

On the Duty Standard of Securities Lawyer's Diligence and Responsibility

-- Take the Xintai Electric Case as an Example

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Abstract

This paper takes the case of Xintai Electric's IPO lawyer and law firm against China Securities Regulatory Commission as a sample to analyze the identification standard of securities lawyers' diligence and responsibility obligations. From 1993 to 2019, China's securities laws were constantly improved, related securities regulatory agencies were also constantly improved and developed, and the administrative penalties made by them also showed an increasingly judicatory trend. Therefore, the determination of the standards of the obligations of the securities lawyers is becoming more and more clear and clear. But there are still many problems in practice. This paper mainly focuses on the determination of the judgment standard of the securities lawyers' diligence and duty, summarizes the causes and development of the case of Xintai Electric IPO lawyers and law firms against the CSRC, makes horizontal comparison of similar cases, vertically examines the evolution of legislation and judgment at home and abroad, and puts forward several opinions on the improvement of relevant laws in China.

Keywords

Securities Lawyer; Diligence and Duty; Financial Report; The Administrative Punishment.

1. First, The Question Raised

With the increasing prosperity of China's securities market, the status and role of securities lawyers in the securities market has become more and more important, and more and more lawyers enter the securities industry. With the bell of the 21st century, the construction of the rule of law in China has ushered in a new historical stage. The laws of the securities industry have been constantly updated and improved, and the supervision and punishment of securities lawyers by securities regulatory agencies have become stricter. The China Securities Regulatory Commission on April 14, 2017 to make the organization carries out to the law firm engaged in securities law business for the decision of the special inspection, the see http://www.gov.cn/xinwen/2017-10/14/content_5231694.htm, in order to provide a legal basis for the CSRC to strengthen the supervision of securities lawyers. In particular, the CSRC said it would examine whether lawyers' actions complied with the law, and whether they performed due diligence and due diligence.

On May 31, 2016, the China Securities Regulatory Commission imposed administrative penalties on Dandong Xintai Electric Co.,Ltd in Dalian, Liaoning Province. China Securities Regulatory Commission (CSRC) determined that Xintai Electric had falsified financial reports in the process of initial public offering, and that its accounts receivable had been falsely collected in the financial reports for four consecutive years, totaling more than 400 million yuan, which obviously was a false listing in the GEM, and Xintai Electric could not avoid the result of forced

delisting. Beijing Dongyi Law Firm and the lawyers involved in the case were also subject to strict administrative penalties by the CSRC. The CSRC said dongyi failed to fulfill its duty of diligence by directly quoting the accounting firm's financial accounting reports and other professional audit reports that contained false records, and ordered dongyi to make rectification, confiscate the firm's business income and impose a fine of 1.8 million yuan. The Beijing Dongyi law firm and its lawyers refused to accept the CSRC's decision on administrative punishment, and then took the CSRC to court. The case was rejected by the Beijing No. 1 Intermediate People's Court in June 2018. Guo lijun and Chen Yanshu said they would appeal against the ruling.

One of the focal points of this case is how the law firm and the lawyer can fulfill the duty of diligence and responsibility, and how to define the judgment standard of the duty of diligence and responsibility of the lawyer. Plaintiff think securities lawyers lack to examine the ability of financial audit report, also does not have right and obligation to check the audit report, don't think the lawyer did not fulfill the duty of diligently, the SFC is considered law firm directly to the financial report of the public accounting firm as a basis for the legal opinions issued by, should fulfill its obligations to the attention of the general and specific situation, Dongyi law Firm did not carefully check the authenticity and accuracy of the relevant materials, nor did it perform the general duty of care for the defects in these materials, which constituted the "failure to perform the duty of diligence".

It is not difficult to find from the administrative punishment decisions of CSRC in recent years that CSRC's punishment of securities lawyers is based on the same clause, that is, the punishment of law firms is based on the "failure to perform their duties diligently" in Article 223 of The Securities Law of China. Article 223 of the Securities Law of China stipulates: Securities service organs not diligently, documents issued by the manufacture, with false records, misleading statements or material omissions, and shall be ordered to correct, confiscate the business income, suspended or revoked securities service business license, and impose a business income of less than one time but not more than five times the fine. The person in charge directly responsible and other directly responsible personnel to give warning, the securities from job seniority, The obligation of diligence and responsibility obviously becomes the determining factor of whether a securities lawyer is punished by the CSRC. But what criteria should be used to determine whether securities lawyers are diligent? According to our country's current "securities law", "practice rules of securities legal business law firm (try out)", "law firms engaged in securities law business management method" regulation, such as we can find these provisions do not explicitly define securities lawyers diligently rules and standards, so this article wants to discuss this problem, In order to protect the rights of securities lawyers, there should be a clear judgment rule and standard for the obligation of diligence and responsibility of securities lawyers.

