Securities Regulatory Coordination in Pre-Reorganization Procedures of Listed Companies

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Abstract: As credit risk exposure accelerates in China's A-share market, pre-reorganization has emerged as a prominent mechanism for resolving the debt crises of listed companies. Yet pre-reorganization remains outside the statutory framework of the Enterprise Bankruptcy Law, and its foundational logic of confidential negotiation stands in structural tension with the mandatory disclosure regime of the Securities Law. This article examines the securities regulatory coordination challenges arising in listed company pre-reorganization from three dimensions: information disclosure, insider trading regulation, and trading suspension and resumption arrangements. It identifies a triple dilemma: the absence of disclosure rules tailored to each phase of pre-reorganization, the difficulty of identifying and controlling insider information generated during the process, and the lack of unified standards for trading suspension and resumption. Drawing on a comparative analysis of the dual-track constraint model under Chapter 11 of the U.S. Bankruptcy Code and the SEC regulatory framework, as well as the delayed disclosure and principles-based regulatory dialogue mechanisms in the United Kingdom, this article extracts three foundational principles — persistent yet flexible disclosure obligations, continuous application of anti-fraud rules with permissible information sharing under institutional safeguards, and non-suspension as the default — and translates them into context-specific institutional proposals for China. Specifically, it advocates a three-tier disclosure framework comprising trigger-based, deferred, and supplementary disclosure; a strengthened insider trading regime with defined formation points, an expanded scope of insiders, and mandatory information barriers; a flexibilized suspension mechanism conditioned on prior disclosure compliance; and a court–securities regulator notification and early-intervention coordination mechanism. These proposals aim to reconcile the confidentiality imperatives of pre-reorganization with the transparency demands of securities regulation through a phased, elastic, and supervisable set of coordinating rules.

Keywords: Pre-Reorganization; Listed Companies; Securities Regulation; Information Disclosure; Insider Trading; Trading Suspension and Resumption; Regulatory Coordination

1. Introduction

In recent years, as credit risk exposure in the A-share market has accelerated, the practice of pre-reorganization for listed companies has exhibited notable growth. Courts in Shenzhen, Beijing, Shanghai, and other cities have successively issued working guidelines, exploring the use of pre-reorganization as a preliminary procedure for resolving debt crises of listed companies. As of the end of 2024, courts in Shenzhen, Beijing, Shanghai, Wenzhou, Hangzhou and other cities have issued working guidelines or operational procedures related to pre-reorganization, although these local rules differ significantly in their applicable conditions, procedural design, and legal effect. The 2018 Minutes of the National Court Bankruptcy Trial Work Conference was the first to address the issue of coordination between out-of-court restructuring and in-court reorganization at the national level. Since then, pre-reorganization has been widely applied in local practice to the risk management of *ST-designated companies [1,2]. However, a fundamental institutional contradiction has yet to receive an effective response: pre-reorganization is not a statutory bankruptcy procedure, and its operational logic rests upon confidential negotiations among the parties; yet when the subject of pre-reorganization is a listed company, the mandatory requirements for continuous

information disclosure under the Securities Law are not automatically waived merely because the company has entered a pre-reorganization state [3]. How to achieve institutional coordination between the two constitutes a critical issue that cannot be avoided in the normalization of pre-reorganization.

Academic discussion on the pre-reorganization system has accumulated to a certain degree, but existing research has primarily focused on the procedural design of pre-reorganization, the manner of court intervention, and the coordination mechanisms between pre-reorganization and formal reorganization. Most of this scholarship remains confined to the internal perspective of bankruptcy law, rarely incorporating the securities regulation dimension into its analytical framework. This gap has already produced tangible consequences in practice. The distinctiveness of pre-reorganization lies in its attempt to complete the negotiation of key debt adjustment plans prior to the formal commencement of bankruptcy proceedings, a process that inevitably involves the generation and circulation of material non-public information. Once a listed company initiates pre-reorganization, the debtor's management, major creditors, potential investors, financial advisors, and relevant court personnel begin to access core information that could affect securities trading prices. In the absence of clear regulatory guidance, decisions about when to disclose, to whom, and to what extent are left entirely to the judgment of the respective parties, which not only creates institutional space for insider trading but also places small and medium investors at a serious informational disadvantage. Taking *ST listed companies that implemented pre-reorganization between 2020 and 2024 as examples, most companies did not release relevant announcements until days or even weeks after the initiation of pre-reorganization, while the informal dissemination of pre-reorganization information in the market often occurred much earlier. In some cases, the company's stock price had already exhibited significant abnormal movements before any announcement was made.

