


# DISCRETIONARY ADMINISTRATIVE POWER AND CONFLICTS OF INTEREST IN CHINA'S IPO APPROVALS

China's IPO approval process co-opts audit firm representatives into the regulatory decision body, which creates conflict of interest and potential channels for corruption. We show evidence that co-opted auditors (i) do not differ in their auditing practice of listed firms from other auditors, but (ii) attract more borderline IPO clients that do not fully comply with the listing requirements, contributing to higher audit revenue growth, (iii) increase the chance of IPO approval for their borderline candidates, which (iv) afterwards underperform regular IPO stocks by 19 percent in terms of their average two-year buy and hold return. Moreover, (v) these borderline IPO firms show poorer profitability than matched firms, suggesting potential misrepresentation of firm prospects at the IPO stage.

 **21 May 2024 (Tuesday)**  
 **10:00am-11:30am**

 **SEK205, 2/F, Simon & Eleanor Kwok Building**  
 **English**



## SPEAKER

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Harald Hau is a Swiss Finance Institute Professor of Finance at the University of Geneva, and a full professor at the Geneva School of Economics and Management (GSEM). Harald Hau taught Finance at INSEAD for 10 years in the MBA program and various executive programs before joining the Swiss Finance Institute in 2011. He is a research fellow at the Center for Economic Policy Research (CEPR), London; the Center for Economic Studies (CES), Munich; and the Hong Kong Institute for Monetary Research (HKIMR), Hong Kong. He also worked as a visiting scholar at the International Monetary Fund, and as the Wim Duisenberg Research Fellow at the European Central Bank. His research focuses on international finance and financial stability issues. He has published widely in top finance, economics and policy journals. His research won the *Joseph de la Vega Prize* of the Federation of European Stock Exchanges, best paper prize of the Foundation Europlace Paris, and the *Standard Life Prize* of the European Corporate Governance Institute.