2. Two, China's Securities Lawyers Duty of Care Standard Rules of Legal Application

Enforcement of the law requires precision, and imprecise enforcement is sometimes better than no enforcement at all. Precise enforcement requires precise rules of law, but rules of law cannot be precise. The uncertainty or incompleteness of legal rules requires that law enforcement agencies (courts or regulatory agencies) must have enough wisdom and patience to connect with the complex and changing reality. Law enforcement is a matter of careful deliberation rather than logical deduction. Geng Lihang, "Legal Transplantation and Regulation -- Focusing on the Role and Restriction Mechanism of Securities Market Lawyers", Doctoral dissertation, China University of Political Science and Law, 2004, p. 151 Under the current legal system framework of China, the identification standard of securities lawyers' "obligation of

undue care" is imprecise. The relationship between the performance of the duty of diligence and general civil fault, and whether the performance of the duty of diligence can be superseded by negligence. Therefore, it is necessary to carry out a theoretical analysis of the obligation of diligence and responsibility of securities lawyers, and clarify the relationship between the basis of diligence and responsibility and general civil fault, so as to better clarify the obligation of diligence and responsibility.

The duty of diligence and responsibility stipulated in China's current laws is only reflected in Article 223 of the Securities Law without specific and clear standards. In the company law system, the Standards of "duty of care" for directors are stipulated in the "Governance Code of Listed Companies" and "Guidelines on the Articles of Association of Listed Companies" promulgated by China Securities Regulatory Commission. Article 98 of the Guidelines on the Articles of Association of Listed Companies stipulates that directors shall abide by the laws, administrative regulations and the Articles of Association and bear the following duties of care to the Company: (1) It shall exercise the rights granted by the Company carefully, earnestly and diligently so as to ensure that the business activities of the Company comply with the requirements of national laws, administrative regulations and national economic policies. Business activities shall not exceed the business scope provided by the business license; (2) should be fair to all shareholders; (3) in a timely manner to understand the status of the company's business operation and management; (4) should regularly report to the company sign the written confirmation opinions. Ensure that the information disclosed by the company are true, accurate and complete; (5) shall truthfully provide relevant information and data to the board of supervisors, (6) other duties of care prescribed by laws, administrative regulations, departmental rules and the Articles of Association. Article 81 of the revised Listed Company Governance Code stipulates: Securities companies, law firms, accounting firms and other intermediary agencies shall pay close attention to the governance of listed companies and promote the formation of good governance practices when providing professional services such as sponsorship and underwriting, financial advisory, legal and audit services to listed companies. According to the above legal provisions and the behaviors of CSRC in the specific practice, it can be found that China mainly follows the standard of duty of care under the strict principle. This standard is an objective standard. Lawyers' diligence and responsibility does not depend on their subjective psychology, their division of labor in the process of work, nor on their experience. As long as lawyers violate their duties of diligence and responsibility, they will bear the corresponding administrative punishment. Diligence obligations under the principle of strict liability standard is also a professional standard of special duty of care, the inevitable requirement securities lawyers in an initial public offering to provide legal services for the company, for the legal professional knowledge, to perform the duty of special experts note for other items to fulfill the general duty of care. However, these principles do not completely solve how to determine the standards of the obligation of diligence and responsibility of securities lawyers. In case law countries, they determine the duty standard of diligence and conscientiousness according to case law, while in China, few courts make decisions that law firms bear civil liability, so the administrative penalty decision written by CSRC is particularly important. The administrative punishment of CSRC is equivalent to the case law issued by the country, which has a high reference significance and value, and is also a supplement to the imperfect place of China's current law. Therefore, this puts forward higher standards and requirements for the administrative punishment of CSRC. The following to:

2.1. Problems in the Attribution Logic of CSRC

In the "Xintai Electric case", the logical starting point of CSRC's punishment is that as long as the listed company has false records, it constitutes "failure to perform the duty of diligence", which is "exactly the same" as the administrative punishment made by CSRC in recent years.