Foreign experience provides useful reference for understanding these issues. The United States has more than three decades of experience with pre-packaged reorganization under Chapter 11 of the Bankruptcy Code, and the SEC has developed a relatively mature regulatory framework for information disclosure and anti-fraud measures surrounding this procedure. The Restructuring Plan introduced by the UK's 2020 legislative amendment similarly coordinated the FCA's regulatory interface with listed companies from the outset of its design. By comparison, in China's current legal system, the Enterprise Bankruptcy Law has not yet formally established a pre-reorganization system, and the Securities Law has no basis upon which to respond to it. A clear institutional vacuum exists between the two. The practical difficulties arising from this vacuum are concentrated on three levels: first, information disclosure at each stage of pre-reorganization lacks an operational regulatory framework; second, insider information generated during pre-reorganization is difficult to effectively identify and control under existing rules; and third, trading suspension and resumption arrangements lack unified standards, with practices varying considerably across jurisdictions.

Based on the above problem awareness, this article attempts to examine the pre-reorganization system for listed companies from the perspective of securities regulation, analyzing three core issues: information disclosure, insider trading regulation, and trading suspension and resumption arrangements. Methodologically, the analysis is grounded in normative analysis to identify the institutional tensions within the current legal framework; complemented by empirical examination of typical cases to reveal specific practical difficulties; and enriched by a comparative law perspective, drawing primarily on the institutional experiences of the United States and the United Kingdom. The article proceeds as follows: first, it reviews the institutional background and theoretical foundations of listed company pre-reorganization; then identifies the core contradictions in securities regulatory coordination at each stage of pre-reorganization; next examines foreign institutional experiences and evaluates their limits for transplantation; and finally proposes institutional improvement recommendations grounded in Chinese practice.

2. Core Contradictions in Securities Regulatory Coordination during Pre-Reorganization Procedures

After a listed company enters pre-reorganization proceedings, the challenge facing securities regulation is not merely a single gap in the rules,

but rather a set of interrelated institutional contradictions. The common root of these contradictions lies in the structural tension between pre-reorganization—as a non-statutory rescue mechanism founded on the logic of confidential negotiation—and the securities law's regulatory framework centered on mandatory disclosure. The following analysis proceeds along three dimensions: information disclosure, insider trading regulation, and trading suspension and resumption arrangements [4].

2.1 Institutional Gaps and Rule Mismatch in Information Disclosure

The information disclosure dilemma in pre-reorganization first stems from the absence of applicable subjects in the current rules. Among the material events enumerated in Article 80 of the Securities Law, the only item directly related to bankruptcy reorganization is "a court ruling ordering the reorganization of the company pursuant to law" . But pre-reorganization occurs precisely before the court formally rules to accept the reorganization application—it is neither reorganization nor purely out-of-court negotiation, but rather a transitional procedure between the two. Under textual interpretation, Item (10) of Article 80 cannot directly cover information disclosure obligations during the pre-reorganization phase. Of course, the catch-all clause of Article 80 leaves room for the CSRC to formulate specialized rules, but in fact this authorization has not been exercised to date, and information disclosure during the pre-reorganization phase has consistently lacked a specialized normative basis.

The direct consequence of this regulatory gap is operational confusion in practice. Based on existing cases, information disclosure by listed companies during the pre-reorganization phase exhibits a high degree of fragmentation and arbitrariness: some companies made no disclosure whatsoever for weeks after the court appointed an interim administrator; some merely used the vague formulation of "planning a major matter" as a substitute for substantive information disclosure; and still others intermittently issued announcements at different stages of pre-reorganization progress, but the level of detail in these disclosures depended entirely on the company's own judgment, lacking a unified minimum information standard. The problems resulting from this situation are twofold: on one hand, small and medium investors cannot assess the stage the company is in or the potential impact of the pre-reorganization plan on their interests; on the other hand, the selective circulation of information enables certain informed parties to trade on their informational advantage, further exacerbating market unfairness.

The deeper difficulty lies in the fact that even if legislation fills this gap, the design of information disclosure rules must still confront an inherent tension: the efficiency of pre-reorganization depends to a considerable extent on the confidentiality of negotiations. Premature or excessive information disclosure may trigger a chain reaction of creditors rushing to file lawsuits for preservation, suppliers cutting off supply, and speculative stock price fluctuations, thereby jeopardizing the restructuring process. This means that information disclosure during pre-reorganization cannot simply adopt the model of routine interim announcements, but rather requires a special arrangement that is "phased and measured"—allowing the debtor, subject to meeting certain conditions, to temporarily defer disclosure of certain sensitive information while safeguarding investors' basic right to information . How to achieve this balance through rules is among the most technically challenging issues in the institutional development of pre-reorganization.

