ensuring the legitimate interests of the shareholders, clients and other interested parties of the securities companies, and safeguarding the independence and integrity of the securities companies' assets, the *Provisional Code of Corporate Governance for Securities Companies* (hereinafter referred to as "the Code") is formulated in accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China* and other laws and administrative rules.

Article 2 Securities companies and their controlling shareholders shall bear the duties of good faith towards clients, and shall not infringe clients' properties and other lawful rights and interests.

Article 3 Securities companies shall clarify the division of responsibility among shareholders' meeting, board of directors, supervisory committees and the management in compliance with the *Company Law of the People's Republic of China* and other laws and administrative rules.

Article 4 Securities companies and their shareholders, senior management shall abide by the regulatory rules of the China Securities Regulatory Commission (Hereinafter referred to as the CSRC) concerning the shareholders and senior management.

Article 5 Securities companies shall establish a complete risk management and internal control system in accordance with the relevant laws, administrative rules and regulations prescribed by the CSRC as well.

Article 6 The Code is applicable to the securities companies set up within the territory of the People's Republic of China.

In the event of otherwise regulations concerning the listed securities companies in laws, administrative rules and CSRC rules, such regulations shall prevail.

### Chapter 2 Shareholders and Shareholders' Meeting

#### Section 1 Shareholders

Article 7 Shareholders and the shareholders' actual controllers of a securities company shall have the qualifications required by the laws, administrative rules and CSRC regulations.

In case a shareholder intends to transfer the equity interest held in a securities company, the

shareholder shall ensure that the transferee and the actual controller fully comply with the requirements set out in the laws, administrative rules and CSRC rules.

In case a shareholder and the shareholder's actual controller of a securities company do not have the qualifications required as mentioned above, the board of directors of the securities company shall submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located within 10 working days.

Article 8 A securities company shall register its shareholders, modify the company's articles of association and go through the procedures of industrial and commercial registration on the basis of the approval documents of the CSRC or the documents filed with the CSRC.

A securities company shall ensure that the company's articles of association, register of shareholders and documents of industrial and commercial registration are consistent with the actual situations of the shareholders.

Article 9 Securities companies' shareholders shall fulfill the obligation of capital contribution in strict compliance with the laws, administrative rules and the CSRC rules. Securities companies shall not provide financing or guarantee, whether directly or indirectly, for the shareholders.

In case the shareholders violate laws and regulations by such actions as making a false or fraudulent capital contribution, withdrawal of capital contribution or withdrawal in disguised form, the board of directors of the securities company shall submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located within 10 working days, and requires the shareholders concerned to make rectification within one month.

Article 10 A shareholder of a securities company shall notify the securities company in due time in the event of the following situations:

1. The equity interest held by the shareholder in the securities company is preserved for litigation reason or is enforced.
2. The equity interest held by the shareholder in the securities company is pledged.
3. The shareholder decides to transfer the equity interest held in the securities company.
4. The shareholder entrusts other parties to exercise the shareholder's rights or reaches an agreement with other parties on exercising the shareholder's rights of the securities company.
5. Change of name
6. Merge or division
7. Dissolution, bankruptcy, closedown and being taken over
8. Other situations that may lead to transfer of the equity interest the shareholder holds in the securities company.

The board of directors of the securities company shall submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located within 10 working days upon being informed of the above-mentioned situations.

Article 11 Securities companies shall establish an effective communication channel with shareholders to ensure the shareholders' right to know as provided in the laws, administrative rules, CSRC regulations and company's articles of association.

In the event of any of the following circumstances, the board of directors shall immediately notify all the shareholders in writing and submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

1. The company or senior management is suspected of being involved in major illegal activities.
2. The company's financial status continues to deteriorate, which is not consistent with the standards prescribed by the CSRC.
3. The company has incurred a heavy loss.
4. The company proposes to change the chairman of the board of directors, chief supervisor or general manager.
5. The occurrence of emergencies poses unfavorable effect on the interests of the company and clients as well.
6. Other events that may affect the company's going-concern.

## **Section 2 Shareholders' Meeting**

Article 12 The terms of reference of the shareholders' meeting shall be clarified in the articles of association of securities companies.

