China Securities Regulatory Commission

China changes audit secrecy rules in bid to stop US delistings

Watchdog will allow foreign regulators to access sensitive financial information on overseas-listed companies

Didi's disastrous IPO in New York rattled global markets. China's latest move would be the first significant movement on the disclosure of financial information outside its borders © Bloomberg

Tabby Kinder in Phuket 6 HOURS AGO

Beijing has revised its audit secrecy laws in a bid to stop around 270 Chinese companies from being delisted from US exchanges, in a significant concession to pressure from Washington.

The China Securities Regulatory Commission, Beijing's top financial watchdog, said on Saturday it would change confidentiality laws that prevent its overseas-listed companies from providing sensitive financial information to foreign regulators.

The CSRC said that its existing rules, which were last updated in 2009, had become outdated.

It is the most significant move yet by Beijing to try to prevent Chinese companies in New York from being delisted in 2024. The Securities and Exchange Commission said last month that China's largest companies including Baidu and Yum China had three years to provide detailed audit documents, prompting a sharp sell-off in their shares.

There are around 270 Chinese companies listed in the US with a combined market capitalisation of over $2tn. The Nasdaq Golden Dragon China Index, which tracks blue-chip Chinese stocks, has lost around half its value in the last year.

The unusual policy reversal by Beijing is expected to create a framework for US regulators to gain access to company audit files and is the first major rule change by

China to allow disclosure of financial information outside the country. The Financial Times reported that regulators in Beijing were in discussions over the proposals in March.

The latest draft rules, which have been put to public consultation until April 17, scrap a requirement that inspection of the financial statements of overseas-listed Chinese companies have to be conducted by mainly Chinese regulators.

The changes will facilitate "cross-border regulatory co-operation including joint inspections . . . for the protection of global investors", according to the CSRC.

It follows months of negotiations between regulators in China and the US to resolve the long-simmering dispute over access to audits.

Chinese authorities are attempting to improve investor confidence after a series of regulatory crackdowns and calamitous share sales — such as by Chinese ride-hailing app Didi — have rattled global markets.

The CSRC said its chair Yi Huiman and SEC chair Gary Gensler had held three meetings since August over "audit oversight co-operation" and that there had been "positive progress".

However, US regulators have dismissed the suggestion of an imminent deal that would halt the delistings countdown. Gensler said last week that only total compliance with US audit inspections would allow Chinese companies to keep trading on New York markets.

Geopolitical tension between the US and China, including most recently over the Russian invasion of Ukraine, have led to fears that a compromise over audit access is unlikely. A Hong Kong finance executive who has been close to some of the regulatory discussions said delisting Chinese companies "is a weapon that the US has in this broader fight". He added: "The US needs to be careful, if they keep pressuring China, they end up hurting themselves."

Under rules issued in 2009, audit documents produced while listing Chinese companies overseas are forbidden from being shared with foreign entities. That clashes with the US Holding Foreign Companies Accountable Act, passed in 2020, which forces Chinese and Hong Kong companies to allow the US Public Company Accounting Oversight Board to examine their audits.