On the Legal Risks and Prevention of the Internet Public Offering in China

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Abstract: Since 2012, the scale of China's equity financing has shown a rapid growth trend, which has aroused the attention of the regulatory authorities. This year NPC and CPPCC period and work report of the State Council, clearly put forward to carry out the pilot work of the public to raise equity to raise the public, enhance public service innovation ability, the development in China provides policy support for the public to raise equity. Public ownership will become an important part of China's multi-level capital market, providing a new financing channels for SMEs. However, the risk in the process of raising public equity financing can not be ignored; improper operation will damage the interests of the participants, and even affect the stability of the financial order. This paper first introduces the basic situation of the congregation to raise financing, including its classification, characteristics, operation mode and development status, and analysis and policy environment in China to raise public equity development economic environment, points out the necessity and obstacles in the development of the public to raise equity. Then, on the basis of the development environment and operating mechanism, the author systematically analyzes the risks faced by the participants. The congregation raised platform's legal status is not clear, facing the legal status of risk; risk of illegal issuance of shares of the company are the initiator and infringing intellectual property rights; investors face the moral risk, project risk, financing risk, valuation of excess stock holding risk and liquidity risk has a direct impact on the enthusiasm of investors to participate in the public equity raise. Finally, in order to improve the operation mechanism and process management, the public platform to improve the operational mechanism and process management, to prevent the risks involved in the financing process. At the

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same time, this paper also puts forward some suggestions for the supervision of the regulatory authorities, the regulatory authorities need to find a balance between regulation and investor protection, to provide a good environment for the development of public ownership.

**Keywords:** Internet banking; public shareholding; legal risk; Legal Prevention

1. **Preface**

   In today's society, the Internet technology is increasingly mature, the Internet is fast, the audience coverage, low cost characteristics for the development of the Internet to lay the foundation for the development of public equity model. Internet equity is the use of the Internet to raise funds to raise funds for the community, SMEs and individual entrepreneurs through the network platform to showcase their own business ideas to obtain financial support. Internet equity raise public funds to change the traditional difficult problem, it provides opportunities and hope for the development of entrepreneurs and small and medium enterprises. However, there are many problems raised by the public ownership of the Internet, there is no relevant laws to protect the rights of investors and investors to raise equity. Therefore, the development of relevant legal provisions becomes particularly important.

2. **Internet equity congregation raised overview**

   Internet equity public financing refers to the financing of the public through the Internet to raise public platform to display product information, the release of the relevant financing projects, investors through equity congregation raised platform for investment projects of interest to invest [1]. It has no specific investment object, investment crowd has uncertainty and divergence. Internet equity congregation to raise the initiative for SMEs, or entrepreneurs. Internet equity congregation to raise a larger audience, compared with the traditional financing system is more open and diversified, no threshold. As long as the provision of detailed information can be carried out to raise public equity. For financiers, the convenience of the Internet resources not only for their own funds, but also to make their own financing projects in the eyes of the Internet audience, to some extent, play a role in marketing. With the promotion of a variety of Internet equity to raise the public software, network equity congregation also exposed a series of problems, raise the risk of public equity faces more risks.
3. The legal risk of Internet equity chips

3.1 Protection of the rights and interests of investors

Compared with the traditional way of financing the Internet to raise public equity, investment risk varies. In the new way to raise the public shareholding, for investors, his investment risk is mainly from the Internet platform to raise public equity and equity financing to raise public. At present, many Internet platform to raise public equity financing information and website information asymmetry often appear, and the Internet to raise public financing platform accurate information is the key to understand the investment projects. Investment platform for the information provided by the financing is not complete enough, which occurs because investors will hesitate to default, but the default need to pay a higher penalty, which is unfair to investors. In addition, the investment platform will be intentional or unintentional information leakage, etc., but there is no need to bear the consequences of the disclosure of investment platform information requirements. In addition, the financing of the credit problem is not guaranteed, therefore, is extremely detrimental to investors.

3.2 Liquidity and management risk

Internet equity congregation raised by the Internet to raise public platform, financiers and investors. Because it is the three parties to participate, so the risk of capital flow and management is even greater [2]. The Internet is to raise public equity funds invested in the Internet to raise public equity platform, after a certain period of time, the platform and then transfer funds into the account of the financiers. Due to the Internet to raise the platform for the flow of funds and no special account management, the platform for the improper use of funds raised to a certain extent will cause the risk of investors.

3.3 Information disclosure opaque

Investors and financiers in the platform is the basic information raised by the Internet platform to raise public equity, it is easy to appear opaque information. Internet equity congregation to raise the platform as a major link between investors and financiers to promote cooperation, the two sides must be serious information, careful examination. Investment platform must meet the needs of one party to the other party, while not hurting the interests of both sides. As part of the congregation to raise public network platform for fraud information and incomplete information should not be passed. The transparency of information disclosure to a large extent affect the investor's investment in the Internet platform to raise public equity accuracy.
4. Internet equity raised countermeasures

4.1 Improve the protection of the rights and interests of investors

Establish information disclosure system. Financing platform to raise funds before the Internet platform, the need to provide adequate information, including the details of the financing, Finance Companies' main information, financing projects and other information. For each link must be strictly regulated to prevent the release of false information. For investors, the more information you have, the smaller the risk of investment. For the amount of financing has a clear regulation to prevent the financing of endless or disorderly financing. On the other hand, the operation of the Internet platform to raise public equity must be legitimate; the information must be confidential for investors, such as inadvertent disclosure must bear the consequences. Congregation to raise the platform must ensure that investors have the right to invest in the specified time to ensure that the interests of investors in the investment process.

4.2 Set up fund management system

Internet congregation raised financing platform to give investors the right to regret the period, the amount of financing can not be transferred to the account of the financiers, to ensure that investors have the opportunity to withdraw their investment [3]. Third party platform should be established to supervise the capital, because the platform for equity investment projects with large liquidity, it is easy to cause improper operation of funds. In order to reduce the loss of investment funds and investment management risk, the platform can not be responsible for the custody of funds. To some extent, to prevent some people use the financing platform for fraud. In addition, the Internet can not raise public platform and financing between people have interest from the Internet platform to raise public financing for not through their own services, financing platform and investment funds may not be used to move, the basic rights and interests of the Internet to raise public financing platform should protect investors, reduce the investment risk for investors.

4.3 Improve the information disclosure system

Network platform to raise public equity financing must clearly specify the need to publish information, for example, the company name, the size of the company, chairman and shareholders, financial position, the amount of financing, etc. The law must clearly define the information that investors and investors should have on the investment platform. The Internet to raise public financing platform for the correct disclosure of information is conducive to improving the accuracy of investor investment, but also greatly reduce the loss of investors in the investment process [4].
financing to carry out a detailed explanation, including project implementation plan, project profitability, project management team, project sponsors, capital flows, equity changes and other information should be detailed, at the same time for the false negative information platform should put forward the corresponding measures.

5. Conclusion

The appearance of everything has both positive and negative meanings. The emergence of the Internet to raise public equity is an inevitable product of the Internet era. Internet equity congregation to raise the majority of entrepreneurs and small and medium enterprises to bring opportunities and challenges, stimulate the vitality of our country's financial innovation. At the same time, the risk raised by the Internet to raise public equity is unthinkable, virtual network platform is difficult to protect the interests of investors. The Internet to raise public financing needs not only the unity and cooperation of investors and financiers also need to cooperate with China's relevant laws. The Internet to raise public equity risk is inevitable, we only on the Internet to raise public shareholding this new thing profound analysis, formulate and improve relevant laws and regulations, minimize unnecessary risks is what we need to do.

6. References

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