For authorization to the board of directors by the shareholders' meeting of a securities company to exercise part of the authorities of the shareholders' meeting, regulations related to such authorization shall be set down in the articles of association or such authorization shall be approved by the shareholders' meeting. And the contents of such authorization shall be specific and concrete.

Article 13 A securities company shall convene the annual general meeting within 6 months from the date of the conclusion of every accounting year. In case the annual general meeting needs to be delayed for special reasons, the securities company shall submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located in due time and indicate the reason for such delay.

Article 14 A securities company shall set out the convening and voting procedures for shareholders' meeting in its articles of association.

The board of directors shall formulate a complete set of rules of procedure for shareholders' meeting in accordance with the articles of association, which shall be executed after being approved by the

shareholders' meeting.

Article 15 The board of directors, supervisory committee and the shareholders who solely or collectively hold over 5% of the equity interest of a securities company can submit proposals to the shareholders' meeting.

The shareholders who solely or collectively hold over a 5% of the stake of a securities company can nominate the candidates for directors (including independent directors) and supervisors to the shareholders' meeting.

Article 16 Where the directors nominated by any shareholder of a securities company account for more than half of the total members of the board of directors, the supervisors nominated by such shareholder shall not exceed half of the total members of the supervisory committee.

Article 17 Securities companies are encouraged to adopt the cumulative voting system in the election of directors (including independent directors) and supervisors.

Where a shareholder holds solely or collectively with affiliated parties over 50% of the equity interest of a securities company, the cumulative voting system shall be used in the election of directors (including independent directors) and supervisors.

The securities companies that adopt the cumulative voting system shall stipulate the pertinent implementation rules in their articles of association.

Article 18 It shall be provided in the articles of association of securities companies that in the event that the shareholders' meeting is unable to be convened because the board of directors and chairman of the board of directors fail to fulfill their responsibilities, the shareholders who hold a certain proportion of equity interest and the supervisory committee may convene the extraordinary shareholder' meeting in accordance with the provisions of the article of association, and report the relevant situation to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 19 Securities companies shall make minutes of the shareholders' meeting. The minutes shall be true and complete and shall be kept for at least 15 years from the date when the minutes are made.

Securities companies shall file the resolutions and relevant documents of the shareholders' meeting with the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 20 The shareholders' meeting shall provide reasons for dismissal of any directors or supervisors before the expiration of their term of office. The dismissed directors or supervisors have the right to present opinions to the shareholders' meeting, the CSRC or its dispatched offices.

### **Section 3 Special regulations concerning the relations between securities companies and shareholders**

Article 21 The controlling shareholders of a securities company shall not infringe, by exploiting their

controlling positions, the lawful rights and interests of the securities company, other shareholders and company's clients.

Article 22 The controlling shareholders of a securities company are forbidden to appoint or remove directors, supervisors and senior management personnel by circumventing the shareholders' meeting or board of directors.

The controlling shareholders must not intervene the operation and management activities of the securities company by circumventing the shareholders' meeting or board of directors.

Article 23 A securities company shall be strictly separated from its controlling shareholders in the aspects of business, personnel, institution, assets, finance and place of office and so on by conducting operations, accounting, and bearing risks and obligations independently.

Article 24 The controlling shareholders and their related parties shall take effective measures to prevent themselves from business competition with the securities company they control.

Where a securities company controls other securities companies, the securities company shall not infringe the interests of the securities companies it controls.

Article 25 The lawful rights and interests of the securities company and its clients shall not be damaged by the affiliated transactions between the securities company and its shareholders and their affiliated parties.

A securities company shall stipulate the major affiliated transactions and the disclosure and voting procedures concerned in its articles of association.

A securities company shall lodge a report with the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located within 10 working days as of the date when the major affiliated transactions take place.

Article 26 Securities companies and their shareholders (or shareholders' affiliated parties, the same as below) shall not act like any of the follows:

1. Make a commitment of minimum return or bonus to the shareholders;
2. Hold the shareholders' equity interest, unless otherwise stipulated by laws, administrative rules or CSRC regulations;
3. Provide financing or guarantee for shareholders directly or indirectly;
4. Shareholders misappropriate the securities company's assets or the assets deposited in the securities company by the clients;
5. Securities companies offer improper benefits to the shareholders by such methods as buying the securities massively held by such shareholders;
6. Other behaviors that are prohibited by the laws, administrative rules or CSRC regulations.

