

Discussion on the Influence of Stock Market opening on Market Manipulation

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Abstract: The stock market is an emerging market formed after China's reform and opening up. It plays a very important role in the development of our social economy. As an information intensive market, the stock price is very sensitive to the change of information. In order to make the stock market in a more fair and true state, relevant information needs to be transmitted to investors in a timely and accurate manner. However, in the actual stock market, relevant stock information cannot be disclosed to investors in a timely and accurate manner, which leads to an unfair stock investment environment and is not conducive to the sustainable and healthy development of the stock market. However, the gradual opening of the stock market in recent years has had an important impact on the manipulation of the stock market. Based on this, this paper chooses the impact of the opening of the stock market on market manipulation to study, in order to provide some reference for the follow-up research.

Keywords: Shares, Market opening, Market manipulation, Influence, Law.

1. Introduction

China's reform and opening-up has gone through 44 years. During this period, the capital market is also gradually forming. Under the influence of the capital market, some economic development miracles have been created, and we can also see the profound impact of the capital market on our production and life [1]. The securities markets of western developed countries have experienced more than a hundred years, during which many stock market manipulations have also occurred. However, the formation of China's stock market has only taken a few decades, and the relevant research on stock market manipulations is still in the initial stage. The stock market manipulations have seriously disturbed China's normal financial market and are not conducive to the sustained and healthy development of the financial market. The improvement of the openness of the stock market has an important impact on market manipulation. Therefore, it is of practical significance and theoretical value to explore the impact of the opening of the stock market on market manipulation.

2. Legal Definition of Stock Market Manipulation

The stock market has gradually formed since the reform and opening up. In the process of the development of the stock market, some market manipulations have caused important harm, which is not conducive to the sustained and healthy development of the stock market. However, the stock market manipulations have different legal definitions in various countries. For example, the United States first mentioned stock manipulation in the Securities Exchange Act in 1934, but the definition of stock manipulation is not clearly defined. