IPOs

Chinese companies choose Switzerland over US and UK to raise money overseas

Political tensions with Washington and tougher accountancy standards in London discourage listings in larger markets

Nine Chinese companies floated in Zurich last year, raising $3.2bn, according to SIX, the operator of the Swiss stock market © Reuters

Daniel Thomas and **Nikou Asgari** in London YESTERDAY

Chinese companies are flocking to Switzerland to raise capital after being discouraged from listing in the US by geopolitical tensions and in Britain by tougher audit standards.

Nine Chinese companies floated in Zurich last year, raising $3.2bn in the European country, according to SIX, the operator of the Swiss stock market. That far outstrips the $470mn they raised in New York, data from Dealogic stated.

Their shift of focus to Switzerland comes in response to months of tensions between Beijing and Washington over standards for Chinese companies on US markets. The US sought greater access to listed companies' financial audits but China resisted, citing a desire to protect state secrets.

Zurich has particularly benefited from the unease as it has less-demanding requirements over the transparency of company audits.

Dozens more Chinese companies are looking to use a link set up last year that connects the Shanghai and Shenzhen stock markets with the main market in Zurich, according to bankers and exchange executives.

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The "stock connect" scheme, modelled on a similar one with London, allows companies that are listed in one venue to raise capital on the other. Just five other companies floated on the Swiss market in 2022.

"Switzerland is very much at risk of becoming a Chinese market," said one senior executive at a rival exchange, adding that if all the Chinese companies that have announced plans to list go ahead, "then it will be more capital than was raised across all of European IPO volumes last year. You want lots of activity, but you do end up with a lot of risk if the enormous amount of your security comes from one jurisdiction".

This year the only listing in Switzerland has been Chinese — Zhejiang HangKe Technology Incorporated Co, which manufactures lithium battery equipment and raised $172mn.

Rather than undertake a full listing, companies using Stock Connect issue global depositary receipts, which represent shares in overseas companies while the issuer holds the underlying shares in its home market.

Valeria Ceccarelli, head of primary markets at SIX, said the surge in Chinese listings "confirms the attractiveness of SIX and the Swiss financial centre as an international hub for companies to raise capital".

For Chinese companies, overseas listings help make it easier to bypass tough domestic capital controls. Companies were raising money to fund their international growth and increase their visibility in Europe, Ceccarelli added.

Some Chinese companies are also eyeing Britain, using the London Stock Exchange's Stock Connect programme which has existed since 2019 and led to five issuers raising about $6.5bn.

Two businesses have announced plans to list their shares in the UK so far this year — chemical company Yongtai and manufacturing group Lingyi iTech.

But exchange executives say that a decision by the UK auditor regulator, the Financial Reporting Council, to not deem Chinese audit standards as equivalent to international standards has pushed more companies to Switzerland, which accepts Chinese accounts for depositary receipts.

"Swiss authorities . . . do not waive any audit requirements, but treat Chinese companies the same as other foreign companies under the Swiss Audit Oversight Act," Ceccarelli said.

“At the end, the company decides where to list,” she said, adding that the exchange is aware of 20 more Chinese companies that plan to list in Europe through GDRs.

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