

# Research on the Reform of Authorized Capital System in Chinese Stock Companies: Against the Background of the Implementation of the New Company Law

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**Abstract:** *With the rapid development of the Chinese economy and the continuous improvement of the market economy system, joint-stock companies, as an important form of economic organization, have gradually become the main force of economic development. In order to adapt to the new development trend, China has successively introduced a series of laws and regulations, attempting to reform and improve the authorized capital system, enhance corporate governance, protect investor rights, and promote the healthy development of the market economy. This article analyzes the current situation and problems of the statutory capital system of Chinese joint-stock companies, and based on this, analyzes the reform effects of the new Company Law on the authorized capital system of joint-stock companies. It also explores the transformation path of the authorized capital system of Chinese joint-stock companies after the implementation of the new Company Law, providing reference opinions for the development of joint-stock companies and the optimization of the efficiency of capital system reform.*

**Keywords:** Joint stock companies; Authorized capital system; statutory capital system.

## 1. INTRODUCTION

There is a mismatch between authorized capital and actual capital in the statutory capital system of Chinese joint-stock companies. Under the traditional legal capital system of joint-stock companies, the authorized capital limit is usually set high, but the actual raised capital is often much lower than the authorized capital limit, resulting in excessive authorized capital, imbalanced capital structure, low resource allocation efficiency, and even the possibility of excessive idle capital, which affects the company's operating efficiency and market competitiveness. In addition, due to the flexibility and opacity of the authorized capital system, companies may use authorized capital to expand their share capital, weaken shareholder rights and interests, and even engage in behaviors that harm shareholder interests, leading to a loss of investor confidence and infringement of shareholder rights and interests, seriously affecting the long-term healthy development of joint-stock companies. Overall, in practice, there are situations where the exercise of authorized capital is opaque and not publicly disclosed, and relevant regulatory measures and institutional construction are relatively lagging behind. Regulatory authorities have inadequate supervision and management of the exercise of authorized capital, resulting in asymmetric market information and frequent regulatory loopholes, which seriously damage fair market competition and the protection of the legitimate rights and interests of investors [2-4].

## 2. THE CURRENT SITUATION AND PROBLEMS OF THE STATUTORY CAPITAL SYSTEM OF CHINESE STOCK COMPANIES

The statutory capital system refers to the capital system in which the registered capital determined by the company's articles of association must be higher than or equal to the statutory minimum capital standard. Prior to the establishment of the company, the shareholders must subscribe in full in one lump sum, and the shareholders can pay in full in one lump sum, or complete the initial payment in accordance with the time limit and proportion prescribed by law, so that the company can meet the statutory conditions and be established. The legal capital system can be divided into strict legal capital system and reformed legal capital system, and its standard is whether to allow the installment payment of company capital.

Firstly, the legal capital system is based on the concept of capital credit, and legislation can only provide abstract registered capital. However, the actual income and loss situation of a company in operation is beyond the power of the law. There is a disconnect between registered capital and total assets and net assets. Secondly, the statutory

capital excessively protects the interests of creditors. Due to excessive caution and strict issuance rules, the company bears huge institutional costs, making it difficult to adapt to business needs during the capital increase stage. Strict capital increase procedures are not related to protecting the interests of creditors, and increase the risk of the company losing trading opportunities as a result. Thirdly, from the perspective of fundraising, for a joint-stock company, a one-time issuance and full fundraising poses a severe challenge to its establishment, and this stage requires convening a shareholder meeting resolution, which is costly in time and tedious in procedures.

### **3. THE REFORM OF THE AUTHORIZED CAPITAL SYSTEM FOR STOCK COMPANIES IN THE NEW COMPANY LAW**

The implementation of the new Company Law has brought profound reforms to the authorized capital system of Chinese joint-stock companies. Secondly, the new Company Law strengthens the protection of shareholder rights and obligations in company decision-making, strengthens shareholder supervision and participation, and effectively prevents behaviors that may harm shareholder interests in the exercise of authorized capital. In addition, the new Company Law also stipulates the procedures and conditions for the exercise of authorized capital, requiring companies to go through strict procedures and procedures when deciding to exercise authorized capital, ensuring the legality and impartiality of the exercise of authorized capital. Overall, the reform of the authorized capital system for joint-stock companies under the new Company Law is mainly reflected in defining the scope and duration of authorized capital, strengthening the protection of shareholder rights and interests, and standardizing the procedures for exercising authorized capital. This provides important legal basis and policy support for the healthy development of the authorized capital system for joint-stock companies.

### **4. THE REFORM PATH OF CHINA'S AUTHORIZED CAPITAL SYSTEM FOR STOCK COMPANIES AFTER THE IMPLEMENTATION OF THE NEW COMPANY LAW**

#### **4.1 Legislative Intention and Institutional Design**

The legislative intent and institutional design of the new Company Law have laid a solid foundation for the transformation path of China's authorized capital system for joint-stock companies, providing important guarantees for promoting the healthy development of joint-stock companies and the stable operation of the market economy. Specifically, the legislative intent of the new Company Law reflects the urgent need for reform and improvement of the authorized capital system for joint-stock companies. Legislators aim to clarify the scope and deadline of authorized capital, standardize the procedures and conditions for exercising authorized capital, strengthen the protection of shareholder rights, promote the healthy development of corporate governance structure, and improve market competitiveness and transparency.

On the one hand, the institutional design of the new Company Law focuses on solving the problems of the statutory capital system of joint-stock companies, and emphasizes balancing the flexibility of company operations with the protection of shareholder rights and interests; On the other hand, the new Company Law stipulates the procedures and conditions for shareholders to exercise their rights, strengthens supervision and participation of shareholders, and prevents behaviors that may harm the interests of shareholders in the exercise of authorized capital. The new Company Law also standardizes the decision-making process for authorized capital exercise, strengthens the decision-making and responsibility of the board of directors, and improves the efficiency and transparency of corporate governance.

#### **4.2 Promotion of relevant regulatory policies**

The implementation of the new Company Law has brought important driving force to the transformation path of China's authorized capital system for joint-stock companies. Regulatory authorities have effectively promoted the standardization and healthy development of the authorized capital system for joint-stock companies by issuing supporting policies, strengthening law enforcement supervision and evaluation, and making positive contributions to protecting shareholder rights, maintaining market order, and promoting economic development.

Firstly, after the implementation of the new Company Law, regulatory authorities have actively introduced a series of supporting regulatory policies to strengthen the supervision and management of the authorized capital system of joint-stock companies. The relevant policies include standardizing the detailed rules for the exercise of

authorized capital, clarifying the responsibilities and obligations of the board of directors, strengthening information disclosure and transparency, etc., providing strong support for the healthy development of the authorized capital system of joint-stock companies. Secondly, regulatory authorities have also strengthened supervision and evaluation of the governance structure of joint-stock companies, promoted the establishment of sound internal governance mechanisms, and improved the level of corporate governance and market confidence.

### 4.3 Optimization of internal governance structure of joint-stock companies

The implementation of the new Company Law has injected new impetus into the transformation path of China's authorized capital system, promoting the optimization of the internal governance structure of joint-stock companies. By strengthening the rights and responsibilities of the board of directors and shareholders' meeting, strengthening supervision and management of the senior management, the efficiency and level of internal governance of the company have been improved, providing strong guarantees for safeguarding shareholder rights, promoting healthy development of the company, and stable operation of the market economy.

On the one hand, the new Company Law requires joint-stock companies to establish a sound internal governance mechanism, emphasizing the role and responsibility of the board of directors. As the decision-making body of the company, the board of directors should play a core role in the exercise of authorized capital, ensuring the legality, fairness, and transparency of the exercise of authorized capital. On the other hand, the new Company Law stipulates the qualifications and appointment methods of members of the board of directors, strengthens the independence and professionalism of the board of directors, and improves the efficiency and level of corporate governance. The new Company Law also stipulates the rights and obligations of shareholders' meetings, strengthens the supervision and participation of shareholders in the company, and promotes the democratization and legalization of corporate governance structure. Furthermore, the new Company Law has strengthened the supervision and management of the company's senior management, stipulated the responsibilities and obligations of the senior management, strengthened the accountability mechanism of the senior management, and improved the standardization and transparency of the company's internal management [10-11].

## 5. CONCLUSION

In summary, the implementation of the new Company Law has brought significant progress to the reform of China's authorized capital system for joint-stock companies. Through measures such as adjusting the provisions on authorized capital, strengthening the protection of shareholder rights and interests, and optimizing the internal governance structure of joint-stock companies, the new Company Law provides legal protection and institutional support for the healthy development of the authorized capital system for joint-stock companies. The promotion of regulatory policies is also strengthening the supervision and management of authorized capital exercise by regulatory authorities, promoting the legality and fairness of authorized capital exercise. In the context of the new Company Law, the legislative intent and institutional design have clarified the principles and requirements for regulating the exercise of authorized capital. The promotion of relevant regulatory policies has strengthened the supervision and management of the exercise of authorized capital. The optimization of the internal governance structure of joint-stock companies has improved the efficiency and level of corporate governance. In summary, the implementation of the new Company Law has provided important legal basis and policy support for the reform of China's authorized capital system for joint-stock companies, and has made positive contributions to promoting the healthy development of joint-stock companies and the stable operation of the market economy.

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