2.2 Difficulties in Insider Information Identification and Insider Trading Regulation

The reason insider trading risk is particularly pronounced in pre-reorganization is that this procedure inherently creates a "dense zone of information asymmetry": a large volume of material information that could affect stock prices is generated and circulated among a limited group of participants, but due to the aforementioned absence of information disclosure rules, this information remains undisclosed for extended periods. Under this structure, the occurrence of insider trading possesses an almost institutional inevitability, and the current rules prove inadequate at two critical junctures.

The first juncture is the formation point of insider information. Article 51 of the Securities Law defines insider information as "information that is not yet publicly available and that involves the issuer's operations, finances, or has a material impact on the market price of the

issuer's securities". Pre-reorganization information clearly possesses materiality, but the question is: pre-reorganization is not a discrete event but a gradual process. From the debtor's initial contact with individual creditors, to the engagement of intermediary institutions for feasibility assessment, to the court's acceptance of the pre-reorganization application and appointment of an interim administrator, and finally to the formation and voting on the pre-reorganization plan—each of these milestones may generate information sufficient to affect stock prices, yet current laws and judicial interpretations provide no clear standard as to which point constitutes the "formation" of insider information. The ambiguity of the formation point directly affects the determination of insider trading: if the point is set too early, the duration of insider information will be excessively long, unreasonably compressing the trading window for insiders; if set too late, a large volume of informed trading that occurred before the "formation" will fall outside the scope of regulation.

The second juncture is the delineation of the scope of insiders. The participants in pre-reorganization are notably diverse and fluid: beyond the debtor's directors, supervisors, and senior management, the interim administrator and their working team, creditor committee members, potential reorganization investors, financial advisors and legal counsel engaged by each party, and even the judges and staff of the court may all have access to insider information related to pre-reorganization. However, Article 52 of the Securities Law enumerates insiders primarily around entities within the corporate governance structure, providing insufficient coverage of these "external but deeply involved" participants in pre-reorganization. Even more noteworthy is the insider trading risk in distressed debt trading: during the pre-reorganization phase, certain creditors may buy or sell claims while aware of the restructuring plan, or institutional investors holding both stocks and bonds issued by the debtor may use information obtained through the creditor committee to trade in securities. The current insider trading regulatory system lacks targeted measures to address such cross-market information exploitation. Introducing an "information barrier" system—requiring institutions participating in pre-reorganization negotiations to establish internal information isolation mechanisms—may be a direction worth exploring.

2.3 Institutional Vacuum and Dilemma in Trading Suspension and Resumption Arrangements

The suspension and resumption issue represents a concentrated projection of the two preceding contradictions. When information disclosure rules remain imperfect and insider trading risks cannot be effectively controlled, trading suspension becomes a simple and direct "isolation measure"—physically blocking the impact of insider information on the market by halting stock trading. However, the current rules provide no clear guidance on whether trading should be suspended during the pre-reorganization phase, when it should be suspended, or for how long. The listing rules of the Shanghai and Shenzhen stock exchanges only address delisting risk warnings after the court has ruled to accept a reorganization application, and make no provisions for the preceding pre-reorganization phase. The 2018 CSRC guiding opinions on suspension and resumption established the general principle of "non-suspension as the rule and suspension as the exception", but this principle was formulated in the context of general material events, and whether it applies to the special scenario of pre-reorganization remains open for discussion.

Practices have consequently polarized. Some listed companies applied for extended suspension upon entering pre-reorganization, with suspension periods ranging from weeks to months, seriously impairing investors' liquidity interests and exit rights. Other companies did not suspend trading at all, but as pre-reorganization information gradually leaked, stock prices experienced dramatic fluctuations, and small and medium investors were forced to make trading decisions in a highly uncertain information environment. Each approach has its drawbacks, reflecting a more fundamental policy judgment dilemma: when the information disclosure system is not yet in place, is trading suspension a necessary measure to protect investors, or merely a stopgap measure that masks institutional deficiencies at the cost of restricting market functions?

