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Srovnání Šangajské burzy s burzou v Tokiu
Comparison of Tokyo and Shanghai Stock Exchanges

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The declaration

“I hereby declare that I have elaborated the entire thesis including annexes myself. I have supplemented the provided annexes No.1-8 myself.”

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1 INTRODUCTION

“Financial markets are the places where financial instruments are bought and sold. They are the economy’s central nervous system, relaying and reacting to information quickly, allocating resources, and determining prices.” (Madura, 2011, p3) In financial markets the funds are transferred from the hands of those who have spare money to those who have the shortage of funds. The stock market and other financial markets transfer funds from people who are not productive to better productive use, thus increasing the efficiency of the whole economy.

With the progress of time, rapid economic development, more and more stock exchanges is appearing. And when we talk about stock exchanges, Tokyo Stock Exchange is one of the most authoritative and famous in the world and particularly in Asia. According to the present economic situation, China is a country with great potential, so it is necessary to analyze Chinese stock exchanges, especially Shanghai Stock Exchange which is an important stock exchange influencing the whole Chinese economic system.

This objective of this thesis is to make reader have a comprehensive understanding of the Shanghai Stock Exchange and Tokyo Stock Exchange. In the second part of the thesis principles of the financial market and functions of stock exchange are introduced; and in the following third part is comparison of development of Shanghai and Tokyo Stock Exchanges. The last part which is also the most important part of the thesis is comparison of the number of listed corporation, the trading values, stocks traded and the stock index of these two stock exchanges. Overall the thesis will describe and explain the functioning of these two stock exchanges.

2 PRINCIPLE OF STOCK EXCHANGE TRADING

This article talks about the Shanghai and Tokyo Stock Exchanges, and before we discuss them, we need know what the financial markets is, and what the stock exchange is, and the principles of them, than we can understand what the Shanghai and Tokyo Stock Exchange are easier.

2.1 Financial Markets

The financial markets are sometimes used for what are more strictly exchanges, organizations that *boost the financial trade*, e.g., a commodity exchange or stock exchange (Mishkin, 2010). This may be an *electronic system* (like NASDAQ) or a *physical location* (like the NYSE, LSE, and PSE). Much stocks trading takes place on an exchange. So we comprehend the financial markets firstly, if we want to understand the stock exchange.

Definition of the Financial Market

The financial markets are a market where people can trade of assets such as equities, bonds, currencies and derivatives, and other fungible items of value with *low transaction costs* and at prices of *supply and demand* (Mishkin, 2010).

The financial markets are a *broad term* describing any marketplace in which buyers and sellers take part in the trade of assets such as financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand. It is the typically defined of financial markets that having transparent pricing, basic trading regulations, costs and fees and market forces determining the prices of securities.

The Operating Mechanism of the Financial Markets

Movement of funds in the financial markets with certain regularity, due to the need of funds transfers of *surplus* and *deficiency*, and funds are always from the surplus units to deficit units. The movement of funds in financial markets origin to supply and demand of social capital, the formation of the basic financial instruments and monetary resources, and it's formed by the bank purchased an enterprise IOU¹ and loans to the enterprise. Banks and other financial institutions as *intermediaries*,

¹ An IOU is a written promise that you will pay back some money that you have borrowed.

sellers and buyers concentrate in there, and the depositors are debtor, the borrowers are creditors, therefore, it's the indirect finance. After banks created a large number of derivative deposits, it establishes the preconditions for the creation and distribution of other credit instruments (Mishkin, 2010).

When the emergence of a variety of financial instruments, the form of a variety of investment and financing, the circulation tract of financial instruments becomes perplexing, which can be as many as vehicle currency as the currency movement of funds, trading capital is not just once, the financial market has formed a relatively independence market. Financial instruments will be separated from the initial trading places with repeated movement, this movement mostly achieved by means of multiple circulations of the direct financing instruments, such as stocks and bonds. In direct finance, borrowers sell securities directly to lenders in the financial markets, without the help of intermediaries, or they just need the intermediaries make a match. In addition, the financial instruments are issued with the help of intermediaries, which form the financial circulation market, and reflected in the circulation of the check, draft and promissory note and the circulation of *loan securitization*. Thus, in the financial markets, the seller of the financial instruments can be converted into a purchaser, and the purchaser of the financial instruments can be converted into a seller. Coupled with the new trading partners continue to emerge, and promote the transfer of financial instruments, at the same time, the corresponding reverse flow of funds, so that the financial markets become complicated.

About the range of the financial markets, some people think that only the financial transactions and financing which are out of the bank, excluding the financial activities in the bank. In fact, after the bank to the market, the bank promotes financial products to trade, the same as a commodity trading, even in the past planned economy era, the financial transaction is only a planned commodity transaction. Thus, it is clearly inappropriate to exclude the bank that is a large chunk of money transactions from the financial markets. We can say that the financial markets are the sum of all types of financial institutions, financial activities promoted by financial transactions,

which is a macro concept, as long as the trading funds, it's inseparable from financial markets, and it's all encompassing.

Functions of Financial Markets

There are main economic functions of financial markets:

- *Possibility to obtain funds*: deficit units can obtain funds in the financial markets, and it means that they can borrow the money in the financial markets and not only from banks;

- *Motivation function*: financial markets can motivate investors to invest their money through financial markets;

- *Price information*: periodic trading of a security reveals the consensus price which an asset commands on the market. Thus a prospective issuer of new securities knows his costs or at what price level he must set his new bonds or stocks;

- *Liquidity*: liquidity provides the investor with an opportunity to reverse his trade, without the ability to sell financial assets investors would be reluctant to purchase them in the first place;

- *Reduced search and transactions costs*: by providing a place for buyers and sellers to trade, secondary markets, through brokers and dealers, reduce search costs. With large trading quantities and continuous trading, transactions costs may be kept low;

- *Reduction of risk*: investors can invest in a lot of different financial instruments, it means that the possibility to diversify the portfolios;

- *Political function*: financial markets can be influenced by politics and politics can be influenced by financial markets (Frederic, 2010).

2.2 The Stock Exchange

A stock exchange is a market for trading stocks, corporate bonds, bonds, and other securities. The securities are traded between the lender and the borrower by the securities broker (Madura, 2011).

The first stock exchange was *established* in 1613 in Holland, Amsterdam stock exchange². Modern exchanges, such as the NASDAQ Stock Exchange, the New York stock exchange and the London Stock Exchange, are operating in various countries of the securities and exchange. The emergence of the stock exchange created a *permanent market* for the sale of securities, to become a long-term investment in order to achieve *monetary capital institutions*, and it is often referred to as the *long-term* financial market.

The Stock Exchange is a *tangible* place where can trade securities centralized, and it is based on the relevant state laws, and approved by the authorities in charge of government.

Such markets were originally open to all, but at present only members of the owning association may buy and sell directly. Each exchange set its *own requirements* for membership. Members, or stock brokers, buy and sell for themselves or for others, charging commissions for their services. Any member of the organized exchange can act both as a seller and a buyer. A stock and bond may be bought or sold only if it is *listed* on an exchange, and it may not be listed unless it meets certain requirements set by the exchange's board of governors.

As can be seen from the practice of the stock trading, the stock exchange will help ensure the continuity of operation of the market, achieving the *efficient allocation of funds*, forming reasonable price, reducing the risk of securities investment, connecting the long-term interest rate with the short-term interest rate of the bond market.

2.2.1 Obligation of the Stock Exchange

- The stock exchange should provide protection for the fair *centralized trading* of the organization, the *announcement* of the stock exchange instant quotation, and make the stock market quotation table according to the trading day, and shall be *published*. No unit or individual may issue quotations of securities trading without the permission of the stock exchange;

² <https://zh.wikipedia.org/wiki/%E8%AF%81%E5%88%B8%E4%BA%A4%E6%98%93%E6%89%80>

- The stock exchanges have the *right* in accordance with the law, administrative regulations and the securities regulatory authority of the State Council, for stocks, corporate bonds listed on the suspension or terminate the listing of the transaction;

- When an emergency affects normal trading of securities, the stock exchange can take the measures of the *suspension*; because of sudden events of force majeure or to maintain the normal order of securities trading, the stock exchange can decide to *temporarily halt*. Whatever the stock exchange takes a technical suspension of trading or decide to temporarily halt, they must promptly report to the State Council securities regulatory authority;

- The stock exchange should carry out *real-time monitoring* of securities trading and securities supervision and administration institution in accordance with the requirements of the State Council, report to the abnormal transactions. The stock exchange should supervise the relevant information which revealed by the listing corporation and the disclosure supervision of the relevant information, supervising the timely, accurate disclosure of information. The stock exchange according to need, they can trade restrictions on the securities account of any major abnormal transactions, and report to the securities regulatory authority under the State Council for the record;

- The stock exchange should from the transaction cost, membership fees and the seat fees to extract a certain percentage of the fees to set up the *risk funds*. The risk funds are *managed by the Council of the stock exchange*. The stock exchange should deposit the risk funds into a special account in the bank, and it can't be unauthorized use.³

2.2.2 Types of the Stock Exchange

The stock exchange is divided into two types – *the company system* and *the membership system*⁴. These two kinds of the stock exchange can be operated by government or public bodies, which are known to the public of stock exchange. And it

³ <http://baike.so.com/doc/27772-28940.html>

⁴ <http://baike.so.com/doc/27772-28940.html>

can be privately funded operation yet (known as private stock exchange), it can also be operated by government and private bodies, which is called the public-private partnership stock exchange.

2.2.3 Functions of the Stock Exchange

- *It provides place to exchange.* Because of existence of the market, sellers and purchasers have places to concentrate securities trading, and the stockholders can transfer the stocks to cash, ensure the circulation of the securities continues;

- *The formation and announcement of the price.* The securities trading in the stock exchange form a variety of securities prices, because the trading of securities is centralized, open to the public. Bilateral bidding by the deal, the price is fair and reasonable approximation on the theoretical level, the price in a timely manner to the public, and it is used as an important basis for economic activities of all kinds;

- *Concentrate and invest all kinds of social capital.* With the increasing of the stock exchange, the number of transactions is increasing, and it can be attract widely funds to the investment in the stock market, to provide the necessary funds for the development of enterprises;

- *Guide the rational flow of investment.* The stock exchange for the free flow of funds provides a convenient, and through the daily market and the information of the listing corporation to reflect the profitability and development of the issuing house. The social capital flows to the most needed and favorable direction;

- *Draw up the trading rules.* Nothing can be accomplished without norms or standards, fair trading rules in order to reach fair trading results;

- *Maintain the transaction order.* Any trading rules are not very perfect, and the trading rules cannot be effectively implemented, therefore, it is a core function of the stock exchange that supervising all kinds of violation of the principle of fairness and trading rules, with the fair and orderly manner;

- *Provide transaction information.* Securities trading rely on the information, including the information of the listing corporation and the information of the securities trading;

- *Reduce transaction costs, and improve liquidity of the stock.* If there is no formal economic organization or organized securities market, investors must contact each other to determine the trading price and number of transactions, in order to complete the securities trading. Such transactions as the need for the transaction object, and due to the existence of asymmetric information, transaction defaults and other factors will increase transaction costs, reduce the transaction speed. Therefore, the centralized trading market exists to increase trading opportunities, improve the speed of transactions, reduce information asymmetry, credit enhancement, which can effectively reduce transaction costs.⁵

2.2.4 The Important Subjects of the Securities Market

The securities market has a very important position in the financial market, and it is the important part of the modern financial system. Looking for the function of the financial market, the securities market through the credit securities way of financing, through the securities trading activities guide liquidity, promote the optimization of the allocation of resources, promote economic growth, and improve economic efficiency. From the perspective of the operation of the financial market, the other components of the financial market system are with the securities market are closely related. If we want to thorough understand the securities, the objective of the work is explain it from institution framework, Securities tax systems, Listed Company, Initial Public Offering (Madura, 2011).

Institutional Framework

The stock exchange sets up a committee meeting, board of directors and special committees (Ingall, 2011).

General meeting as the *highest authority* in the stock exchange, held at least once a year. The main functions and powers of the general meeting: formulation of the articles of association of the stock exchange; election and removal of directors; review, through the board of directors, general mineral manager of the work report; review, through financial budget and final accounts report on a stock exchange; decided other important matters of the stock exchange.

⁵ <http://baike.baidu.com/view/10107.htm>

The board of directors is responsible for the general meeting, and it is the decision-making body of the stock exchange, and each term of 3 years. The responsibilities of the board of directors include: implement the decisions made by the general meeting; protocol and revamp the operational rules of the stock exchange; appointed general manager and according to the general manager nominated for the appointment of the deputy general manager; approval of general of the proposed work plan and financial and final accounts; validation of the acceptance and disposal of the number; according to the need to decide on the setting up of the special committee and so on.

The special committees are listed on the listing committee and the supervisory committee. The listing committee consists of 13 members whose duties are mainly to approve the listing of the shares are to make the listing rules and to make recommendations to amend the listing rules. The supervisory committee consists of 9 members, each term of office 3 years, its main responsibilities are: supervision and observation of directors and general manager and other senior management personnel to perform general meeting, board of directors resolution.

Securities Tax Systems

The stock market is an important part of the *modern capital market*, and it is called the “*barometer*” of the modern economy. The so-called securities are the general term of various tax laws and regulations related to the process of the Securities Act⁶.

Overall, the development of securities tax system performance at the main tax mode, mature period with the income tax as the main tax mode, tax target experienced “giving priority to efficiency, equity, efficiency with due consideration to fairness” adjustment process, specific system design also reflects “simple – complex – simple”. With the pattern of the world economic integration, the formation of economic competition between counties, governments are actively adjust their securities tax policy, to better encourage investment growth, and maintain the stable development of the capital market.

⁶ <http://wiki.mbalib.com/wiki/%E8%AF%81%E5%88%B8%E7%A8%8E%E5%88%B6>

Listed Company

Listed company refers to the *issued shares* after the company limited by shares traded on the stock exchange and approved by the State Council or the department authorized by the securities administration departments. The so-called non listed company is the *Co., Ltd.* that refers to the stock did not appear on the market and no in the stock exchange trading. Listed company is one of the *Co., Ltd.*, this company lists and trades in the stock exchange, in addition to approved, and it must accord with certain conditions.

The listing of shares issued by a Limited by Share Ltd may also be authorized by the securities regulatory authority under the State Council to approve the listing application of the stock exchange in accordance with the legal conditions and legal procedures.

Initial Public Offering

IPO is refers to the enterprise through the stock exchange publicly for the *first time* to investors shares aiming to *rise* for the enterprise development fund (Madura, 2011). Usually, the shares of a listed company are according to the relevant securities will be issued a *prospectus or registration statement* agreed terms through brokers or market makers sales. Generally, once IPO finished, the company can apply to trade on the stock exchange or quotation system.

Corresponding to the first market, most of the public offering of shares by the group's Investment Bank Underwriting and enter the market, banks as a certain discount and to the agreed price sale, and public offering of preparing high cost, private-equity firms can in some extent parts to avoid such charges.

Stock Price Index

*“In the case of financial markets, an index is an imaginary portfolio of securities representing a particular market or a portion of it. Each index has its own calculation methodology and is usually expressed in terms of a change from a base value.”*⁷

⁷ Source: <http://www.investopedia.com/terms/i/index.asp>

The stock price index is the stock exchange or financial services organization that a *reference indicator* changes in the stock market. The stock price is up and down, investors face the risk of market price for the price change *inevitable*. A specific stock investors, easy to understand, and for the price changes of stocks, one by one to understand also, it is not easy. In order to adapt to the situation and needs, some financial services institutions use their business knowledge and familiar with the market advantages, the preparation of a stock price index, released to the public, as the market price changes in the index. Accordingly, investors can test their investments, and to forecast the stock market trend. At the same time, the press, company bosses and political leaders also taking the opportunity of reference index, to observe and predict the social political and economic development situation.

The stock index shows that the stock market changes in the *average price*. Preparation of the stock index, usually with one month in one year as the basis, to the base of the stock price as 100, after the stock price and the price of the base year compared calculated lifting percent than that during the period of the stock index. According to the index movements, investors can judge the trend of changes in the stock price. And in order to real-time stock market investors to reflect trends in, all the stock market almost all in price changes in the immediate publication of the stock price index.

Calculation of the stock index to consider three factors: the first one is *sampling*, namely in many stocks selected minority has representative constituent stocks; the second one is the *weighted*, according to price or value weighted average or un-weighted average; the third is *calculation procedure*, the calculation of arithmetic mean, geometric mean, or both price and gross.

The first column is the national market index of the stock exchange; for example, the line of bold is the situation of the Shanghai A-Share index of the Shanghai Stock Exchange in China. The second column is the “CLOSE” which given the closing price of the index, the closing price of the Shanghai A-Share index was 3143.56. “%Chg” is the percentage if the index change, it’s -15.14% of the Shanghai A-Share

index. “1-mth % chg” shows that the index is the percentage of change compared with the beginning of the month, there is 11.76%.

Table 2.1 International Stock Indexes

(Performance numbers are price returns for the periods ended March 31, 2016)

Index	QUARTERLY					YEAR-TO-DATE				1-mth h % chg
	High	Low	Close	Chg	% Chg	High	Low	Chg	% Chg	
DJIA	17716.6 6	15660.1 8	17685.0 9	260.06	1.49	17716.6 6	15660.1 8	260.06	1.49	7.08
Standard &Poor’s 500 Index	2063.95	1829.08	2059.74	15.80	0.77	2063.95	1829.08	15.80	0.77	6.60
PX 50 (Czech Republic) ⁸	941.07	845.92	899.91	-56.42	-5.90	941.07	845.92	-56.42	-5.90	4.93
FTSE 100 (U.K.)	6203.17	5536.97	6174.90	-67.42	-1.08	6203.17	5536.97	-67.42	-1.08	1.28
Shangha i A Shares (China)	3518.54	2778.98	3143.56	-560.73	-15.1 4	3518.54	2778.98	-560.73	-15.1 4	11.7 6
Shenzhen A Shares (China)	2232.01	1702.8	2000.02	-415.48	-17.2	2232.01	1702.8	-415.48	-17.2	16.4 2
SSE Composit e (China)	3361.84	2655.66	3003.92	-535.27	-15.1 2	3361.84	2655.66	-535.27	-15.1 2	11.7 5
Nikkei 225 (Japan)	18450.9 8	14952.6 1	16758.6 7	-2275.0 4	-11.9 5	18450.9 8	14952.6 1	-2275.0 4	-11.9 5	4.57

Source: The Wall Street Journal, Thursday, March 31, 2016.

⁸ The **PX Index** (until March 2006 the **PX 50**) is a capitalization-weighted index of major stocks that trade on the Prague Stock Exchange.

3 DEVELOPMENTS OF SHANGHAI AND TOKYO STOCK EXCHANGES

Before we learn more about the SSE and TSE, we need know basic knowledge of them. So this chapter we will take about the development of the Shanghai and Tokyo Stock Exchanges, we will understand them form the histories of the SSE and TSE, and institutional framework, law and taxes.

3.1 History of Chinese Stock Exchanges

The first stock exchange in China was founded in Shanghai in 1882, which was called “*Shanghai Buffer Stock Company*”⁹. And at the beginning of the WW I , Chinese founded the first stock exchange that was called “*Beiping Stock Exchange*”, and it was opened in June 1918. In 1978, China implemented the economic system reform, and the stock system began to develop. In July 1984, the first joint stock company was set up – *Beijing bridge Limited by Share Ltd*. The Shanghai stock market was born at the first climax of the China’s reform and opening up. Shanghai stock market was almost at the same time as the issuing market. In December 19, 1990, the Shanghai Stock Exchange was formally established. The stock market in Shanghai had become a national market in 1995. It provided *regulatory guidance* for the development of China’s securities market in the future that the “Securities Law of the people’s Republic of China” was published in December 1998.

3.1.1 Early history

In the second half of the nineteenth century, when the securities market of the major capitalist countries had been formed, China had gradually became a *semi-colonial and semi-feudal society*. At that time, although there had been some joint-stock enterprises in China, most of them were the products of *Westernization movement*. Under the conditions of loss of sovereignty and backward production, the development of China's securities industry had been *devastated and depressed*. Although as early as the middle of the 19th century there had been the stock, but most of them were issued by foreign companies, only a handful of the Chinese enterprises had issued stocks, such as the large banks which were appeared later, large industrial,

⁹ <http://www.szse.cn/szseWeb/FrontController.szse?ACTIONID=15&ARTICLEID=790&TYPE=0>

and the majority of enterprises including the joint-stock enterprises with public offering rarely. In bonds, the *external debt* was issued by the Qing government.

China's stock was first appeared in 1872 (Tongzhi eleven years), Li Hongzhang¹⁰ built the Bureau of ship action trade to let the official of supervision to work. In addition, the *first stock exchange* was Shanghai Buffer Stock Company which was founded in 1882 (Guangxu eight years). Shanghai Buffer Stock Company was a company of share-holding system, and both of the two were based in Shanghai. At that time, Shanghai had the foreign stock exchange. The Shanghai Shares Office had the prototype of the stock exchange which was established by foreign merchants in 1891. In 1905, the *Shanghai Zhongye Office*¹¹ was established by foreign merchants (Shanghai Shares Office also incorporated later). Liang Qichao¹² appealed to established stock company of Maoqian, and he wanted to have Chinese *own* stock exchange (Shanghai Buffer Stock Company had been closed), to promote the development of the joint-stock company.

After the revolution of 1911, Kang Youwei¹³ published “the theory of financing and saving the nation” in 1913, in which proposed the proposal that *establishment of the banking system claims*, and also proposed the opinion that *establishment of the stock market*. He wanted to rely on the power of the government to develop the stock market.

In 1913, Zhang Jian¹⁴ became the business manager of agriculture and forestry of the Beiyang government. He was very enthusiastic to establish the company, and actively advocated the thing that protected by the government legislation. During his tenure, he had drawn up “*the Company Regulation*”, “*the Act of Stock Exchange*” and so on.

¹⁰ **Li Hongzhang, GCVO** (15 February 1823 – 7 November 1901) was a Chinese politician, general and diplomat of the late Qing dynasty.

¹¹ <http://baike.baidu.com/view/2984820.htm>

¹² **Liang Qichao** (February 23, 1873 – January 19, 1929), courtesy name Zhuoru, pseudonym Rengong, was a Chinese scholar, journalist, philosopher and reformist who lived during the late Qing dynasty and early Republic.

¹³ **Kang Youwei** (March 19, 1858 – March 31, 1927) was a Chinese scholar, noted calligrapher and prominent political thinker and reformer of the late Qing dynasty.

¹⁴ **Zhang Jian** (1853–1926), courtesy name Jizhi, sobriquet Se'an, was a Chinese entrepreneur, politician and educationist.

By the beginning of the WW I in 1914, stock exchange had been set up one after another in *Beijing, Shanghai, Tianjin*, and so on, and Chinese securities had *rapid* development. For the issue of securities, it had flooded the market that mainly the state loans of the Beiyang government and the Kuomintang government. The Beijing Stock Exchange was the first stock exchange which was opened by Chinese in June, 1918, but their business was *not flourishing*. In old China, trading of securities basically concentrated in Shanghai and Tianjin, and Shanghai opened the largest one. There were seven types of transaction object, securities, cotton, cotton yarn, cloth, gold and silver, oil, fur and the like.

In 1914, the *Shanghai shareholders' business association* was established in Shanghai, which was consisted of 12 members (later increased to 15), with government bonds, railroad bonds, shares, foreign as the object of trade. In 1918, the Beijing Stock Exchange was founded in Beijing, with share capital of 100 million Yuan, mainly to the sale of bonds. While the *Shanghai-Japanese Stock Exchange*, which the Japanese established the first stock exchange in Shanghai, began operation. In 1920, The Shanghai Stock and Goods Exchange was established in Shanghai, and the chairman was Yu Qiaqing, with capital of 500 million Yuan, There were seven types of transaction object, securities, cotton yarn, cloth, gold and silver, food and oil, fur and the like. The Shanghai Shareholders' Business Association was reorganized as the *Shanghai-Chinese Stock Exchange*, which opened in 1921, and the initial share capital of 62,500 Yuan, the sale of public debt, and to issue the stock of their own company. In addition to the stock exchange, there are other exchange established, and some of them also traded securities. With over speculation and confusion of management, in the end of this year, the outbreak of the trust company and exchange the collapse trend - the crisis in financial. Until March 1922, all kinds of Shanghai stock exchanges only 12.

After the *crisis* in financial, the Shanghai Stock and Goods Exchange and the Shanghai Chinese stock exchange had continued to exist. Later, the Shanghai Stock and Goods Exchange didn't trade the securities in one year, and it was recovered in

June, 1929. The three major stock markets were formed by Beiping Stock Exchange, Shanghai Chinese Stock Exchange and Shanghai Stock and Goods Exchange.

The three major securities markets were not maintained for a long time. The National Government lived in Nanjing, so the Beiping Stock Exchange was inconvenient to trade bonds, and it was closed in the thirties. "The law of the exchange" of the National Government provided a region can only have a same nature of exchange, the stock exchange transaction of Shanghai Stock and Goods Exchange *combined to* Shanghai Chinese Stock Exchange, and the only one Stock Exchange was closed after "8.13 war" in 1937. The Japanese army ordered to *resume business* in November, 1943, and said "do the shares of the domestic companies, the number of transactions was quite huge ". "Domestic company" in this sentence only meant the companies which fell into enemy hands.

After the war, the Shanghai Chinese Stock Exchange was *closed*. The National Government would have more careful attitude to restart the securities market. In February, 1945, it was *banned* that the transaction between the brokers in the Shanghai Chinese Stock Exchange. It was not until May 1946 that the Shanghai stock exchange was ordered. The amount of the capital of the Exchange was 10 billion Yuan, the six tenths of the amount of the capital belonged to the original stockholders in Shanghai Stock Exchange, and others belonged to the Bank of China, Agricultural Bank of China, Bank of communications and the Central Trust of China, the Postal Remittances and Saving Bank.

3.1.2 Middle History

The People's Republic of China was founded in 1949, and in the early state in the national, the Tianjin Stock Exchange and Beijing Stock Exchange were founded in June, 1949 and February 1950 to *recover and develop* the national economy, but they both broken up after a short operation in 1952. From 1949 to 1958, the government issued 8 bonds, and in 1950, the government initial public issued people victory bond. After all bonds were paid off, the securities market had already ceased to exist.

The Communist Party of China of the eleventh, the Chinese Government will focus to economic development. There had been *new development of stock system* in the rural economy of China since 1979, in order to solve these problems that expanding the capital required for production capacity, collecting money become a shareholder, joint shareholding management and stock dividend are employed. Driven by the *reform of the Chinese rural areas*, shareholding system in Chinese city gradually appeared in some *collective enterprise*, factory of street and government business enterprises.

Because of *lack* of theoretical guidance, these so-called joint stock enterprises, which were *small*, raised funds by staff. There was no one enterprise issued stocks to the public, and stock operation was not standardized, it was general that the principle of joint stock system was *violated*.

3.1.3 Later History

In July 26, 1984, the Chinese first joint-stock company was registered in SAIC, and the Beijing Bridge Limited by Share Ltd was *founded*, and the amount of the IPO was 300 million shares of stock, with one per share. In October, 1984, with “the Central Committee of CPC’s decision on economic system reform” *issued*, China began a wider range of joint-stock pilot. In November, Shanghai Feilo Acoustics Co. Ltd issued *initial public offering* of shares, and it had become a more standard joint-stock company since the country was founded. Meanwhile, Guangzhou, Shenyang, Chengdu, Chongqing, Wuhan and other cities had been imitating, built a set of joint-stock enterprises. At that time, the pilot of joint-stock system was not only the original industrial and commercial enterprises, but also involved in agriculture, foreign trade, finance, transportation, construction and other industries.

In July, 1986, new Chinese *first national joint-stock financial enterprise*, Bank of Communications, was born. The capital of the Bank of Communications was raised by nation shares and public offering. National shares by the people’s Bank on behalf of the state *control* of all 50% of the shares, it is allowed that the public offering of the community, and the class, including local governments, departments, enterprises

and individuals to subscribe for shares. For individuals to make a proper limit, up to subscribe for 20 shares, and while the proportion of individuals in the total amount of funds does *not exceed* 10% of the dividend distribution of dividends to comply with the relevant laws and regulations of the state.

3.1.4 History of Shanghai Stock Exchange

In November 26, 1990, authorized by the State Council, the establishment of the Shanghai Stock Exchange approved by the People's Bank of China was formally established, which was the first stock exchange since the country was found. At the Opening day, 25 *securities* institutions from Shanghai, Shandong, Jiangxi, Anhui, Zhejiang, Hainan, Liaoning and other places became the membership of the exchange, and it divided to professional brokers, professional dealers, brokers of supervision and dealers. Exchange used the *loan trading way*, not to engage in futures trading. In the early opening, the exchange traded bonds mainly, including bonds, corporate bonds and financial bonds, and they traded stocks at the same time. Afterwards, it was gradual change to trading of bonds and stocks together.

In December 19, 1990 morning, the exchange was held the *opening ceremony*, and the mayor of Shanghai, Zhu Rongji¹⁵, attended the *opening ceremony*.

The stock market was prevalent after Deng Xiaoping¹⁶'s southern tour in 1992. In May 21, Shanghai Stock Exchange prices *fully liberalized*, guided by the market. At last, from 21 to 23, price of stock soared, within 3 days of *soaring 570%*, the day was known for the *real birth* of Chinese stock market. In August, the storm of rush to purchase stocks was happened in Shenzhen Stock Exchange, it was something.

Shanghai-Hong Kong Stock Connect also is called a cross-boundary investment channel that *connects* the Shanghai Stock Exchange and the Hong Kong Stock Exchange. In the program, investors in each market are able to use their local brokers and clearing to trade shares in the other market. In April 10, 2014, the Chinese Premier Li Keqiang¹⁷ announced the programmer.

¹⁵ **Zhu Rongji** (born 1 October 1928) is a Chinese politician who served as Mayor and Party chief in Shanghai between 1987 and 1991, before serving as Vice-Premier and then the fifth Premier of the People's Republic of China from March 1998 to March 2003.

¹⁶ **Deng Xiaoping** (22 August 1904 – 19 February 1997), was a Chinese revolutionary and statesman.

¹⁷ **Li Keqiang** (born 1 July 1955) is the current Premier of the State Council of the People's Republic of China.

In November 2014, Xi Jinping, China's president and Communist Party chief, granted an interview to the Hong Kong's chief executive - Leung Chun-ying on The 22nd APEC Economic Leaders' Meeting, the scheme launched on 17 November 2014.

3.2 History of Japanese Stock Exchanges

The origin of the early history of Japanese securities development was *rice trading market* in Osaka during the seventeenth century, and it had its own way. By the WW I in eighteenth century, Japanese stock market has become the *first development period* with the development of Japanese economy. After the end of the World War II, the Japanese stock market established a new securities market which was *imitated* the United States. In 1878, the Japanese government issued "Administrative Regulations on Stock Exchange", and in the same year, the first stock exchange of Japanese was established which was called "Tokyo Stock Exchange". Three stock exchanges were established in Tokyo, Osaka and Nagoya in April 1, 1949. Up to now, there have *eight stock exchanges* in Japan – Sapporo, Niigata, Tokyo, Nagoya, Kyoto, Osaka, Hiroshima, Fukuoka), and the "Securities exchange Act" have strict binding effect to the stock exchange which was *formulated* in 1948, and to ensure the healthy development.

3.2.1 Early History

History of Japanese exchange was begun in the middle of seventeenth century in Osaka. It was the place that rice was exchanged, which called "*Dojima Rice Exchange Market*". it was basic transactions currently that difference between the cash settlement of securities transactions at that time, as well as the world's *oldest* future also originated in that time of "rice market." Europe should be the *earliest place* where appeared stocks, so many of the later developed countries were *copying* the way of Europe. However, Japan's securities market in the old times was not same as European countries', Japan had its *own distinctive pattern*, which was rice market, it included futures, OTC and so on, and it was different from the trading mode today.

In Japan, treasury bonds were the most important transaction in 1860. In 1870, stock trading began to fire, and at that time, human who participated in the trade

asked to set up the public nature of the transactions. According the Stock Exchange Ordinance which was made in May 1878, the predecessor of Tokyo Stock Exchange was established in the same year on May 15, and it began to trade on June 1 of the same year.

The *first stage* of Japanese stock markets' development was happened during the WW I . Japanese economic began to develop by heavy industry which was guided by the government after the war in 1914.

At the same time, it needed a lot of money, so a form of *enterprise collectivization* was appeared. During this time, the banks initiative to take the central task of enterprise collectivization, but most of the securities markets and securities firms have not paid attention to this phenomenon. However, the trend of enterprise collectivization brought the demand of a lot of capital, so collective enterprise issued a large number of bond certificate, while the important development direction of a large number of issuing bond certificate was primary market rather than circulation market; on the other hand, the development direction of stock market was circulation market.

After WW I , it caused a long period of *depression* of Japanese economic that the Great Kanto Earthquake in 1923, the financial panic in 1927 and some other events. During this period, part of the companies had *previously* issued corporate bonds, this situation, not pay off the debt, often happened because of bankruptcies and so on. In 1933, it was adopted that the principles of corporate bonds should be secured, which has been retained to the present, and has become a Japanese unique concept of corporate bonds. Before the WW II , the Japanese stock was based on speculation rather than investment. Whatever stocks or bonds, they were based on the circulation market as main state, and the issue market as *deputy state*.

“Type Strains take the lead by Regulation” was made in 1943 during the WW II . This ordinance was made for changed the stock exchange to add in the governing institution of war. In June 30, 1943 according this ordinance, *11 stock exchanges* all over the Japan were *merged*, which was established to Japan Stock Exchange, this

stock exchange was a group of *half-people and semi-government* which pursuit of profit (disbanded in 1947). The more violent the war, the more muddled stock market, and the market transactions completely stopped in August 10, 1945.

3.2.2 Middle History

In August 1945, the war was ended, the entire Japanese system (political, legal, economic, etc.) had reforms, it can be said that it is a restart of Japanese history. After the war, the Japanese stock market mainly to imitate the way of American, “Securities Exchange Act” of the United Nations General Headquarters has the following characteristics:

- *Transactions must be recorded in chronological* – formerly, broker decided it in most cases;
- *Transactions should be focused on the Exchange* – it was allowed that the securities companies could settle accounts by them;
- Trading of Futures was *not allowed*.

In April 1, 1949, three stock exchanges were set up in Tokyo, Osaka, and Nagoya and so on, and they began to trade in the same year on May 16. Five stock exchanges were set up in Niigata, Kyoto, Kobe (disbanded in October 1967), Hiroshima, and Fukuoka in the same year on July. The Sapporo Stock Exchange was established in April 1950. So up to now, there have 8 stock exchanges in Japan.

After reformed, personal owned stock ratio had accounted for *69% of all shares* in 1950. “Securities Shares owned Trust Law (Securities Fund Act)” was published in June 1951, and it further promoted the popularity of stock. It was a *great influence* on the development of securities market that popularity of stock and the liberalization of the financial and securities institutions in 1954. From 1955 to 1961, it was the first growth period of Japanese economy after the end of the WW II, and it also was the second development phase of securities markets. During this time, there have some date of securities markets.

3.2.3 Later History

With the end of WW II, Japanese stock markets has been developed *rapidly*, and the more important thing is that the *internationalization* of securities markets has reached a certain extent. In recent years, the mainstream of Japanese securities markets has been *liberalized*. Part of the auxiliary expenses had been liberalized since 1994; the management system of securities markets was becoming more and more liberalized. In general, many things were happened in the history of Japanese securities markets, and today depend on every day.

3.2.4 History of Tokyo Stock Exchange

It was founded in May 5, 1878, and began to trading in June 1, 1878. It had stopped trading during the WW II, and it *restarted* in May 16, 1949, and changed its name to Tokyo Stock Exchange. The trading floors of Tokyo Stock Exchange was closed in April 30, 1999, all of them changed to electronic transactions, and the new TSE Arrows were used in May 9, 2000.

In 1879, due to the slow development of Japanese economy, trading of securities was *bleak*. In June, 1943, all stock exchanges in Japan *merged* by Japanese government, the semiofficial Japanese stock exchange had been founded, but it was broken up four years later. Before WW II, even Japanese capitalism had some development due to militarism invaded outwards. Heavy industry and weapon industry were *monopolized* by the state; weaving, shipping and other industries were controlled by the state, this is a war economic system with strong color of militarism. At that time, even if enterprises issued stocks, they always were purchased by staff, securities was hard to develop. After the defeat of Japan, the stock exchange was broken up under the occupation of the American forces in 1946. In January, 1949, the Tokyo Stock Exchange was *restarted* by the agreement of American. With the recovery and development of Japanese economy after the war, development of Tokyo Stock Exchange became prosperous. At present, there are 1777 quoted companies, and some of them are foreign companies.

3.3 Institutional Framework, Law and Taxes of Shanghai Stock Exchange

The Shanghai Stock Exchange is in accordance with international practice of the securities market, in the form of member system. The exchange is non-profit business corporation, which is led, managed and supervised by the state securities primary department. Its purpose is to promote the development of economic of the Chinese socialism market, establishing fair, stable and efficiently securities market, safeguarding the legitimate rights and interests of investors.

The function of the Shanghai Stock Exchange:

- Providing centralized securities trading places and facilities;
- The organization and management of listed securities transactions;
- According to the Listing Corporation and members of the business activities of supervision;
- Other functions of state organs or entrusted by the competent securities license.

3.3.1 Institutional Framework

The Shanghai Stock Exchange consists of members, general meeting, board of directors and general manager.

Members

Legal person also has the following conditions, applying to the Shanghai Stock Exchange, after the approval and approval by the People's Bank of China branch in Shanghai, and then you can become the member.

For the Shanghai Stock Exchange member must have the following conditions,

- Approved by the People's bank of China and the first level branch of its, the Shanghai municipal financial institutions can operate securities; the financial institutions without Shanghai should be reported to the People's Bank of China for approval;
- Registered capital need up to 5 million RMB;
- The continuous profitability of securities business need up to two years;
- Organization and personnel conform to the requirements of the conditions of the People's Bank of China;

- Recognizing the regulations of the Shanghai Stock Exchange, according to the provisions to pay the fees of membership.

General Meeting

The general meeting is the highest authority of the Shanghai Stock Exchange. The general meeting should be convened by the board of directors and should be held annually, and should be attended by more than two-thirds members. Members bring forward proposals for the general meeting, at least 5 members of the joint proposed, then, it can be put into consideration. The decisions of the general meeting can be adopted after more than two-thirds present members vote consent.

Board of Directors

The Shanghai Stock Exchange has a board of directors, which is the daily business decision making organization and responsible for the general meeting. *Board members* should not less than 13, of which the number of members of the board of directors should not less than 9, and the number of *non-member directors* should not less than 4. Members of the board of directors are elected by the general meeting; non-member directors are nominated by the relevant agencies of the state regulations and voted by the general meeting. The board of directors held a meeting every quarter.

General Manager

The Shanghai Stock Exchange sets up a general manager one person, who as the *legal representative* and *managing director*, and there are several vice-general managers. General Manager is *nominated* by the branch of Shanghai of the People's Bank of China, and approved by the head office, and appointed by the board of directors.

3.3.2 Securities Legislation

The Chinese stock market is only 17 years old from the treasury bills were resumed issue in 1981. The *establishment* of the Shanghai Stock Exchange as the sign, the development of Chinese securities market has experienced *nine years*. As the development of Chinese securities market has *a short history* and *lack of experience*,

compared with other developed countries, the legislation is lagging behind, and the legal system is not mature. *Main performance* is: Securities Law of The Peoples Republic of China, which as the fundamental law of the securities industry, has just been introduced, regulatory securities and regulations from a lot of places, sometimes there are conflicts between the regulations of different departments. And whatever, the Chinese securities regulatory legislation has been out of its *first step*, and formed a certain system structure.

3.3.3 Tax System

Because Chinese securities industry started late and the whole tax system is *not complete*, the securities tax system is *not perfect*. At present, Chinese securities taxes mainly include: stamp tax on stock trading, securities income tax and securities business tax.

Stamp Tax on Stock Trading

Stamp tax on stock trading is one of the stamp taxes, and it's *a tax levied on the amount of stock trading*, and it started in July 1st, 1990. Stamp tax on stock trading was imposed in Shanghai at the end of 1991, and the tax rate was 3%. In June, 1992, in order to promote the enterprise shareholding system reform and the healthy development of the stock market pilot work, State Administration of Taxation and The People's Republic of China National Committee for economic system reform jointly issued "Interim provisions on the relevant tax issues concerning the pilot enterprises of the joint stock system", a clear of stock transaction according to the turnover of the 3% stamp tax. It was adjusted to 5% in May 10, 1997. Mainly in order to curb excessive short-term speculation since 1996, encourage long-term investment. It adjusted to 4% in May, 1998¹⁸.

Securities Income Tax

China has not yet imposed the securities transaction tax, but there has the securities income tax from the beginning. The securities income tax is a tax on the *profits, dividends and bonus income* that are obtained from the securities investment.

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<http://wiki.mbalib.com/wiki/%E8%82%A1%E7%A5%A8%E4%BA%A4%E6%98%93%E5%8D%B0%E8%8A%B1%E7%A8%8E>

According to the difference of the taxpayer, it can be divided into tax on individual securities investment and tax on enterprise securities investors.

Dividend interest and dividend income from corporate investment are subject to a 33% tax rate to pay the securities income tax. For foreign enterprises, their dividends, interest and bonus income tax at a rate of 30%, and 3% of the local income tax. The above provisions of foreign enterprises are limited that no institution to engaged in the production and operation activities of foreign enterprises in China. For another, which were not set up institutions within the territory of the people's Republic of China, but a source within the territory of the people's Republic of China dividend, interest and dividend income of foreign enterprises or though it has an establishment but the income and institutions no actual relationship of foreign enterprises, to pay income tax at the rate of 20%. Exempt from income tax on the following income: profits made by foreign investors in foreign investment enterprises, interest income from loans to the Chinese government and Chinese state banks by international financial organizations, and foreign banks in accordance with the preferential interest rate loans to China international bank interest income.

Securities Business Tax

Securities business tax is a tax on the collection of securities companies, stock exchanges and other financial institutions, on the amount of its operating income. As a tax, securities business tax separate collection. The object of the foreign securities business tax is the income of the financial securities industry. The tax obligation person is a legal person who is engaged in the securities duty in the foreign country, the tax rate is 5%.

3.4 Institutional Framework, Law and Taxes of Tokyo Stock Exchange

Every stock exchange has its own institutional framework, law and taxes to restrict the members and some other party.

3.4.1 Institutional Framework

The Tokyo Stock Exchange was an aggregate corporation, which was established by "Securities Exchange Act" in April 1948, a number of the stock exchange for

memberships. Memberships established securities companies based on Japanese law, and the form of the member organizations referred to when managers and stock exchange trading participants were members of the same shape to form the personality. There are the following characteristics,

- The entire management method was due to *membership autonomy* (unified opinion) to decide;
- It was *not for profit*.

The reason for taking such a form of organization were,

- The usual business of the stock exchange was *complex* and *various*, so it was the most reasonable that it was *implemented* by the internal member of the stock exchange;
- From the view of a fair price of securities and smooth circulation, the non-profit management was *inevitable*.

As a member of the company, you must be based on trading securities as the main business. The Tokyo Stock Exchange according to the needs of business, formulated the articles of association, business rules and listing of securities rules, the trust contract standards and so on, and was licensed by the Ministry of the Treasury. The Exchange accorded the regulations to organize the member, and the members were corporate members of the Stock Exchange, and they were divided into full members and broker members.

The minimum registered capital of securities companies, which as the full members, were 100 million yen, and the minimum registered capital of securities companies, which as the broker members, were 4 million yen. Members must pay to the Exchange fund, the full members paid 10 million yen, and the broker members paid 1 million yen. The fees of the Exchange divided to fixed fee and fee of floating rate, which maintained the daily exchange cost. In addition, there had a special member in the Tokyo Stock Exchange, namely Japan Xiering Securities Company, was responsible for coordinating the work of the Exchanges between the sale and purchase transactions.

The highest *decision-making body exchange* was an annual membership meeting, elected the daily decision-making body - board of directors. It decided by the Council that operation, management and other important matters in the Exchange. The Council consists of a chairman and 23 directors, of which four non-member directors were elected by the full members, known as the public representative directors. Chairman of the Council was elected by the member directors and non-member directors, and it worked with members of the *1/3* agreement.

The chairman and the managing director were responsible for Daily affairs of the Exchange.

The Exchange had the watchdog organization, two supervisors which were elected in full members and the permanent supervisor which was elected in the public representative directors, which made up to the watchdog organization. The watchdog organization was responsible for the supervision of business of the Exchange and accounting.

Chairman of the board of directors had the specialized advisory body. According to the need, the special committee could be temporarily set up.

3.4.2 Securities Legislation

Regulations apply to the Tokyo Stock Exchange: “company law”, “securities exchange act”, “securities investment trust law”, “guarantee corporation trust law” and the relevant executive order, discipline system and so on. The most basic was the “securities exchange act” which was enacted in 1948, which provides that the rules of the stock exchange, such as “Exchange Listing Rules”, “Fair trade rules and harmonization of trading rules” and so on, all of them have severe binding effect to the Tokyo Stock Exchange, to ensure their healthy development.

In 1948, Japan used the “securities act”, which was published in the United States in 1933, as the blueprint to formulate a new securities exchange act, which marked Japan abandoned the British model and follow the American model. In June, 1951, the Japanese Government published “securities investment trust law”, and it played an important role in promoting the stock popular. Because of the rapid

development of securities market, management of securities legislation exposed a lot of incomplete points, excessive growth of the stock investment trust, increase the possibility of speculation, finally, the unprecedented crisis was happened in the Japanese securities market from 1962 to 1965.

After this Crisis, Japanese Government did some adjustments in legislation, management and financial system. From 1965 to 1974, Japanese securities market started on the track of normal development.

At present, the most important and systemic securities law in Japan was “securities exchange act” which was published in May 1948.

3.4.3 Tax System

Japanese tax system is *similar* to the tax systems of *the developed capitalist countries*, and it's the subject that income tax for individuals and income tax for corporations. The Japanese tax system also has the different points, especially in the aspect of the tax system of securities, setting up the stock exchange specially. The stock exchange and the income tax together form the tax system of securities market. Japan began to innovate the tax system in 1988, and the reform of the securities tax system was mainly to capital gains from paid no taxes to paid taxes. In accordance with the current tax system in Japan, the Japanese securities tax collection generally includes the following four points, special non-taxable bonds, securities investment income tax, transfer of securities income tax and securities transaction tax.

4. Comparison of Selected Stock Exchanges

“The largest stock exchange in mainland China, the Shanghai Stock Exchange is a nonprofit organization run by the China Securities Regulatory Commission (CSRC).”

¹⁹The Shanghai Stock Exchange is a recently developed stock exchange, and it's one of the two stock exchanges in China. Tokyo Stock Exchange is the fourth large stock exchange in the world and it's the largest stock exchange in the Asia, so comparison of these two stock exchanges is necessary for development of the economy.

4.1 Listing and Issuance

The listing is the first step with a company to apply. And the public offering can help a company to raise money via securities.

4.1.1 Shanghai Stock Exchange

The listing securities on the Shanghai Stock Exchange are mainly stocks, all kinds of bonds issued by the state, the construction bonds issued by the provincial level local government, financial bonds issued by financial institutions and corporate bonds of public issuance all over the country. The application for the listing of securities should apply to the stock exchange, and should be examined and approved by the stock exchange according to law, and should be signed by both parties. The stock exchange should arrange the listing of government bonds in accordance with the decision of the department authorized by the State Council.

The Shanghai stock exchange was *established* in November 26, 1990. To the end of December, 2015, the Shanghai Stock Exchange had about 1091 listing corporation, 4565 listing securities, and total market value of listed stock of 133099.21 billion Yuan²⁰.