But in fact the CSRC in listed law due diligence work defects of very general, lawyer cannot clarify the legal opinions issued by a causal link between work defects, for example, in 2016 the bank of China law of the case, the SFC think Beijing's bank of China law provide professional legal services for vibration lunt is produced, in violation of the relevant provisions, Neither complete working papers were kept nor verification plans were made prior to verification. Obviously, this does not prove that there is a causal link between the false record in the legal opinion issued by the lawyer and the work defects and that the lawyer failed to fulfill the duty of diligence and responsibility, thus violating the provisions of article 20, Paragraph 2 and Article 173 of the Securities Law. Article 20: The issuer to the securities regulatory authority under the State Council or the departments authorized by the State Council submitted to the securities issuance application documents, must be true, accurate and complete. Issue the relevant documents for securities issuance of securities service institutions and personnel, must be strictly legal responsibilities, ensure the documents issued by the authenticity, accuracy and completeness. The 173th regulation: Securities service agencies shall be diligent and responsible in preparing and issuing audit reports, asset appraisal reports, financial consultant reports, credit rating reports, legal opinions and other documents for securities business activities such as issuance, listing and trading of securities. On the basis of documents the truthfulness, accuracy and completeness of the contents of verification and validation. Its production, file has issued false records, misleading statements or major omissions, losses to others, shall be jointly and severally liability to pay compensation and issuers, listed companies, but there is no fault to prove himself.

Except for Article 223 of the Securities Law, CSRC has not cited any law other than article 223 of the Securities Law as the basis for administrative punishment. This kind of practice of the securities and Futures Commission obviously exists unreasonable place. On the one hand, if the CSRC want to summarize the list of work in a law firm, then it should use the third paragraph of article 226 and article 225 of the securities law, on the contrary, if the CSRC want to specifically describe work flaws in a law firm, in order to determine whether a law firm obligation to carry out their duties diligently, so it should be detailed as possible defects of the specific circumstances, And based on the securities Act section 223. But the obligation of which the law to carry out their duties diligently and insufficient according to law, due diligence refers to the law firm to meet the needs of customers, without violating the law and relevant laws and regulations under the premise of provide for the customer survey and verification of legal facts, and to analyze and judge the results of investigation and verification and other professional legal service.

2.2. The Court's Misunderstanding of the Boundary of Responsibility of Cross-reference in Due Diligence

In the Xintai Electric case, the court required the law firm to bear the burden of proof to prove that it was free from misleading statements, false records and material omissions, so it was obligated to be diligent and responsible. It can be seen that the court in this case did not distinguish between the special duty of care and the general duty of care, and did not provide useful reference for how lawyers fulfill the general duty of care in the audit report of accountants. In addition, the court, like the CSRC, only listed various inspection measures that the lawyers did not take. For example, no special inspection plan was formulated, the interview records were not signed by the lawyers handling the case, and the working papers were not stamped by the law firm. The court's logic amounts to: Now that something has happened, the burden of proof is on you to prove that you did everything you could. This standard should be used to answer whether professionals are diligent and responsible in their professional matters, since they have a say in their professional matters, but to answer whether professionals are diligent and responsible in their non-professional matters, the responsibility is obviously high.

According to Article 6 of The Practice Rules of Securities Legal Business of Law Firms (Trial), securities lawyers need to make a judgment on whether the business they engage in falls within the scope of the legal profession and whether they need to perform the professional duty of care. If so, lawyers should make a plan and implement it. At the same time, lawyers can trust the work of professionals in other fields. In other words, unless the lawyer found the auditing reports issued by certified public accountants in violation of the laws, regulations, or irrational, and lawyers can carry on the inspection through due diligence, lawyers will have reason to believe that the financial results of the auditing reports issued by certified public accountants, and the conclusion as legal opinions issued by reference. Therefore, we believe that lawyers should perform the duty of care of experts for the issues related to law in the process of providing legal services. In addition, they should perform the general duty of care. Accountants need to perform the duty of care of experts for their financial reports, audit reports and other financial data. In addition, they need to perform the general duty of care. Allowing non-professionals to trust the opinions of professionals does not mean exempting non-professionals from their responsibilities, but in IPO practice, it can not only improve efficiency, but also help refine the division of labor in society and improve the professional level of professionals. However, the general duty of care should also be analyzed and judged on a case-by-case basis. The special duty of care should be proved by the lawyer himself, while the general duty of care should set a specific judgment standard, and the lawyer can be exempted from the liability if he meets the judgment standard. In conclusion, lawyers should judge whether there are obvious flaws or gaps in the work reports of professionals in other fields, and can reasonably trust the work reports if there are none. At the same time, the CSRC should specifically point out the existing problems when making administrative punishment. If the lawyer can find the obvious flaws and loopholes as long as he pays a little attention, but the lawyer does not find them, then the lawyer can be determined to bear the responsibility. Only in this way can we avoid the CSRC's supervision of the securities market becoming a mere formality.