From an institutional design perspective, the ideal solution may not involve a simple binary choice between "suspend" and "not suspend," but rather the establishment of a more flexible

trading management mechanism. For example, implementing short-term temporary suspensions at key milestones of pre-reorganization (such as when a major plan is about to be submitted for a vote), rather than suspending trading for the entire period; or introducing a volatility interruption mechanism that automatically halts trading when stock price anomalies trigger specific thresholds, and then resumes trading once the company provides supplementary disclosure. However, the effective operation of these alternative measures all presuppose the improvement of information disclosure and insider trading regulation—the interconnection among the three once again demonstrates that the securities regulation issues in pre-reorganization form an institutional whole requiring a systematic response, rather than fragmented issues that can be addressed in isolation.

3. Foreign Experience: Institutional Comparison of Securities Regulatory Coordination in Pre-Reorganization

The purpose of examining foreign systems is not to describe their complete landscape, but to extract institutional elements that have dialogue value with China's current predicament. The following analysis uses the United States and the United Kingdom as primary references, proceeding along three dimensions—information disclosure, insider trading regulation, and trading management—and concludes with a discussion of the limits of transplanting foreign experience.

3.1 The United States: Dual-Track Constraints of Bankruptcy Law and Securities Law

The United States is the jurisdiction with the most mature practice of pre-packaged reorganization [5,6]. Since the 1980s, the Pre-packaged Plan has become one of the mainstream paths for debt restructuring of listed companies. The core characteristic of its institutional design is that bankruptcy law and securities law impose dual-track constraints on pre-reorganization, each with its own emphasis but coordinated with each other.

At the information disclosure level, the key arrangement of the American system is the division of labor and coordination between the "adequate information" standard and securities law disclosure requirements. Section 1125 of the Bankruptcy Code requires that vote solicitation for a reorganization plan must be premised on providing "adequate information" to creditors and shareholders—information sufficient for a reasonable investor to make an informed judgment. For pre-packaged reorganizations where vote solicitation is completed before the bankruptcy filing, Section 1125(g) provides a special rule: such solicitation is not required to be preceded by a court-approved disclosure statement, but must comply with "applicable nonbankruptcy law". For listed companies, this means that pre-filing vote solicitation must comply with the information disclosure rules of federal securities law, including specialized disclosure through Form 8-K . The substantive effect of this institutional arrangement is: bankruptcy law provides pre-packaged reorganization with procedural flexibility (exemption from prior court approval), but delegates the substantive standard of information disclosure to securities law for gatekeeping. Listed companies are not granted any exemption from information disclosure obligations merely because they are about to enter bankruptcy proceedings.

At the insider trading regulation level, the core position in the United States is equally clear: anti-fraud rules under Rule 10b-5 continue to apply throughout the entire pre-reorganization process. However, lawmakers and regulators also recognize that the negotiation process of pre-reorganization necessarily involves the selective sharing of material non-public information; if this were completely prohibited, pre-reorganization itself could not proceed. Therefore, practice has developed an information management mechanism based on confidentiality agreements: institutional creditors participating in pre-reorganization negotiations must sign confidentiality agreements with the debtor before accessing insider information, and establish information barriers within their own institutions to isolate the team participating in negotiations from the team engaged in securities trading. Some agreements also include "cleansing period" provisions, stipulating that informed parties may only resume trading after a specified period following the public disclosure of insider information. This mechanism was not created by statute, but rather evolved organically as an industry practice under SEC regulatory practice and the deterrent effect of private litigation, with

its effective operation highly dependent on market participants' rational expectations of legal consequences.

At the securities issuance level, Section 1145 of the Bankruptcy Code provides a registration exemption for securities issued under a reorganization plan. This exemption also applies to pre-packaged reorganization, enabling debt-for-equity arrangements without undergoing the SEC registration process, significantly reducing the transaction costs and time costs of pre-reorganization. However, the scope of the exemption is strictly limited to issuance registration and does not relieve the issuer of its ongoing reporting obligations under the Securities Exchange Act. In other words, the American system facilitates restructuring transactions while not relaxing the regular disclosure supervision of listed companies.

3.2 The United Kingdom: Delayed Disclosure and Regulatory Dialogue

The UK institutional experience offers an alternative approach. Traditionally, out-of-court debt restructuring of UK listed companies has been conducted primarily through Schemes of Arrangement, and the Restructuring Plan introduced by the 2020 Companies Act Amendment [7] further enriched the institutional toolkit. Unlike the American system, the UK securities regulatory framework has not established specialized information disclosure rules targeting pre-reorganization, but rather achieves a balance between confidentiality and transparency through the "delayed disclosure" provisions in its general information disclosure regime.

The FCA's information disclosure rules (DTR 2.1) require, in principle, that listed companies disclose insider information as soon as reasonably practicable. However, DTR 2.5 simultaneously provides that an issuer may delay disclosure when three conditions are met: immediate disclosure may damage the issuer's legitimate interests, the delay would not mislead the market, and the confidentiality of the information can be maintained. UK MAR Article 17(4) complements this, further clarifying the statutory conditions for delayed disclosure. In the scenario of a listed company entering a Restructuring Plan procedure, the confidential negotiations during the plan formation phase are generally viewed by the FCA as a "legitimate interest" scenario in which the delayed disclosure provisions may be invoked. However, this arrangement does not operate automatically, but depends on prior communication between the FCA and the company and its advisors—the FCA employs a "principles-based" regulatory approach, coordinating the tension between confidentiality and disclosure obligations through case-by-case guidance rather than uniform rules.

Another noteworthy feature of the UK system is its flexible approach to trading management. Similar to the United States, the FCA does not automatically require a full trading suspension during listed company restructuring but instead treats suspension as an exceptional measure. During the Restructuring Plan procedure, the FCA typically requires the company to issue an announcement before the plan is formally submitted to the court for approval; during the preceding negotiation phase, as long as the conditions for delayed disclosure continue to be met, the stock may continue to trade. If confidentiality is breached (for example, information leaks leading to abnormal stock price movements), the issuer must immediately make supplementary disclosure, and the FCA may also require a temporary suspension. This combination of "conditional delay plus triggered disclosure" is relatively well-designed in terms of institutional logic.

3.3 Comparative Insights and Limits of Domestic Transplantation

Although the U.S. and UK systems follow different paths, they share several fundamental points of consensus in addressing the coordination between pre-reorganization and securities regulation. First, pre-reorganization does not constitute grounds for exemption from information disclosure obligations—whether under the American dual-track constraint model or the British delayed disclosure model, the information disclosure obligations of listed companies persist throughout the pre-reorganization period; the only difference lies in the ability to flexibly adjust the timing and manner of disclosure to accommodate restructuring needs. Second, insider trading regulation is not relaxed for the purpose of restructuring—both countries insist on the continued application of anti-fraud rules throughout the pre-reorganization process, while seeking to balance "permitting necessary information sharing" with "preventing

information abuse" through market-based tools such as confidentiality agreements and information barriers. Third, trading suspension is the exception rather than the norm—both countries are inclined to maintain continuous trading of listed company stocks during pre-reorganization, implementing temporary suspension only at special junctures such as when confidentiality has been compromised or a key plan is about to be voted upon.

However, the domestic transplantation of foreign experience must confront the structural differences of China's capital market. The effective operation of the American NDA–information barrier–cleansing period mechanism is predicated on a market structure dominated by mature institutional investors, the deterrent effect of high civil litigation damages, and a professional bankruptcy legal services market [8]. China's A-share market is predominantly composed of retail investors, the professional self-discipline and internal compliance systems of institutional investors are still developing, and the deterrent effect of civil damages litigation against insider trading is far less than in the United States. The core of the UK delayed disclosure system relies on trust and conventions formed through long-term interaction between the FCA and market participants; this "principles-based" regulatory style is difficult to directly replicate within China's current rules-centered regulatory system. Moreover, China's pre-reorganization still lacks a unified national legislative foundation, and the operational models of courts in different regions differ significantly, which poses additional challenges for adapting securities regulatory rules—even if formulated—to non-uniform pre-reorganization procedures.

Therefore, the implications of foreign experience for China should be at the level of principles rather than a technical transplantation. Specifically, three basic principles can be extracted from the U.S. and UK experiences to guide the construction of China's system: first, information disclosure during pre-reorganization should adopt a "phased and flexible" arrangement, allowing deferral of disclosure under specified conditions, but the conditions and duration of deferral must be clearly defined by rules; second, insider information management should introduce the basic requirements of information barriers, but given the realities of the Chinese market, it may be necessary to rely on the proactive intervention of regulatory authorities rather than solely on market self-discipline; and third, non-suspension should be the principle for trading suspension and resumption, supplemented by a temporary suspension mechanism based on information disclosure trigger conditions. How these principles are translated into specific institutional designs will be discussed in the next section.