The relevant conditions and specific requirements for the *initial public offering* and *listing of the shares* are as follows:

- *Subject qualification*: a shares issued subject should be legally established and legally surviving limited by share ltd, and approved by the state council, limited

¹⁹ <http://www.investopedia.com/terms/s/shanghai-stock-exchange.asp>

²⁰ <http://www.sse.com.cn/>

liability company in accordance with the law to change the limited by share ltd, the stocks can be issued in public.

- *Corporate governance*: the issuer has established and perfect the general meeting of shareholders, the board of directors, the board of supervisors, the independent directors, the board secretary system, the relevant institutions and personnel to perform their duties according to law; the directors, supervisors and senior management personnel should meet the requirements of the laws, administrative regulations and rules and regulations; the directors, supervisors and senior management personal of the issuer have been aware of the relevant laws and regulations relating to the listing of shares, and it is aware of the legal obligations and responsibilities of the directors, supervisors and senior management of the listing corporation; the internal control system is sound and effective, which can ensure the reliability of financial report, the legality of production and operation, the efficiency and effect of operation.

- *Independence*: it should have a complete business system and the ability to operate directly to the market independently; assets should be integrated; personnel, financial, institutional, and business must be independent.

- *Horizontal competition*: with the controlling shareholder, the actual controller and other enterprises controlled by the same industry competition; after the implementation of the project to raise funds to invest, it will not produce the same competition.

- *Connected transaction*: with the controlling shareholder, the actual controller and other enterprises controlled by other enterprises should not have a significant loss of fair trading; the relationship between the related parties should be fully disclosed and the appropriate disclosure of the related party transactions in accordance with the principle of materiality, the fair value of the related transactions, does not exist in the case of manipulating profits through related transactions.

- *Financial requirements*: cumulative net profit of 3 years prior to the issuance of more than 30 million; 3years prior to the issuance of the cumulative net operating

cash flow of more than 50 million or a total operating income of more than 300 million Yuan; intangible assets and net assets ratio is not more than 20%; no false records of the financial statements of the past 3 years.

- *Equity and public ownership*: not less than 30 million shares before the issue; the total share capital of the listed company is not less than 50 million Yuan; the public shareholding is at *least 25%*; if the total number of shares issued by more than 400 million shares, the proportion of the issue can be reduced, but *not less than 10%*; the issuer's equity is clear, the controlling shareholder, the actual controller of shareholders held by the shareholders of the issuer does not exist significant ownership disputes.

- *Other requirements*: the issuer of the last 3 years, the main business and directors, senior management has not changed significantly, the actual controller has not changed; the registered capital of the issuer has been paid in full, the transfer of property rights of the promoters or shareholders of the assets as capital contribution has been completed, the major assets of the issuer does not exist significant ownership disputes; the production and operation of the issuer should be in conformity with the provisions of laws, administrative regulations and articles of association, and should be in conformity with the state industrial policy; the last 3 years should not have any major violation of the law.

Table 4.1 Fees Charged and Taxes Withheld of Issuance by SSE

Class of Service		Charging Item	Fee Scale	Target of Final charge
Issuance	Share subscription, Preferred stock issuance, Switching Company bond subscription	Handing fee	Suspension	Paid by EES members to SSE
	Allotment, Public issuance	Handing fee	Suspension	Paid by EES members to SSE

Source: <http://www.sse.com.cn/services/tradingservice/charge/ssecharge/>, author

Look at this table, we can see about the fees charged and taxes withheld of issuance, we know that whatever preferred stock issuance, Switching Company bond subscription or allotment, public issuance, they both have handing fee, suspension of the fee standard, and paid by EES members to SSE.

About the fees charged and taxes withheld of SSE, there are four securities – stocks, funds, warrant and bonds. And except bonds, others all need attain to a determinate amount of money. Stocks, funds and bonds have initial listing fee and annual listing fee. Stocks paid by listed company to SSE; funds paid by fund managers to SSE; warrant and bonds paid by issuers to SSE (see Annex 1).

China Issued Securities Classification

In China, there are many different securities which are issued, the classification of securities is necessary, and from this, we can know more about the securities, know more about which securities can be issued in the Shanghai Stock Exchange.

By the end of 2014, there had 6330 securities which registration and depository of the Shanghai and Shenzhen Stock Exchanges in China, stock transfer system of the national stock of 1690.

In the securities of Shanghai and Shenzhen Stock Exchanges, there had 2593 of A shares, 124 more than last year; 104 of B shares, 2 less than last year; 189 of Treasury bonds, 12 more than last year; 7 of municipal bonds, 1 more than last year; 3 of policy financial bonds; 687 of the corporate bonds, 169 more than last year; 1503 of the enterprise bonds, 523 more than last year; 30 of convertible bonds, 3 more than last year; 2 of separate convertible bonds, 8 less than last year; 613 of small and medium-sized enterprise privately raised company bonds, 299 more than last year; 14 of close-ended bonds, 23 less than last year; 104 of ETF, 19 more than last year; 388 of LOF, 82 more than last year; 10 of the redemption money funds in real time, 2 more than last year; 83 of Asset Backed Securities, 57 more than last year.

Table 4.2 Number of Listed Companies (2005-2013)

year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	834	842	860	864	870	894	931	954	953

Source: China Securities and Futures Statistical Yearbook 2014, author

According to the stock category at the end of the quantity change of listed companies, from 2006 to 2013, the A shares have obvious increase, and in every year, the A shares account for more than 98% of the total. And until 2012, there have only one company issued by H and B shares (see Annex 3).

4.1.2 Tokyo Stock Exchange

The TSE is a stock exchange with membership system, and it's eligible to become a member of the exchange which is limited to a certain standard of securities companies. Now, there is more than one hundred members of the securities company, of which about one fifth of the foreign securities companies.

Domestic stocks listed on the Tokyo Stock exchange is divided into first and second two categories, the first listed conditions to be higher than the second condition. Principle of IPOs list and trade firstly in exchange, after the end of each fiscal year appraisal of the listed shares of the actual results. Accordingly, it can be the category division standards.

Overview of Listing Requirements

In the Tokyo Stock Exchange, there are 4 markets: the 1st section, the 2nd section, mothers and JASDAQ, and the latter two markets are opened to foreign markets.

Look at this table, and we can see that the TSE operates five equity markets: the First and Second Sections, Mothers, JASDAQ, and TOKYO PRO Market. It talks about disclosure language, accounting standards, list criteria, application period, auditor's report, internal control reports, quarterly reports and investors, and you can know something about listed on TES.

Table 4.3 Overview of Listing Requirements

	TSE 1 st and 2 nd sections, Mothers and JASDAQ	TOKYO PRO Market
Disclosure Language	Japanese	Japanese and/or English
Accounting Standards	Japan GAAP, IFRS, Other standards	Japan GAAP, IFRS, US GAAP, Other standards approved by J-Adviser or accountant
Listing Criteria	Minimum shareholders, free float, profit, market capitalization, etc.	No set requirements Criteria judged by J-Adviser
Application Period	JASDAQ: 2 months Mothers: 2 months Main market: 3 months	Minimum 10 business days* * However, TES confirms examination by J-Adviser prior to the application
Auditor's Report	2 most recent fiscal years	Last fiscal year only
Internal Control Reports	Required	Not required
Quarterly Reports	Required	Not required
Investors	No restrictions	Professional investors and non-residents

Source: the Tokyo Stock Exchange, author

The TSE markets offer multiple and flexible options suitable for different company strategies and for companies at different stages of growth. TES offers a so-called “One-Stop Listing Solution” and satisfies the various financing needs of TES-listed companies on a global basis.

Table 4.4 Number of Listed Companies (2005-2013)

Year	2005	2006	2007	2008	2009	2010	2011	2012	Jul.16,2013	2013	2014	2015
Total	2,351	2,416	2,414	2,389	2,334	2,292	2,290	2,303	3,423 (1,100)	3,417	3,468	3,511

Source: the Tokyo Stock Exchange, author

While new listings on the main board are generally assigned to the Second Section, some companies with outstanding liquidity prospects may be directly assigned to the First Section (see Annex 4).

Mothers companies may apply for the reassignment to the First Section or Second Section as they grow and develop. To 2015, there have 1934 of Listed Companies in the First Section, 543 of Listed Companies in the Second Section, 220 of Listed Companies in the Mothers, 791 of Listed Companies in the JASDAQ, 9 foreign Listed Companies and 14 of Listed Companies in the TOKYO PRO Market.

And we can see that JASDAQ and TOKYO PRO Market were started in 2012 and 2011.

4.2 Exchange

Securities trading is the act of the securities holders to transfer the securities to other investors in accordance with the trading rules.

Securities trading is generally divided into two forms : the first form is listed exchanges, refers to the securities on the stock exchange transaction traded. Where approved in the stock exchange registered the buying and selling of securities know as listed securities ; securities trading on the stock exchange of the company, said for listed companies. Another form is OCT transactions, refers to the public offering but is not up to the standards listed securities in the securities trading market sale of the counter.

4.2.1 Shanghai Stock Exchange

Public investors want to buy or sell securities listed on the Shanghai Stock Exchange, customers first test of his identity and seal to securities dealers out for register, then commissioned with the membership of the securities business agent.

The Shanghai Stock Exchange should implement the security deposit system, and the principal of the stock exchange should guarantee that the amount of money to be purchased or sold should be delivered to the securities business.

- **Transaction cost**

In the stock exchange, if you want to take part in it, transaction is the only way. So where have transaction, where have cost of transaction. Every stock exchange has they own rules of transaction cost, let us look at the related fees in the Shanghai Stock Exchange.

There are some securities of transaction fees including common stocks, preferred stock, funds,warrants, spot transactions, repo,block trading, options and so on. All of them talk about the fees charged and taxes withheld of transactions by SSE, all of them need handing fees, and most of them paid by SSE members (see Annex 5).

- **Marker hours**

The market hours of Shanghai Stock Exchange is from Monday to Friday.

In the morning, from 9 :30 to 11 :30

In the afternoon from 13 :00 to 15 :00

Four hours one day.

The market hours of A and B shares are same, and the market is closed for the Chinese holidays, if the Exchange think it's necessary to change opened or closed hours, they can do it, and they need get the approval of the securities regulatory authorities.

- **Methods of transaction**

The Shanghai Stock Exchange takes the spot trading mode, the venue of the transaction to take a centralized auction method, the specific is divided into verbal, written and computerized bidding three ways, but the main way is based upon computer.

- **Settlement of transactions**

The settlements of Shanghai Stock Exchange can be divided into three kinds :

Marked to the market : after make a bargain, at the same day, both parties are going to receipt and payment of cost and securities.

Ordinary day : a securities firm trading securities after clinching a deal, according to starting business clinch a deal the day four days for the receipt and payment of cost and securities.

Special day delivery : after make a bargain, the two parties agree on the basis of the actual situation from the date of sale of the transaction, within 15 days of a specific contract date, the delivery of the securities and the price.

There have some tables which let us to know the data information of the transaction of the stock and bond markets over the past years. And if you want to know others hairlike information, you can see the Annex 7.

Table 4.5 the Transaction of the Stock Market in the SSE (2009-2013)

Year	2009	2010	2011	2012	2013
total Volume (*0.1 billion)	33679.64	25964.43	21192.91	18928.43	26718.85
Total Turnover (*0.1 billion)	346511.91	304312.01	237555.3	164460.86	230266.03
Total of The market value of exchange rate (%)	523.12	259.25	163.75	128.26	169.22

Source: China Securities and Futures Statistical Yearbook 2014, author

Table 4.6 The Transaction of the Bond Market in SSE (2019-2013)

Year		2009	2010	2011	2012	2013
Volume	Total Spot(*10 thousand)	397681.5	482737.87	610136.85	837788.76	1485751.12
	Buy-back (*10 thousand)	359292.54	700175.94	2046213.05	3713783.4	6105517.95
Turnover(0.1 billion)	Total Spot	3986.71	4935.9	6129.28	8442.99	15312.48
	Buy-back	35929.25	70017.59	204621.29	371375.86	610526.93
Number of Transaction(*10 thousand)	Total Spot	214.87	138.51	201.03	255.5	547.06
	Buy-back	102.36	302.88	1953.02	4633.3	8427.73

Source: China Securities and Futures Statistical Yearbook 2014, author

4.2.2 Tokyo Stock Exchange

The trading hall of the Tokyo Stock Exchange at Nihonbashi-Kabutocho in Toyo, divided into stock hall and bond hall. The stock hall become a “ the Tokyo Stock Exchange Memorial ”, the original trading hall had 6 trading plaforms, 5 of this were the domestic stock market transactions, one of this was the foreign stock transaction.

Trading unit of stocks, the domestic stock market basically by 100 or 1000 shares as a transaction unit, foreign stocks are different stock prices – 1000, 100, 50, 10 or 1 shares as a unit. Bond trading hall including the centralized trading and bond futures trading office, but still most of the bond trading for computer trading, the main trading body is the main trading Switching Company bonds and Treasury bonds.

- **Exchange Hour**

The market hours of Tokyo Stock Exchange is from Monday to Firday.

In the morning from 9 :00 to 11 :30

In the afternoon from 12 :30 to 15 :00

5 hours one day.

- **Settlement of Transactions**

The settlements of Tokyo Stock Exchange can be divided into four kinds :

Marked to the market : trading day without the Clearing Department of the exchange, and directly by the seller and the buyer of the transaction between the securities and payment transactions ; settlement in accordance with the consent of the parties, which can be extended to second day (it’s very rare now).

Usual transactions : after the sale of shares in fourth days (T+3), the general bond is also the same transaction, there is a part of the bonds in the transaction after the sale of fifteenth by the Clearing Department to settle (the calculation of the date should be deducted the holiday). Usual transaction divides to cash transaction and credit transaction.

Special day settlement transaction : since the date of the transaction, in 15 days by the Clearing Department to handle the settlement of the transaction.

Issue day settlement transaction : this is the trading way of inissued shares, that is the issue has identified the unissued shares issued in accordance with the settlement principle and contracting transactions, this is just a kind of right trading. Trading of issue day is handled in the way of trading of listed securities, the transaction should be selected from the Stock Exchange listed old stocks, and after the approval of the board of directors of the exchange and the approval of the Ministry of finance. After the completion of the transaction of the trading day, the stock will automatically become a formal listing of varieties.

- **Trading Participant Fees**

Trading participation fees of TSE, which paid by trading participants, are formed of:

- *Basic fees*: the basic fee of trading participant classification is JPY 400,000; the basic of general trading participant is JPY 100,000;
- *Trading fees* based on trading value. Trading fee of Auction trading of stocks have to calculate by trading value * trading fee rate, and every stage has its own trading fee rate; trading fee of off-auction trading of stocks and off-auction trading of stocks listed on JASDAQ are trading value * 0.0006%; trading fee of auction trading of stocks listed on JASDAQ is calculated by different trading fee rate;
- *Trading system facility usage fees* based on the status of use of trading systems. Trading system facility usage fees shall be charged based on the number of servers and/or terminals for the trading systems, etc. (More information in the Annex 8)

4.3 Stock Index

The SSE Composite Index is the important stock index in SSE, and the Nikkei Stock Average is the first stock index in TSE, so comparing these two indexes is necessary.

SSE Composite Index

The *Shanghai composite index*²¹ is reflecting the overall trend stock listing on the Shanghai stock exchange statistics index. Its predecessor was Shanghai Jing an index, is a trust and investment corporation by the industrial and commercial bank of

²¹ <http://english.sse.com.cn/indices/indices/list/>

China Shanghai branch Jing 'an securities business department to start on November 2, 1987, released on July 15, 1991, December 19, 1990 as the base, the base value of 100, with all the listed stock as sample, weight to prepare for stock issuance.

February 21, the Shanghai index in 1992, set up the Shanghai a-share index and index, the Shanghai B shares on June 1, 1993, and added the Shanghai index, namely the industrial class, business class, property index, utility index, comprehensive index, to reflect the different industry stock movements.

The Shanghai composite index of the sample for all stocks listed on the Shanghai stock exchange, including newly listed shares in listed on the second day in the stock index calculation.

The Shanghai composite index weights are the total equity of listed companies. Because our country the stock with the tradable shares and non-tradable shares of listed companies and its circulation is not consistent with the total share capital, so the total equity of the larger shares of stock index is larger, the influence of the Shanghai index often becomes large institutions in the tools, make the direction of the stock index and most of the stock go up drop to diverge.

Stock index of Shanghai stock exchange issued is almost and the change of the stock market phase synchronization, it is to our shareholders and the securities practitioners' indispensable reference for stock price change trends.

Table 4.7 List of Major Indices

Index	Prev	Open	High	Low	Latest	change
SSE 50	2142.06	2136.84	2146.32	2134.19	2135.51	-0.31%
SSE 100	5735.45	5710.45	5756.96	5701.86	5730.30	-0.09
SSE 180	6815.04	6797.95	6833.24	6787.50	6799.63	-0.23%
SSE Composite Index	2945.59	2935.38	2950.58	2930.36	2938.32	-0.25%
SSE T-Bond Index	156.67	156.69	156.69	156.68	156.68	0.01
SSE Fund Index	5638.94	5638.48	5640.53	5637.96	5639.29	0.01

Source: <http://www.sse.com.cn/market/sseindex/quotation/>

Nikkei Stock Average

*Nikkei Stock Average*²² compiled by the Japan economic news agency and published reflects the Japanese stock market price fluctuation of stock price average. The index from September 1950 began compiling.

Initially, according to the first of 225 companies listed on the Tokyo stock exchange's stock to calculate fixed average share price, then known as the "Tokyo revised average stock price". On May 1, 1975, Japan economic news to the Dow Jones company buy trademarks, which is calculated by using the modified method of Dow Jones Company, the stock index also renamed "Nikkei Dow Jones Stock Average". On May 1, 1985, at the expiration of the contract ten years, after discussions, the name changed to "Nikkei Stock Average".

According to the number of sampling calculation object is different, the index is divided into two kinds, and one is the Nikkei 225 average share price. The selected samples are listed on the Tokyo stock exchange's first market shares, and the sample is selected in principle no longer changes. Locating manufacturing 150, 1981, building 10, aquaculture three, three mining, commercial 12, road transport and shipping 14, 15, real estate financial insurance industry three, warehouse industry, electricity and gas four, five service industry. Because of the Nikkei 225 average share price continued in 1950, and its continuity and comparability, as investigation and analysis of the Japanese stock market long-term evolution and dynamic of the most commonly used and the most reliable indicators. Another is the index of the Nikkei 500 average share price. This is from January 4, 1982 begun. Due to the sample including 500 kinds of stock, the representative is relatively more widely, but its sample is not fixed, in April every year according to the operating performance of listed companies, trading volume and turnover, to change the total value on the sample.

²² <http://www.jpx.co.jp/english/markets/indices/line-up/index.html>

Table 4.8 List of Major Indices

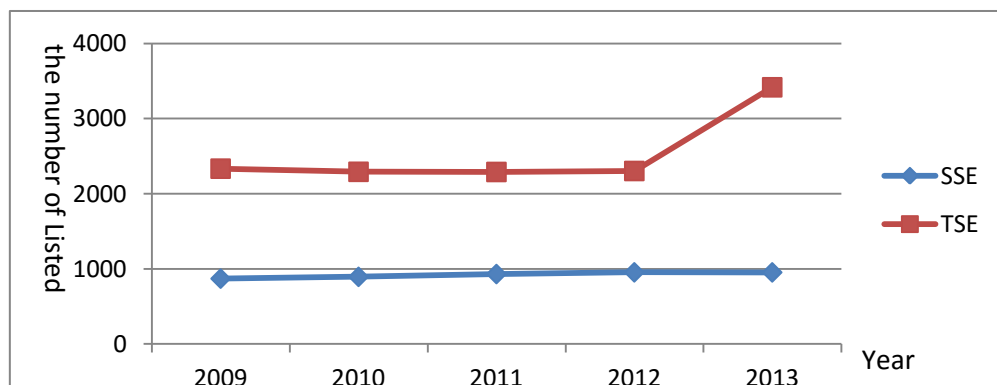
Name	Open	High	Low	Current	Change	
TOPIX	1,380.92	1,407.99	1,379.46	1,407.50	+13.82	+0.99 %
JPX-Nikkei Index 400	12,500.53	12,756.42	12,489.29	12,753.05	+132.85	+1.05 %
Tokyo Stock Exchange Second Section Stock Price Index	4,374.68	4,390.30	4,356.79	4,390.09	+6.30	+0.14 %
Tokyo Stock Exchange Mothers Index	1,219.80	1,225.46	1,181.96	1,221.50	-4.92	-0.40 %
JASDAQ INDEX	110.45	110.55	109.88	110.49	-0.20	-0.18 %
Tokyo Stock Exchange REIT Index	1,901.54	1,948.10	1,901.54	1,929.16	+15.79	+0.83 %

Source: <http://www.jpx.co.jp/english/markets/indices/realvalues/index.html>

4.4 Comparison of SSE and TSE

The Chinese securities market is a hope of a large market, in most developed countries, and the securities market in the national economy occupies a pivotal position. The development of Chinese securities market has entered a standardized stage of development, will promote the internationalization of Chinese securities market.

Figure 4.1 Comparison of the Number of Listed Corporation in the Stock Exchange

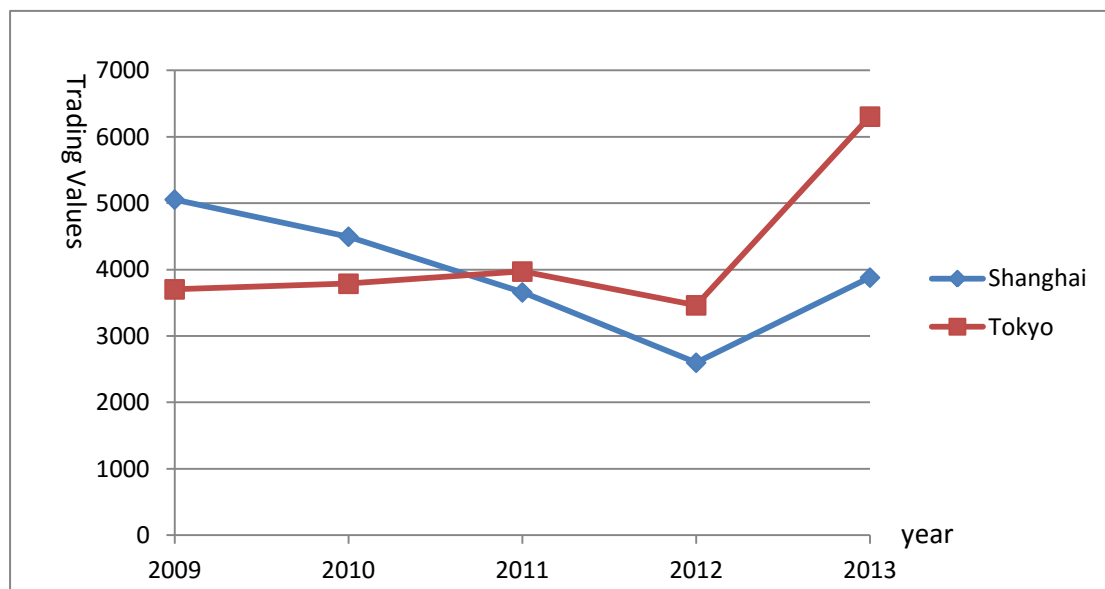


Source: SSE and TSE, author

From the total number of listed corporation, the number of listed corporation in SSE is less than that in TSE, but from 2009 to 2013, the percentage of SSE/TSE persistent growth, In 2013, because of the number of listed companies which were listed in TSE due to the integration of the OSE cash market onto TSE on July 16, 2013, the number of listed companies in TSE increase rapidly. In the future, the TSE will remain relatively stable with the data of 2013, and the SSE will remain relatively stable like the recent years.

Figure 4.2 Comparison of Trading Values in Selected Stock Markets

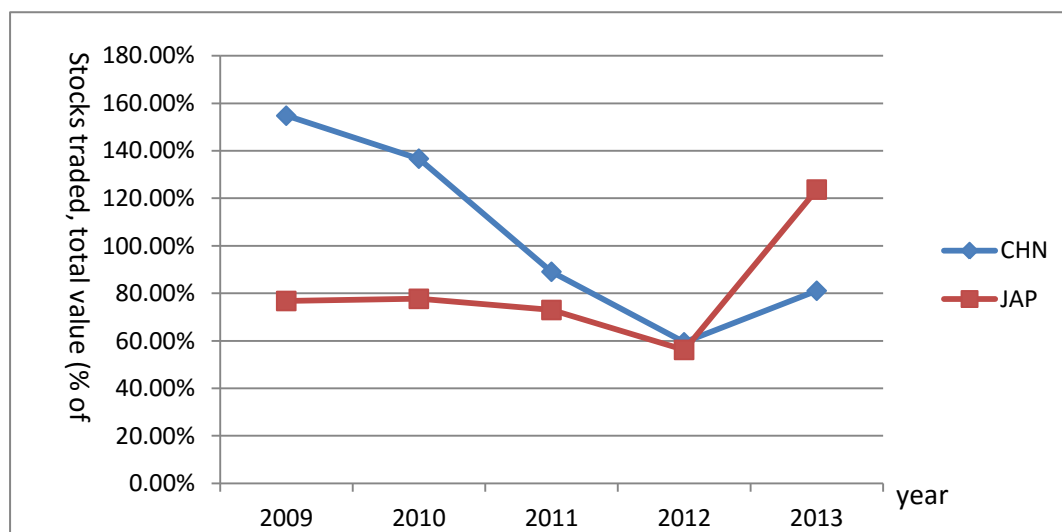
Unit: US\$ Billion



Source: SSE and TSE, author

From 2009 to 2012, the general trend of trading values in SSE was declining, and in 2013, because of the increase of A and B shares, the trading values in SSE gone up as well. And look at the trading values in TSE, in the first four years, it was relative stable, and in the 2013, because of the TSE and OSE merged into one, the trading values shot up. And the ratio of Shanghai/Tokyo still was decrease; it means that the development of SSE, compared with TSE, is retard. With the time goes on, the influences of the OSE will relative decrease, and the ratio of Shanghai/Tokyo will slowly rising.

Figure 4.3 Stocks Traded, Total Value (% of GDP)



Source: SSE and TSE, author

Total value of stocks traded for percentage of GDP, though there have not any target value or which standard figures should be get, the simple comparison between Shanghai and Tokyo, the trend of ratio of total value of stocks traded to GDP in Shanghai was continuous declination overall. In the term of number of proportion, the former relative to the latter is weakening, and the former has a greater development space.

Figure 4.4 SSE Composite Index and Nikkei 225 Index



Source: <http://markets.wsj.com/>

Figure 4.4 is the comparison of the SSE Composite Index and the Nikkei 225 Index, and the black line is the Nikkei 225 Index, and the blue line is the SSE

Composite Index, and the grey line is the *Simple Moving Average 200(SMA 200)*²³. Look at this figure, and it is the percentage of the index change. From 2012 to 2016, the SSE Composite Index all lower than Nikkei 225 Index, and always lower than SMA 200, and the general trend of the SSE Composite Index and the Nikkei 225 Index are increase.

Looking forward to the future of the index of investment, Ming Xu²⁴ believes that the development of space is very large, he said, with Chinese pension funds and other long-term funds into the market, the growing demand for the index, the future development of the index of investment in space is very large.²⁵

4.5 Summary

The Chinese stock market is a promising market. In the most of the developed countries, the stock market plays an important role in the national economy. The development of Chinese securities market has entered the stage of standardized development, and it will promote the internationalization of Chinese securities market.

From the point of view of Japan and China the two counties securities development process, the differences in the development of the stock market is obvious, this difference although is formed gradually in the process of market development, but the deeper factor depends on the level of economic development. Japanese economy after the end of WW II, the Japanese government started the revitalization of the national economy and after more than 20 years of struggle, Japan has become the world's second largest economy and securities market also with the progressive development of economy. Compared to the Chinese stock market, the development of economy has been gradually standardized and developed since the reform and opening up in the 80's, and the development of the economy has provided the guarantee for the development of the security market.

Shanghai was the first city in China to see stocks, stock trading and stock exchanges. The establishment and development of the SSE have a closely related to

²³ It is a calculation to analyze data points by creating series of [averages](#) of different subsets of the full data set.

²⁴ He is the deputy manager of the Shanghai Stock Exchange.

²⁵ <http://finance.sina.com.cn/money/fund/20150923/020423320825.shtml>

the process of *Chinese reforming and opening*²⁶ and establishment of the socialist market economy system. After the rapid development of 25 years, SSE has entered into a new stage with rapidly enlarging market scale, more enhanced fundamental facilities and continuous improved regulation level. Overall, the Shanghai stock market is a special securities market, and it is large that the extent of government regulation, in the hope that the future government in the use of the “visible hand²⁷” to regulate the market can be more cautious.

The Japanese stock market was founded in 1878, after the end of WW II, tend to the United States. Due to the long- term impact of the United States after the WW II, organization, law, tax and other aspects of the Japanese stock market are both presented as the pattern of the United States. Japanese stock market conditions are very strict, and so as to ensure the quality of the listing corporation, while the relative freedom of the transaction, the market by the “invisible hand²⁸” in the regulation. In general, the Japanese stock market is entirely derived from the United States, but with more emphasis on the protection of investors, especially for the introduction of new trading tools (such as derivatives) is more conservative, cautious.

²⁶ The **Chinese Reforming and Opening** refers to the program of economic reforms termed "Socialism with Chinese characteristics" in the People's Republic of China (PRC) that was started in December 1978 by reformists within the Communist Party of China, led by Deng Xiaoping.

²⁷ The **visible hand** is the institutional response to the rapid pace of technological innovation and increasing consumer demand.

²⁸ In economics, the **invisible hand** is a metaphor used by Adam Smith to describe unintended social benefits resulting from individual actions.

5 Conclusion

Stock exchanges play an important role in financial markets. At the end of March 2016, worldwide ranking of Japan Exchange Group is the third, and worldwide ranking of Shanghai stock exchange is the fourth²⁹, therefore the objective of this thesis was comparison of the two stock exchanges with a development prospect in the world – Shanghai Stock Exchange and Tokyo Stock Exchange.

In the thesis we focused on the financial market and stock market firstly, because it's the first step to see the Stock Exchange; and then the thesis describes the histories of the China and Japan, for it can speculate the development prospect of financial market and securities market of SSE and TSE. Japan and China's securities markets are started development in the same period, continuing to try and regulate the development to the present. In particular, the most important part of the thesis is comparison of the selected stock exchanges, it discusses listing and issuance, securities trading, stock index, number of listed corporation, stock traded and comparison of Shanghai Composite Index and Nikkei 225 Index. These are important in the stock exchange; because it lets us clearly acknowledge the SSE and TSE, via comparison the similarities and differences of the selected stock exchanges and comparison analyze the financial market of the China and Japan. China is a “newbie” in the securities market, so how it is necessary to absorb the advantages of other countries, and Japan is the developed country in Asia, it's important to compare with Japan towards China.

²⁹ <http://www.sfc.hk/web/EN/files/SOM/MarketStatistics/a01.pdf>

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List of Abbreviations

SSE: Shanghai Stock Exchange

TSE: Tokyo Stock Exchange

NASDAQ: National Association of Securities Dealers Automated Quotations

LSE: London Stock Exchange

NYSE: New York Stock Exchange

PSE: Prague Stock Exchange

Co., Ltd.: Listed Company

IPO: Initial Public Offering

DJIA: Dow Jones Industrial Average

FTSE 100: Financial Times Stock Exchange 100 Index

WW I : World War I

WW II :World War II

SAIC: State Administration for Industry and Commerce of the People's Republic of China

CPC: Communist Party of China

ETF: Exchange Trading Funds

LOF: Listed Open-Ended Fund

OSE: Osaka Securities Exchange

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Annex 8 Fees of TSE

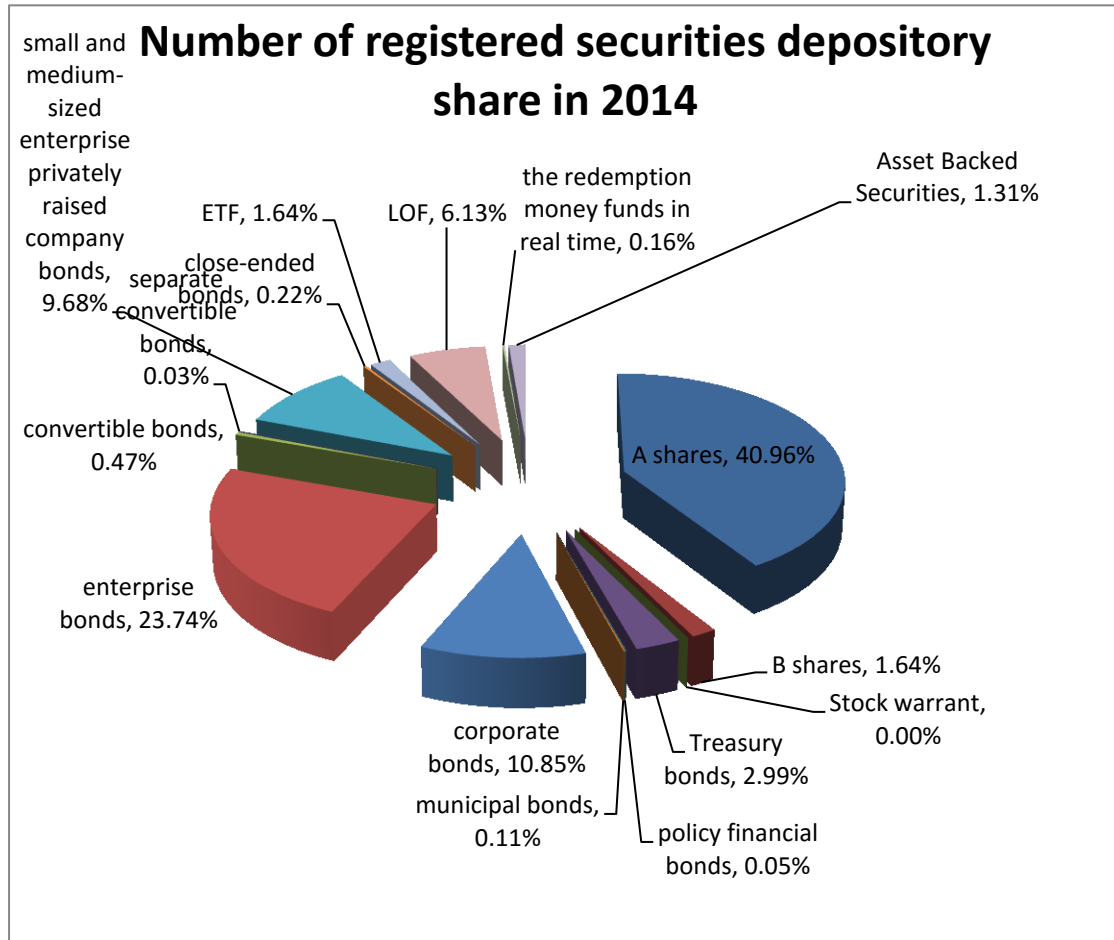
Annex 1

Fees Charged and Taxes Withheld of Listing by SSE

Listing	stocks	Initial listing fee	Total issued shares (A or B), not more than 200 million shares: RMB 300,000		Paid by listed Company to SSE
			200 million – 400 million shares (including): RMB 450,000;		
			400 million – 600 million shares (including): RMB 550,000;		
			600 million – 800 million shares (including): RMB 450,000;		
			800 million shares above: RMB 650,000		
		Annual listing fee	At the end of last year: Total issued shares (A or B), not more than 200 million shares: RMB 50,000 per year		Paid by listed Company to SSE
			200 million – 400 million shares (including): RMB 80,000 per year		
			400 million – 600 million shares (including): RMB 100,000 per year		
			600 million – 800 million shares (including): RMB 120,000 per year		
			800 million shares above: RMB 150,000 per year		
	The listed less than one year, annual fee is calculate based on actual months (the month of initial listing is counted as the first month)				
	Funds	Initial listing fee	30 thousand Yuan and ordinary LOF suspension.	Paid by Fund managers to SSE	
Annual listing fee		RMB 60,000 per year, ordinary LOF suspension.	Paid by Fund managers to SSE		
Warrant	Initial listing fee	RMB 200,000	Paid by issuers to SSE		
Bonds	Initial listing fee	Suspension	Paid by issuers to SSE		
	Annual listing fee	Suspension	Paid by issuers to SSE		

Source: <http://www.sse.com.cn/services/tradingservice/charge/ssecharge/>, author

Number of Registered Securities Depository Share of SSE in 2014



Source: China Securities Depository and Clearing - Statistical Yearbook 2014, author

Annex 3

Number of Listed Companies in SSE (2005-2013)

year	Only A share	Only B share	A and B shares	A and H shares	A, B and H shares	B and H shares	Total	Total of A share	Total of B share
2005	755	10	44	25	0	0	834	824	54
2006	756	10	44	32	0	0	842	832	54
2007	761	10	44	45	0	0	860	850	54
2008	760	10	44	50	0	0	864	854	54
2009	762	10	44	54	0	0	870	860	54
2010	784	10	44	56	0	0	894	884	54
2011	816	10	44	61	0	0	931	921	54
2012	833	9	44	67	0	1	954	944	54
2013	832	8	44	68	0	1	953	944	53

Source: China Securities and Futures Statistical Yearbook 2014, author

Annex 4

Number of Listed Companies in TSE (2005-2013)

Year	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth	Foreign Company	TOKYO PRO Market	Total
2005	1,667	506	150	-	-	28	-	2,351
2006	1,715	491	185	-	-	25	-	2,416
2007	1,727	467	195	-	-	25	-	2,414
2008	1,715	462	196	-	-	16	-	2,389
2009	1,684	452	183	-	-	15	-	2,334
2010	1,670	431	179	-	-	12	-	2,292
2011	1,672	431	176	-	-	11	-	2,290
2012	1,695	415	180	-	-	10	3	2,303
Jul.16,2013	1,752 (37)	571 (162)	186 (0)	851 (851)	49 (49)	11 (11)	3 (0)	3,423 (1,100)
2013	1,774	559	191	828	48	11	6	3,417
2014	1,858	541	205	798	45	12	9	3,468
2015	1,934	543	220	747	44	9	14	3,511

Figures indicated are as of end of the year.

* Figures in parentheses represent the number of listed companies which were listed on TSE due to the integration of the OSE cash market into TSE on July 16, 2013.

Source:

<http://www.jpx.co.jp/english/listing/stocks/co/tvdivq0000004xgb-att/tvdivq0000017jt9.pdf>

Annex 5

Table of Fees Charged and Taxes Withheld by SSE

Class of Service		Charging Item	Fee Scale	Target of Final charge
Transaction	A shares	Handing fee	0.00487% of trading value (bilateral)	Paid by SSE members to SSE
	B shares	Handing fee	0.00487% of trading value (bilateral)	Paid by SSE members to SSE
	Preferred stock	Handing fee	0.0001% of trading value (bilateral)	Paid by SSE members to SSE
	Funds (Close-ended fund, ETF, LOF)	Handing fee	0.0045% of trading value (bilateral)	Paid by SSE members to SSE
	Warrants	Handing fee	0.0045% of trading value (bilateral)	Paid by SSE members to SSE
Class of Service		Charging Item	Fee Scale	Target of Final charge
Transaction	Spot transactions	Handing fee	0.0001% of turnover(both way)(spot transactions of fixed income platform, the highest do not exceed 100yuan/per.	Paid by SSE members to SSE
	Pledge-style repo, treasury bonds outright repo	Handing fee	Suspension	Paid by SSE members to SSE
	Pledged quotation repo	Handing fee	Suspension	Paid by SSE members to SSE
	Stock collateral repo	Handing fee	0.001% of the each initial deal amount, 5 Yuan is the starting point, and the highest do not exceed 100 Yuan.	Paid by SSE members to SSE

	Share transfer of asset management plan	Handing fee	According to transfer 0.00009% of the standard to transfer handling fees charged by the transfer of both sides, and the highest do not exceed 100 Yuan each.	Paid by SSE members to SSE	
	Agreed to repurchase securities trading	Handing fee	According to the existing stocks, funds, or bond trading fees charged in the initial deal and repurchase transactions.	Paid by SSE members to SSE	
Class of Service		Charging Item	Fee Scale	Target of Final charge	
Transaction	Block trading (including bulk)	A shares and B shares	Handing fee	Relative to the competitive market with variety rate decreased by 30%.	Paid by SSE members to SSE
		Funds (Close-ended fund, ETF, LOF)	Handing fee	Relative to the competitive market with variety rate decreased by 50% (bilateral).	Paid by SSE members to SSE
		Preferred stock	Handing fee	90 of 0.0001% of trading value and less than 100yuan/per deal at minimum (bilateral)	Paid by SSE members to SSE
		Spot transactions	Handing fee	0.0001% of turnover and the highest do not exceed 100 Yuan each (both way).	Paid by SSE members to SSE
Class of Service		Charging Item	Fee Scale	Target of Final charge	
Transaction	Options	Handing fee	Contract bid for stocks, trading brokerage for 3yuan/per; contract bid for Exchange traded funds, trading brokerage for 2yuan/per; a suspension for sell warehouse trading brokerage.	Paid by SSE members to SSE	

	Pre release of national debt	Handing fee	Suspension	Paid by SSE members to SSE
	Transfer of stock agreement	Handing fee	Same as the secondary market trading brokerage, both way, one-way the lowest 50 Yuan each and the highest 0.1 million Yuan each.	Paid by agreement of two sides to SSE

Source: <http://www.sse.com.cn/services/tradingservice/charge/ssecharge/>

Annex 6

The Transaction of the Stock Market in the SSE (2009-2013)

Year	Volume (*0.1 billion)			the average daily volume (*0.1 billion)	Turnover (*0.1 billion)			the average daily turnover (*0.1 billion)	The market value of exchange rate (%)		
	A share	B share	total		A share	B share	total		A share	B share	total
2009	3347 6.72	202.92	3367 9.64	138.0 3	345443. 26	1068.6 5	346511. 91	1420.1 3	526.6 9	165.3 1	523.1 2
2010	2581 2.4	152.03	2596 4.43	107.2 9	303215. 93	1096.0 8	304312. 01	1257.4 9	260.2 5	125.5 7	259.2 5
2011	2107 8.72	114.19	2119 2.91	86.86	236809. 12	746.19	237555. 3	973.59	164.2 8	80.88	163.7 5
2012	1885 0.54	77.89	1892 8.43	77.9	164047. 38	413.48	164460. 86	676.79	128.6	56.51	128.2 6
2013	2658 7.28	131.57	2671 8.85	112.2 6	229576. 09	689.94	230266. 03	967.5	169.7 2	84.7	169.2 2

Source: China Securities and Futures Statistical Yearbook 2014

Annex 7

The Transaction of the Bond Market in SSE (2019-2013) (1)

Year	Volume							
	Spot(*10 thousand)							Buy-back (*10 thousand)
	total	Enterprise bonds	Corporate Bonds	Convertible bond	equity warrant bonds	Small and medium-size company bonds	Treasury Bonds	
2009	397681.5	36569.78	41569.82	31075.13	75104.8 4	-	213301.8 5	359292.54
2010	482737.8 7	64290.02	82096.61	115701.01	59905.3 9	-	160743.5 7	700175.94
2011	610136.8 5	119228.1 6	114775.8 3	193007.92	55051.0 8	-	128043.3 2	2046213.0 5
2012	837788.7 6	270149.3 1	213560.5 8	212269.58	48292.8 8	3994	89521.64	3713783.4
2013	1485751. 12	627007.5 2	256534.4 6	442063.02	59639.1 4	23003.8	76979.18	6105517.9 5

Source: China Securities and Futures Statistical Yearbook 2014

The Transaction of the Bond Market in SSE (2019-2013) (2009-2013) (2)

Year	Turnover(0.1 billion)							
	Spot							Buy-back
	Total	Enterprise bonds	Corporate Bonds	Convertible bond	equity warrant bonds	Small and medium-sized company bonds	Treasury Bonds	
2009	3986.71	366.66	435.75	418.32	602.13	-	2163.24	35929.25
2010	4935.9	658.4	837.86	1300.2	512.04	-	1627.39	70017.59
2011	6129.28	1175.41	1140.02	2041.14	496.1	-	1276.3	204621.29
2012	8442.99	2722.08	2149.86	2177.36	448.24	39.89	905.56	371375.86
2013	15312.48	6378.24	2562.22	4793.97	571.53	230.11	771.61	610526.93

Source: China Securities and Futures Statistical Yearbook 2014

The Transaction of the Bond Market in SSE (2019-2013) (3)

Year	number of transaction(*10 thousand)							
	Spot							Buy-back
	Total	Enterprise bonds	Corporate Bonds	Convertible bond	equity warrant bonds	Small and medium-sized company bonds	Treasury Bonds	
2009	214.87	30.89	31.89	47.34	68.72	-	36	102.36
2010	138.51	20.1	14.01	54.27	29.23	-	20.88	302.88
2011	201.03	42.56	17.65	110.91	15.3	-	14.61	1953.02
2012	255.5	93.65	39.42	102.8	9.36	0.03	10.24	4633.3
2013	547.06	91.44	70.03	361.13	10.55	0.17	13.74	8427.73

Source: China Securities and Futures Statistical Yearbook 2014

Annex 8

Basic Fees of TSE

Basic Fees	Trading Participant Classification	Basic Fee
	General Trading Participant	JPY 400,000*
	* The following amounts shall be added.	
	Cases where order (including correction and cancellation orders) pertaining to stocks listed on JASDAQ was placed for trading in auction trading sessions in the preceding month	JPY 100,000

Source :

[http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee\(English\)20150924.pdf](http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee(English)20150924.pdf)

Trading Fees of TSE

Trading Fees	Trading	Trading Fee	
	Auction trading of stocks (excluding stocks listed on JASDAQ), etc. (including dosing price trading, off-auction distribution, and off-auction own share repurchase)	Trading value × Trading fee rate	
		Monthly trading value	Trading fee rate
		JPY 20 billion or less	0
		More than JPY 20 million but JPY 200 billion or less	Standard rate* × 0.9
		More than JPY 200 billion but JPY 1 trillion or less	Standard rate × 1
More than JPY 1 trillion but JPY 1.5 trillion or less		Standard rate × 0.8	
	More than JPY 1.5 trillion	Standard rate × 0.7	
	* Standard rate: 0.20/10,000 to 0.29/10,000 The rate will fluctuate based on total monthly trading value in the TSE auction market.		
Off-auction trading of stocks, etc.	Trading value × 0.0006%		
Auction trading of stocks listed on JASDAQ.	Monthly trading value	Trading fee rate	
	JPY 500 million or less	0	
	More than JPY 500 million but JPY 10 billion or less	1.728/10000	
	More than JPY 10 billion but JPY 100 billion or less	1.920/10000	
	More than JPY 100 billion but JPY 150 billion or less	1.536/10000	
	More than JPY 150 billion	1.344/10000	
Off-auction trading of stocks listed on JASDAQ.	Trading value × 0.0006%		

Source :

[http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee\(English\)20150924.pdf](http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee(English)20150924.pdf)

Trading System Facility Usage Fees of TSE

Trading System Facility Usage Fees	Trading system facility usage fees shall be charged based on the number of servers and/or terminals for the trading systems, etc.		
	Stocks, etc. (limited to auction trading)		
	Classification	Fee	Remarks
	Virtual server (for orders; five orders per sec.)	JPY 4,000 per server	Free of charge for up to four servers
	Virtual server (for orders; sixty orders per sec.)	JPY 30,000 per server	Free of charge for up to two servers
	Virtual server (for orders; two hundred orders per sec.)	JPY 90,000 per server	-
	Virtual server (for inquiries)	JPY 15,000 per server	Free of charge for up to two servers
	Virtual server (for drop copy)	JPY 30,000 per server	-
	Stocks, etc. (limited to ToSTNeT trading)		
	Classification	Fee	Remarks
Virtual server	JPY 8,000 per server	Free of charge for up to two servers	

Source :

[http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee\(English\)20150924.pdf](http://www.jpx.co.jp/english/rules-participants/participants/fees/tvdivq000000v276-at/fee(English)20150924.pdf)