## **Chapter 3 Directors and Board of Directors**

### **Section 1 Directors**

Article 27 The directors must have the required know-how to perform their duties in compliance with the requirements stipulated in the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China* and the CSRC regulations.

Article 28 Securities companies shall clearly stipulate provisions on the qualifications, appointment and removal procedures, rights and obligations and term of office with regard to directors in their articles of association.

Article 29 Securities companies shall take measures to safeguard the directors' right to know and provide necessary conditions for directors to perform their duties.

Outside directors (including independent directors) shall have enough time and energy to perform their duties.

### **Section 2 Board of Directors**

Article 30 Securities companies shall define the number of directors in their articles of association.

Inside directors shall not exceed half of the total directors.

Securities companies are encouraged to employ directors from outside professionals.

Article 31 Securities companies shall make a definite stipulation on the exercise of board chairman's duties when the board chairman fails to perform his duties or falls vacant.

Article 32 The responsibilities of the board of directors shall be clearly defined in the articles of association of securities companies. For authorization to the chairman of the board of directors to exercise part of the powers and functions of the board of directors during the period when the board of directors is not in session, the contents of such authorization shall be specific and concrete.

For any matters involving the company's vital interests that shall not be authorized to board chairman for decision. The securities company shall stipulate the matters concerning the material interests of the company in its articles of association.

Article 33 The board of directors shall formulate standard procedures of convening of board of directors, rules of procedure and voting procedures, which shall be approved by the shareholders' meeting and reported to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 34 The board of directors shall at least convene two meetings every year. The minutes of the board of directors meetings shall be complete and accurate and shall be kept for at least 15 years upon the date they are made. The directors who attend the meetings and the recorders shall sign the minutes of meetings.

Article 35 The board of directors and board chairman of securities companies shall exercise their functions and powers within the sphere stipulated by the laws, administrative rules, CSRC regulations and the articles of association, and shall not intervene the operational and managerial activities of the management by overriding the powers of the management.

When the board of directors reviews the affiliated transactions, the directors appointed by the affiliated parties shall withdraw from voting.

Article 36 In case of the resolutions passed by the board of directors that violate the laws, administrative rules, CSRC regulations or the securities company's articles of association, the shareholders or supervisors shall have the right to require the company to terminate the relevant resolutions immediately.

Article 37 The board of directors shall set up special committees such as risk management committee and audit committee.

The audit committee shall be chaired by independent directors.

The special committees may employ outside professionals and the reasonable expenses incurred therefore shall be borne by the company.

Special committees shall submit work reports to the board of directors.

Article 38 Securities companies shall have a secretary to the board of directors or special agencies that shall be responsible for the preparation of the meetings of the shareholders', board of directors and special committees, taking meeting minutes, storing the meeting documents, information disclosure and other routine matters, and shall be responsible for filing the documents of the meetings of the shareholders', board of directors and supervisory committee with the dispatched offices of the CSRC.

### **Section 3 Independent Directors**

Article 39 Securities companies shall introduce independent directors to their board of directors in accordance with the regulations of the CSRC.

Independent directors shall have the basic knowledge of securities market and be familiar with the relevant laws and regulations. They shall be honest and creditable, and have more than 5 years' working experience in the related fields.

The person in any of the following circumstances shall not hold the position of independent director:

1. The person who holds a position in the securities company or its affiliated parties, and such person's lineal relatives and major social relations.
2. The person who holds a position in any shareholder who holds or controls over 5% of the equity interest of the securities company, or holds a position in any one of the top 5 shareholders, and such person's lineal relatives and major social relations.

3. The person who is the natural person shareholder holding or controlling more than 5% of the equity interest of the securities company, and such person's lineal relatives and major social relations.
4. The person who provides financial, legal and consultation services for the securities company and its affiliated parties, and such person's lineal relatives and major social relations.
5. The person who features the circumstances listed in the foregoing 4 items in the last year.
6. The person who assumes the office of director in other securities companies.
7. Other persons specified in the article of association.
8. Other persons stipulated by the CSRC.