4. Institutional Response: Constructing Rules for Securities Regulatory Coordination in Pre-Reorganization

The preceding analysis has shown that the difficulties in securities regulatory coordination during pre-reorganization do not stem from the omission of any single rule, but rather from a systemic institutional gap characterized by the lack of coordination among information disclosure, insider trading regulation, and trading suspension and resumption arrangements [9,10]. Accordingly, institutional improvement cannot rely on piecemeal fixes but should proceed with holistic design based on an understanding of the internal connections among the three. The following sets forth specific recommendations from four dimensions, all sharing the common premise of the three basic principles extracted from foreign experience in the preceding section: disclosure obligations persist during pre-reorganization but the manner may be flexibly adjusted; anti-fraud rules apply throughout but allow for necessary information sharing within the institutional framework; and trading suspension is an exceptional measure rather than the norm.

4.1 Constructing a Phased Framework for Information Disclosure

The core challenge that the design of information disclosure rules in pre-reorganization must address is: how should the trigger conditions, content, and level of detail of disclosure obligations be differentiated across the various stages of pre-reorganization? This article proposes a three-tier structure of "trigger-based disclosure + deferred disclosure + supplementary disclosure."

The first tier is trigger-based disclosure. Through stock exchange listing rules or CSRC normative documents, certain objective events should be explicitly designated as trigger conditions for information disclosure obligations

during the pre-reorganization phase, including but not limited to: the court's decision to accept a pre-reorganization application, the appointment of an interim administrator or administrator, the formal establishment of a creditor committee, and the entry of potential reorganization investors into substantive negotiations. The designation of trigger conditions should emphasize external observability and avoid tying the initiation of disclosure obligations to the debtor's subjective judgment—that is, using the occurrence of specific objective events as the trigger for disclosure obligations, rather than tying disclosure obligations to the subjective intent or internal decisions of the debtor regarding pre-reorganization. Once a trigger event occurs, the listed company must issue an interim announcement within the prescribed time limit (recommended as within two trading days), explaining the basic nature of the matter, its potential impact, and subsequent arrangements.

The second tier is deferred disclosure. Given the legitimate need for confidentiality in pre-reorganization negotiations, listed companies should be permitted to defer disclosure of plan details still under negotiation when certain conditions are met. The conditions for deferral may draw on the framework of UK DTR 2.5, specifically including: immediate disclosure would materially harm the pre-reorganization process (such as triggering preemptive lawsuits by creditors or supply chain disruptions), the company can ensure that the confidentiality of the relevant information is not compromised during the deferral period, and the deferral would not cause the market to form misleading judgments. The decision to defer disclosure should be made by the listed company's board of directors or its authorized body, with written records maintained internally for subsequent review. The deferral period should not be excessively long; this article recommends a maximum of thirty calendar days in principle, with extensions requiring reporting to the stock exchange together with an explanation of the reasons. It should be emphasized that deferred disclosure is not an exemption from disclosure, but rather a conditional deferral of disclosure. Once the conditions for delay are no longer met (e.g., the information has leaked or confidentiality has been compromised), the debtor must immediately make supplementary disclosure.

The third tier is supplementary disclosure. Once the conditions for deferral are no longer met—typical scenarios include information leaks leading to abnormal stock price movements or changes in the scope of informed parties within the confidentiality perimeter—the listed company must immediately make supplementary disclosure, making previously deferred information publicly available to the market. Additionally, when pre-reorganization formally transitions from the negotiation phase to the court's ruling to accept the reorganization application, the company should conduct a comprehensive retrospective disclosure, presenting the key information from the entire pre-reorganization process in a complete manner to the market. The purpose of this arrangement is to ensure that investors can make informed judgments about the company's prospects after entering the formal reorganization phase.

4.2 Strengthening Insider Information Management and Insider Trading Regulation

The improvement of insider trading regulation should focus on the two weak links identified in Section 2: the ambiguity of the formation point of insider information and the insufficiency of the scope of insiders. Regarding the former, this article recommends that certain key milestones in pre-reorganization be explicitly designated as the statutory formation point of insider information through judicial interpretations or CSRC regulatory guidance. Although the general definition of insider information in Article 51 of the Securities Law is applicable in the pre-reorganization context, since pre-reorganization is a gradual process rather than a discrete event, the "formation point" of insider information is often difficult to ascertain in individual cases; establishing specific objective milestones as the formation point would enhance the predictability of enforcement. Selectable milestones include: the time when the debtor first engages in substantive contact with major creditors regarding a pre-reorganization plan, the time when the debtor formally engages financial advisors or legal counsel to assess the feasibility of pre-reorganization, and the time when the court decides to accept the pre-reorganization application. Given the case-by-case variations in pre-reorganization, these milestones need not be set as a single fixed point in time but may adopt a flexible rule of "the earliest to occur," with enforcement and judicial authorities making

determinations based on actual circumstances in individual cases.