3. Third, The Experience of American Securities Lawyers' Duty of Care Determination Rules

3.1. The Constitution of Duty and the Barcharis Judgment

Escott v. Barchris Construction, Inc., United States District Court, New York, United States, China University of Political Science and Law Press, 2003, p. 469. As an authoritative judgment, the case clearly illustrates the applicable scope of scrupulous duty and reasonable investigation. The registration documents of the construction company contain many false statements, among which the most serious false statement is that the registration documents do not indicate that the profits of the company's customers are becoming less and less, and do not indicate that the issuer's foreclosure of the leased property will inevitably damage the company's financial situation. In addition, there were exaggerations in the company's fiscal 1960 comparison with the previous year, and omissions in the company's loans to managers. In the process of the trial, the plaintiff and the defendant were treated differently by the judge, and they were required to different degrees of responsibility. The court's decision clearly requires that the signatory of the document, or the principal responsible person for signing the registration document, must apply the highest standard of care, and that the court also applies the highest standard of care to those with legal and accounting professional backgrounds who sign the registration document. This regulation, which is based on the level of professional knowledge, applies to the "careful man" standard regardless of the level of professional knowledge. "a reasonable standard shall be what a prudent person requires in the management of his own property." 15§ 77K (c), NOTES to the United States Code. In addition to determining the standard of duty of care, the Court in this case carefully examined the duty of reliance experts and noted that

securities lawyers, as professionals in securities law, The issues described in the registration document need to be reviewed, and the signatories to the registration document cannot trust the experts because the securities lawyer did the browsing. The court held that only the financial data produced by the accountants were the most specialized materials in the registration documents and prospectuses. Therefore, registration data should not become professional data just because a lawyer, accountant or other professional examines it. In *Re Flight Transportation Corporation Securities Litigation*, 593F, Supp.612, 616(Minnesota DISTRICT Court, 1984)(based on *Escott v. Barchris*). See *Draney v. Wilson. Morton, Assaf& McElligott*, [Another important decision in this case was that section 11 (a) of the SECURITIES Act states that neither lawyers nor accountants are immune from reliance on experts and must conduct their own independent and dedicated investigations. The court held that the requirement for trust in experts could be derived from the general criteria for criminal cases. On the one hand, when the party shows full trust in the expert, it needs to elaborate on the facts it knows; on the other hand, the party needs to maintain reasonable good faith with the expert's opinions, and the party can be exempted from the reasonable investigation and the obligation to fulfill their duties for the professional part.

The most controversial issue in the case was the holding by the court of a recent law graduate lawyer who had worked first as an assistant secretary, then as a company secretary, and later as a member of the board of directors. The court held that as a company, an assistant secretary, he is not the main management personnel, but as long as is a member of the management will have the opportunity to get inside information, and he examined the legitimacy of the contract, and puts forward some clauses in the contract on the issuer cannot execute, the court said the lawyer don't know, mistakes exist in the prospectus, However, he has the ability and expertise to investigate whether there are errors and veracity in the care instructions. The court therefore ruled that the lawyer could not be excused for failing to travel because he had failed to investigate. The obvious lesson from this is that since lawyers are providing professional legal services to their clients, they need to examine any documents carefully. Due to section 11 (a) (2) to make all of the directors have to bear the responsibility, as a director of the lawyer even if not signed registration documents should also be responsible, that is to say, unless the lawyer I am a manager, or director, or registration documents signed, or is an expert in section 11 sense, help prepare registration documents of the lawyer is not responsible for 11 period.

3.2. Defense of Fulfillment of Duty

Section 11 (b) (3), the most frequently cited defense, provides that any person other than the issuer may not be liable for a document that was not completed by a professional if he or she has reason to believe, through investigation, that the authenticity of the registration document is true and that there is no omission of material matters. The same is true for professionals and parties who rely on expert reports. In addition, even if the registration documents do not directly or completely cite the expert opinion, and indirect expression of expert opinion, can also be exempt from liability. Finally, no liability shall be assumed by any person who has reason to believe that the registration documents are genuine if they are used for public distribution or as copies and abstracts. Section 11 specifies standards of care, such as those applied by a conscientious person in life, for example, in the management and disposal of his property. Zhou Jing: be conscientious in our sponsors due diligence investigation of shallow of the judgment standard - to the securities and futures commission sponsor regulation as an example, the graduate school of Chinese Academy of Social Sciences, a master's degree thesis, 2012, the first page. issuers to strict responsibility, from the perspective of the degree of caution, need a man did with their own things to perform its obligations fulfill their duties.

3.3. Differences in the Root Causes of Lawyers' Positioning

In the United States, the root cause of the disagreement is whether lawyers' responsibilities to investors and regulators are public or private. Is a lawyer responsible for the public interest or for the personal interest? The United States pursues personal interests first. When lawyers promote and protect the interests of clients on the whole, they will better realize the interests of society. See Evan A. Davis, *Regulating The Lawyer: Past Efforts and Future Possibilities*: In fact, whether to protect The public interest or to protect The private interest, it runs counter to The essential nature of securities lawyers. Securities industry is a kind of tertiary industry service industry. Securities lawyers provide professional securities legal services for clients with their professional knowledge accumulated for many years. If lawyers abandon their personal interests in the service of public investors and put social responsibility first, it is the equivalent of a goalkeeper in a football match, which clearly conflicts with its own values. There is little need for lawyers to exist on their own if they are one of the market participants, working for government regulators. In the choice between the public and private roles of securities lawyers, the system construction should be based on the positioning of lawyers, if lawyers in the process of providing securities services in violation of the rules of behavior and damage to the public interests and market order, should be punished, so that securities lawyers can balance the choice between public and private.

Chinese securities lawyers do not have as much pressure from clients, securities regulators and public investors as American securities lawyers do. China Securities Regulatory Commission has various requirements and regulations for securities lawyers. Legal profession in China under the background of the lack of industry qualifications, the pressure on securities lawyers come mainly from China Securities Regulatory Commission (CSRC), the development path with the United States is the opposite, so its role of securities law in our country at present there are strong administrative color, the urgent task is to go back to the agent for securities lawyers in China at the present stage, the role of It is important for lawyers to be independent of political government agencies. Of the China Securities Regulatory Commission "practice rules of securities legal business law firm (try out)", the emphasis is on refinement of lawyer inspection method, however, in the process of combined with the practice of the theory, not the lawyer wanted to check what information for the record, can also not the lawyer wanted to audit to audit, "xin tai electric" case is a typical example. China has always taken the United States as an object of study and should also learn from the experience of the standard of duty of care of securities lawyers in the United States.

4. Suggestions on Perfecting the Standard of Diligence and Responsibility of Securities Lawyers in China

4.1. Properly Adjust the Power Structure of the CSRC

The registration system does not mean that the powerful China Securities Regulatory Commission (CSRC) should let go of its invisible hand in regulating the market. It means we need a stronger and more powerful China Securities Regulatory Commission. In order to cooperate with the implementation of the registration system, CSRC should properly adjust its power structure, take measures to further highlight its power, and break its outdated image as an administrative licensing agency. Strengthen the CSRC's supervision and punishment of securities market behaviors, the right of control and quasi-judicial power to dispose of acts violating the law, simplify the procedures of prior examination and approval, and strengthen the punishment after the event, so as to make administrative law enforcement more fair, compliant and efficient.

4.2. Plan the Allocation of Responsibilities of Securities Lawyers

In the future era of registration, more accountability opportunities should be left to investors to decide whether to strengthen the enforcement of criminal or administrative accountability systems. That is to say, the implementation of the current laws in China presents a phenomenon of emphasizing administration and supervision, and light on justice and litigation, which is very unfavorable to the development of the registration system. We should change this phenomenon and vigorously develop the civil litigation system in the field of securities. In addition to this, the future legal system should also reshape the image and role of lawyers, clarify the position of lawyers in securities issuance and transaction, and better adjust the relationship among lawyers' rights, interests and responsibilities. Cheng Jinhua, Ye Qiao, "A Study on Administrative Punishment of Securities Lawyers in China -- With Diligence and Responsibility as the Core", *Securities Law Court*, 2017, 5, p.