In case an independent director is subject to the above-mentioned circumstances during the term of office, the securities company shall dismiss him/her immediately and report the case to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 40 The term of office of independent directors shall be the same with that of other directors, but shall not be renewed twice consecutively. The securities company shall file the relevant information about the independent directors with the CSRC and the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 41 In case of resignation or dismissal of independent directors during the term of office, such independent directors and the securities company shall respectively provide written explanation to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located and the shareholders' meeting.

Article 42 The independent directors are empowered to perform the following duties in addition to having the functions and powers vested in the directors in accordance with the *Company Law of the People's Republic of China*, other laws and administrative rules:

1. Propose to the board of directors convening the extraordinary general meeting. And propose to the supervisory committee convening the extraordinary general meeting in case the board of directors objects such proposal.
2. Propose convening the board of directors meeting.
3. Employ audit or consulting agency for performance of duties.
4. Give independent opinions on such matters as the remuneration plan or incentive plan for the directors and management personnel of the company.
5. Give independent opinions on the major affiliated transactions, and submit a report to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located whenever deemed necessary.



Where the board of directors of securities companies establishes special committees on affiliated transactions or on the senior management personnel's remuneration, such committees shall be chaired by the independent directors.

The independent directors shall submit the work report at the annual general meeting.

In case the independent directors fail to perform their duties, they shall bear the relevant responsibilities.

#### **Chapter 4 Supervisors and supervisory committee**

Article 43 The supervisors of securities companies shall have the required know-how to perform their duties in compliance with the laws, administrative rules and CSRC regulation.

The directors and management personnel of the securities companies and their lineal relatives and major social relations shall not assume the office of supervisors of the company.

Securities companies are encouraged to appoint outside professionals as their supervisors.

Article 44 Securities companies shall take measures to safeguard the supervisors' right to know and provide necessary conditions for supervisors to perform their duties.

Article 45 Securities companies shall establish the supervisory committee that shall supervise the corporate finance, the legal compliance of directors' and management personnel's performance of duties, and shall be accountable to the shareholders' meeting.

The supervisory committee shall formulate the standard rules of procedure for supervisors, which shall be approved by the shareholders' meeting and reported to the dispatched offices of the CSRC of the local district where the company's domicile and principal place of business are located.

Article 46 The supervisory committee of securities companies shall have a full-time chief supervisor who is the convener of the supervisory committee meeting. There shall be a vice chief supervisor for 7 supervisors or above. The vice chief supervisor, also full-time, shall assist the chief supervisor in performing duties.

The supervisory committee may set up special agency responsible for the preparation of the supervisory committee meeting, taking meeting minutes and storing the meeting documents, and providing service for the supervisors in performing their duties.

Article 47 The supervisory committee shall convene at least two meetings every year. The minutes of supervisory committee meeting shall be true and complete and shall be kept for at least 15 years as of the date when the meeting minutes are made, and shall be signed by the supervisors attending the supervisory committee meeting and recorders.

Article 48 The supervisory committee of securities companies shall exercise the following functions and powers:

1. Examine the company's finance

2. Supervise the performance of duties by the board of directors and management
3. Make enquiries about the behaviors of directors and management personnel.
4. Require directors or management personnel to make correction for any behaviors that infringe the rights and interests of the company and the clients.
5. Propose convening the extraordinary general meeting.
6. Organize the audit work for the senior management personnel to leave their posts.
7. Exercise other functions and powers stipulated by laws, administrative rules and the company's articles of association.

Article 49 The supervisors shall have the right to know the company's operation situation and shall bear the relevant confidential obligations.

The company shall provide the supervisory committee with its internal audit report, compliance review report, monthly, quarterly or annual financial and accounting report and particulars of other major events in due time.

The board of directors shall make specific statements on the financial status and compliance of the company at the annual general meeting.

Article 50 The supervisory committee may require the directors, management personnel or other related persons to attend the supervisory committee meeting and answer the questions that the supervisory committee is concerned about.