Regarding the scope of insiders, the CSRC should utilize the catch-all authorization in Article 52, Item (7) of the Securities Law to explicitly bring core participants in pre-reorganization within the scope of persons who know insider information through normative documents , including interim administrators and their working team members, creditor committee members and their designated representatives, potential reorganization investors and their authorized negotiators, and principal handlers of intermediary institutions engaged by each party. Although the current provisions include a catch-all clause, the CSRC has not yet issued specific rules bringing pre-reorganization participants within the scope of insiders pursuant to this clause; activating this authorization through departmental rules or normative documents represents the most expedient path for expanding the scope of insiders. Once brought within the scope of insiders, these individuals must register pursuant to law and assume trading restriction obligations.

On this basis, an information barrier system specifically designed for the pre-reorganization context should be further introduced. Specifically, institutions participating in pre-reorganization negotiations (especially institutional creditors and potential investors that simultaneously hold the debtor's securities) should be required to provide written confirmation to the listed company that they have established internal information isolation measures before accessing insider information, ensuring that no information is transmitted between personnel participating in pre-reorganization negotiations and personnel engaged in trading in the debtor's securities. Violation of information barrier requirements should be treated as a breach of confidentiality obligations and, where the elements of insider trading are met, subject to legal liability. Article 24 of the Regulations on the Supervision and Administration of Securities Companies already requires securities companies to establish information barrier systems to prevent conflicts of interest and the improper flow of insider information between different business lines; however, this requirement applies only within securities companies and has not yet been extended to general institutional creditors participating in pre-reorganization negotiations. Extending information barrier requirements to core participants in pre-reorganization would require the CSRC to formulate specific rules within the existing authorization framework. The institutional cost of this arrangement is relatively limited—it does not require participants to relinquish their trading rights, but merely requires them to implement reasonable internal segregation, which is achievable for institutions with basic compliance systems.

4.3 Flexibilization of the Suspension and Resumption System

The improvement of suspension and resumption arrangements should, within the framework of "non-suspension as the principle" established by the 2018 CSRC guiding opinions, add operational rules specifically applicable to the pre-reorganization context. The basic approach recommended by this article is: the initiation of pre-reorganization should in principle not trigger a trading suspension, but two preconditions must be simultaneously satisfied—the listed company has fulfilled its information disclosure obligations pursuant to the aforementioned phased rules, and the registration of persons who know insider information has been completed and they are subject to trading restrictions. In other words, the precondition for non-suspension is that information disclosure and insider trading regulation are already in place. If the listed company defers disclosure of certain information for legitimate reasons, the stock may continue to trade during the deferral period, but if information leaks lead to abnormal stock price fluctuations, the stock exchange should have the authority to implement a temporary suspension, resuming trading after the company makes supplementary disclosure.

For exceptional circumstances requiring suspension, clear trigger conditions and time limits should be established. Trigger conditions may include: the pre-reorganization plan involves major asset restructuring or equity structure adjustments that are about to enter a critical voting phase, or information leaks cause the stock price to hit the daily price limit on a single trading day accompanied by abnormally high trading volume. The suspension period is recommended not to exceed five trading days as an upper limit, with extensions requiring case-by-case approval from the stock exchange. Additionally, consideration may be given to introducing a volatility interruption mechanism

as an alternative to full-day suspensions—automatically halting trading for several minutes when abnormal intraday stock price fluctuations occur, and resuming after the market has digested the information—thereby reducing the impact of panic-driven and speculative trading while maintaining liquidity. The introduction of a volatility interruption mechanism may draw reference from relevant provisions under the EU MiFID II framework. The existing daily price limit system on the Shanghai and Shenzhen stock exchanges already partially serves a similar function, but the daily price limit is a price restriction mechanism rather than a trading suspension mechanism, and the two differ in institutional logic and effect.

4.4 Establishing a Regulatory Coordination Mechanism

The effective operation of the rules in the above three areas ultimately depends on whether courts and securities regulatory authorities can establish an efficient information-sharing and coordination mechanism. The uniqueness of pre-reorganization lies in the fact that it is simultaneously subject to the court's judicial jurisdiction and the administrative supervision of the securities regulatory authority. If the two act independently, regulatory gaps among the rules are inevitable [11].