4.3. Improve Administrative Penalties for Securities Lawyers

At present, China should put the issue of how to optimize the administrative penalty of securities lawyers in an important position. First of all, it should be clear what standards should be applied to judge lawyers' diligence and responsibility. Secondly, in the future administrative punishment, the concept and connotation of the general duty of care for ordinary people and the special duty of care for experts should be clarified so as to fully protect the legal rights and interests of lawyers. Of course, if the CSRC fails to define the standards of diligence and responsibility for various reasons, the judicial organs can play a complementary role in establishing more acceptable and operable rules in similar administrative litigation cases. Third, CSRC will often punish lawyers for issuing false legal opinions or failing to fulfill the duty of professional care. In this case, CSRC should not only outline the flaws in working procedures, but also explain what kind of faults exist in the behaviors of securities lawyers. And what is the causal relationship between the fault and the lawyer's act of issuing the legal opinion in question.

5. Conclusion

The standard of determining the obligations of the securities lawyers is of great significance to both the CSRC and the lawyers. On the one hand, for China Securities Regulatory Commission, a clear standard of diligence and responsibility is conducive to social division of labor, the establishment of a sound stock market order, and the protection of investors' legitimate interests. This is inseparable from the correct understanding of the role of lawyers by securities regulators and judicial judges. Every administrative penalty made by CSRC is a case of reference significance and value. For sure, from the perspective of law, on the other hand, the lawyer as securities legal services provider, to know their identity is duality, insist on the principle of real, objective and comprehensive and independence, reminding himself shall have the obligation to carry out their duties diligently and keep on learning professional knowledge, self-motivated, don't forget to beginner's mind, the party must always. Under the background of strict supervision, how to prevent and control risks and how to protect themselves has become a major issue directly related to the survival and development of lawyers. The objective environment can only strive for our country to introduce better and more perfect laws and policies, but the subjective aspect must be paid attention to, only stay true to the original aspiration, cautious, so as to go further.

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- [3] Lihang Geng, "Law Transplantation and Regulation: The Role of Lawyers in the Securities Market", doctoral dissertation, China University of Political Science and Law, 2004, p. 151.
- [4] Article 98 of the Guidelines on the Articles of Association of Listed Companies stipulates that directors shall abide by the laws, administrative regulations and the articles of Association and bear the following duties of care to the company: (1) The company shall exercise the rights granted by the Company with care, seriousness and diligence to ensure that the company's commercial activities comply with the requirements of national laws, administrative regulations and national economic policies and that its commercial activities do not exceed the business scope stipulated in the business license; (2) It shall treat all shareholders fairly; (3) To keep abreast of the company's business operation and management; (4) Written confirmation opinions shall be signed on the company's periodic report. Ensure that the information disclosed by the company is true, accurate and complete; (5) The relevant information and materials shall be truthfully provided to the board of supervisors and shall not hinder the board of supervisors or the supervisors from exercising their functions and powers; (6) other duties of care prescribed by laws, administrative regulations, departmental rules and the articles of Association. Article 81 of the newly revised "Governance Code for Listed Companies" stipulates that securities companies, law firms, accounting firms and other intermediaries shall actively pay attention to the governance of listed companies to promote the formation of good governance practices when providing professional services such as sponsorship and underwriting, financial advisory, legal and audit services to listed companies. Listed companies choose the intermediary agencies that provide services for them prudently, and pay attention to the honesty, trustworthiness, diligence and responsibility of the intermediary agencies.
- [5] Article 20: The securities issue application documents submitted by an issuer to the securities regulatory body under The State Council or the department authorized by The State Council must be true, accurate and complete. Securities service agencies and personnel that issue relevant documents for securities issuance must strictly perform their statutory duties and ensure the authenticity, accuracy and completeness of the documents issued by them. The 173th regulation: the securities service organs for securities issuance, listing, trading and other securities business activities, issue the audit report, assets assessment, financial consultancy reports, credit rating reports or legal opinions and other documents, shall be diligent and responsible, and on the basis of documents the truthfulness, accuracy and completeness of the contents of verification and validation. If the documents produced or issued by them contain false records, misleading statements or major omissions, thus causing losses to others, they shall assume joint and several liability for compensation with the issuer and the listed company, unless they can prove that they are not at fault.
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