The supervisory committee may conduct special inspections on the company's financial status and compliance, and employ outside professionals for assistance whenever deemed necessary at the reasonable cost of the company.

The supervisory committee can inquire the directors, management personnel and other related personnel for information when inspecting the directors and management personnel's performance of duties, and the directors, management personnel and related persons shall render appropriate cooperation.

Article 51 In case the directors or management personnel violate the laws, administrative rules or the company's articles of association, therefore infringing the rights and interests of the company, shareholders or the clients, the supervisory committee shall require such directors or management personnel to make rectification within a specified period of time. Should such infringement be very serious or the directors and management personnel fail to make rectification within the specified period of time, the supervisory committee shall propose convening the shareholders' meeting during which special proposal shall be put forward.

For the major violations of laws or regulations conducted by the board of directors or the management of the securities company, the supervisory committee shall directly report such cases to the CSRC or its dispatched offices.

Where supervisors know or shall know that the directors or management personnel violate laws, administrative rules or the company's articles of association, therefore infringing the rights and interests of the company, but fail to fulfill their responsibilities as required, such supervisors shall bear the relevant responsibilities.

## **Chapter 5 Management Personnel**

Article 52 The management personnel mentioned in the *Code* refers to the senior management personnel other than the chairman and vice chairman of board of directors, chief supervisor and vice chief supervisor of the supervisory committee.

The management personnel shall obtain the relevant qualifications to hold their positions, and the securities companies shall not authorize any persons who do not have the qualifications required to exercise the functions and powers of management personnel.

Article 53 Securities companies shall clearly define the composition and terms of reference of the management personnel in their articles of association.

Article 54 Securities companies shall employ professionals as the management personnel in an open and transparent way.

Article 55 The management personnel shall work full time, unless otherwise stipulated by the laws, administrative rules or CSRC regulations.

Article 56 The management personnel shall not deal in any business that is in competition with the company they serve, or invest in any enterprises competing with the company they serve, whether directly or indirectly.

The management personnel shall not conduct any affiliated transactions with the company they serve, unless under such the circumstances as stipulated in the articles of association or approved by the shareholders' meeting.

Article 57 A securities company shall have a general manager who shall exercise the functions and powers in accordance with the *Company Law of the People's Republic of China* and the company's articles of association, and shall be accountable to the board of directors.

Where a securities company executes the general manager's functions and powers in the form of the administrative committee and executive committee and so on. The members of such committees shall have the qualifications to perform the duties of senior management personnel.

Article 58 Securities companies shall set out working rules for general manager, which shall be executed after being approved by the board of directors.

The working rules for general manger shall include the following contents:

1. Conditions, procedures and participants of the general manager's meeting
2. Responsibilities and division of labor of general manger, deputy general manager and other

management personnel.

3. Authorities to utilize the company's assets and to sign contracts.
4. The system to report to the board of directors and supervisory committee.
5. Other matters that are deemed necessary by the board of directors.

Article 59 The general manager shall report to the board of directors or the supervisory committee the signing and execution of major contracts, funds utilization and profit or loss according to the requirements of the board of directors or the supervisory committee. The general manager must ensure the authenticity of such reports.

The general manager who does not hold the position of director can attend the board of directors meeting.

Article 60 The management of securities companies shall establish a well-defined and clear-cut organizational structure, organize and implement the identification and evaluation of various risks, establish a complete and effective internal control system and mechanism, and handle or redress the defects or problems in the internal control in due time.

The management personnel shall bear related responsibilities for the poor internal control, and the failure to handle or redress the defects or problems in the internal control in due time.

Article 61 Securities companies shall assign special management personnel to be responsible for the supervision department in accordance with the relevant regulations of the CSRC. Such management personnel shall not concurrently engage in the management of other business departments.

The management personnel shall render supports to the supervision department.

## **Chapter 6 Incentive and Control Mechanism**

Article 62 Securities companies shall establish an effective incentive and control mechanism for management personnel.

Article 63 Securities companies shall sign employment contract with the management personnel, stipulating the term of office, performance assessment, remunerations and reason for dismissal of management personnel, as well as both parties' rights and obligations and responsibilities for breach of contract.