The most pressing need is to establish a notification system from the court to the securities regulatory authority following the court's acceptance of a pre-reorganization application. After the court decides to accept a pre-reorganization application from a listed company, it should notify the local CSRC bureau where the company is registered and the stock exchange on which the company's shares are listed within the prescribed time limit (recommended as within three business days), communicating the acceptance decision, information about the appointed interim administrator, and the basic circumstances of the pre-reorganization. The purpose of this notification is not to grant the securities regulatory authority a veto power over pre-reorganization, but to ensure it is promptly informed that the listed company has entered a pre-reorganization state, so as to initiate corresponding information disclosure supervision and market monitoring procedures. Under the current legal framework, there is no clear legal basis for courts to notify securities regulatory authorities after accepting a pre-reorganization application. The court's notification obligations under the Enterprise Bankruptcy Law primarily concern the acceptance of formal bankruptcy proceedings (Article 10) and do not cover pre-reorganization. Establishing a notification mechanism may need to be achieved through a joint document issued by the Supreme People's Court and the CSRC, similar to the institutional approach of the Memorandum on Multi-faceted Resolution of Securities and Futures Disputes between National Courts and the CSRC, jointly issued by the two institutions in 2019. Notably, the 2024 Minutes of the Symposium on Listed Company Bankruptcy Reorganisation jointly issued by the Supreme People's Court and the CSRC have taken a significant step in this direction, establishing a judicial-regulatory consultation mechanism for major matters and further clarifying information disclosure obligations and insider trading prevention requirements in listed company reorganization.

Building upon the notification system, further exploration should be made of the securities regulatory authority's role of "early intervention" in pre-reorganization. Specifically, the local CSRC bureau or stock exchange, upon receiving the court's notification, may proactively communicate with the listed company and interim administrator to provide ex ante guidance on information disclosure arrangements during pre-reorganization, including confirmation of disclosure milestones, review of deferral applications, and oversight of insider registration. The essence of this approach is to shift securities regulation from ex post accountability to real-time guidance, coordinating the tension between confidentiality and transparency in the course of advancing pre-reorganization. In terms of institutional pathways, the notification mechanism and early intervention arrangements may be established through the joint issuance of normative documents by the Supreme People's Court and the CSRC, without the need to amend laws or administrative regulations, thereby resulting in relatively low implementation costs and institutional resistance.

5. Conclusion

Pre-reorganization, as a debt rescue mechanism combining flexibility and efficiency advantages, is playing an increasingly important role in

resolving the risks of listed companies in China. However, the further development of the system cannot rely solely on procedural improvements within bankruptcy law; it must also confront the coordination gaps with securities regulation. The analysis in this article has demonstrated that the institutional absence of information disclosure rules, the insufficient coverage of insider trading regulation, and the rule vacuum in trading suspension and resumption arrangements collectively constitute the triple dilemma of securities regulatory coordination in listed company pre-reorganization, with the three intertwined and mutually causal.

Foreign experience shows that the United States has achieved institutionalized management of information disclosure in pre-reorganization through the dual-track constraints of bankruptcy law and securities law, while the United Kingdom has provided flexible space for pre-reorganization through delayed disclosure provisions and regulatory dialogue mechanisms. Although both paths depend on their respective specific market structures and regulatory traditions, they jointly reveal a fundamental proposition: the tension between the confidentiality needs of pre-reorganization and the publicity requirements of securities law is not an irreconcilable contradiction; the key lies in establishing a set of coordinating rules that are phased, flexible, and subject to oversight. The phased information disclosure framework, milestone-based and barrier-based insider information management, flexibilized suspension and resumption arrangements, and the coordination mechanism between courts and securities regulatory authorities proposed in this article represent preliminary attempts along this direction.

Of course, the discussion in this article has certain limitations. On one hand, since pre-reorganization in China is still at the stage of local exploration and lacks unified national legislation, the institutional recommendations in this article are to a considerable extent premised on the assumption of future unified legislation; if this premise cannot be realized in the short term, the implementation path for the recommendations will need further adjustment. It should be acknowledged that if pre-reorganization remains at the level of local court guidelines for an extended period, the integration of securities regulation rules will face greater technical difficulties—it would be difficult for the CSRC and exchanges to formulate uniformly applicable securities regulatory rules for significantly divergent local pre-reorganization operational models. Therefore, promoting unified legislation on pre-reorganization and improving the coordination with securities regulation are interdependent institutional propositions. On the other hand, constrained by the limited publicly available information on pre-reorganization cases, this article was unable to conduct a large-sample empirical examination of the securities regulatory issues in practice; in-depth research at the individual case level is left for future endeavors. Nevertheless, the institutional contradictions revealed and the regulatory framework proposed in this article may provide a tentative analytical starting point—subject to testing and revision—for the ongoing discussion in this interdisciplinary field.

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