Article 64 The remuneration plan of the management personnel shall be approved by the board of directors. The board of directors shall submit to shareholders' meeting the specific statements on the performance of duties, performance assessment and remunerations of management personnel.

Article 65 In case the management personnel violates laws, administrative rules or the company's articles of association, as a result infringing the lawful rights and interests of the company and the clients, the board of directors and supervisory committee shall investigate the responsibility of such management personnel.

Securities companies shall not pay any penalties or compensations that shall be borne personally by

the directors, supervisors or management personnel.

Article 66 In case the management personnel, directors, supervisors or employees hold or control the equity interests of the securities company, such holding or controlling of equity interests shall be approved by the CSRC in advance and reported to the shareholders' meeting of the company.

## **Chapter 7 Basic Principle of Relationships Between Securities Companies and Clients**

Article 67 Securities companies shall bear the duties of good faith towards clients, and shall not infringe the clients' property rights, options, right to fair deals, right to be informed and other legitimate rights and interests.

Article 68 Securities companies shall not misappropriate the clients' settlement funds for transactions, the properties entrusted by the clients for management and the securities deposited by the clients in the company.

Article 69 Securities companies bear confidential obligations to the information of clients.

Securities companies shall have the right to reject the inquiries of clients' information by any entities or individuals, unless otherwise stipulated by laws, administrative rules or the CSRC regulations.

Article 70 Securities companies shall fulfill the statutory obligation of information disclosure in their operation activities and ensure that the clients make decisions on the basis that they are fully informed.

Securities companies shall observe the laws, administrative rules and the CSRC regulations when providing products or services for clients, and shall give a full disclosure of the contents and risks of the products or services they provide. Any false statement, misleading or other acts of fraud shall be prohibited.

Article 71 Securities companies shall establish special departments or posts to be responsible for communicating with clients and handling the clients' complaints.

Article 72 Securities companies are encouraged to make public their annual audited financial reports and other information and make sure the contents of such disclosure are true and accurate.

## **Chapter 8 Supplementary Provisions**

Article 73 Securities companies shall modify and improve their articles of association and relevant systems in accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, other laws, administrative rules and the *Code*.

Article 74 The board of directors of securities companies shall report the information about their corporate governance to the shareholders' meeting, the CSRC and its dispatched offices in accordance with the laws, administrative rules and the *Code*.

The CSRC shall evaluate securities companies' basic conditions for market access and daily supervision based on their corporate governance status.

Article 75 The CSRC may authorize the self-disciplined associations for securities industry or intermediary agencies to make evaluations on the corporate governance of securities companies and make public the results of evaluation in an appropriate manner.

#### Article 76 Definitions

1. Equity interest refers to the capital contribution of the shareholders of limited liability companies or the shares of joint-stock limited companies.
2. Affiliated party and affiliated transactions refer to the affiliated party and affiliated transactions stipulated in the Accounting Standard for Business Enterprises: Disclosure of Affiliated Relationships and Transactions.
3. Actual controller refers to the legal persons, other organizations or individuals that are legally or factually able to control the shareholders of securities companies to exercise the shareholders' rights.
4. Controlling shareholders refer to the shareholders meeting any of the following conditions:
  - 1). Hold and control the equity interest of securities companies, becoming the largest shareholder
  - 2). Be able to determine half of the directors of the board in the securities companies.
  - 3). Be able to control the securities companies in other ways.
5. Cumulative voting system in this case refers to a system of voting in which each shareholder is given as many votes as the product of the total number of shares a shareholder holds multiplied by the number of candidates in the election of directors or supervisors at shareholders' meeting and allowed to cast all those votes for one candidate or distribute them among the candidates. The number of votes shall decide the candidate of the director or supervisor.
6. Inside directors, outside directors and independent directors. The inside directors refer to the directors who assume other positions concurrently in the securities company. The outside directors refer to the directors who do not hold positions concurrently in the securities company. And the independent directors refer to the outside directors who do not have any relationships with the securities company and its shareholders, which may hinder them from making independent and objective judgments.

Article 77 The CSRC is responsible for the interpretation of the *Code*.

Article 78 The *Code* becomes effective as from January 15, 2004.

The China Securities Regulatory Commission

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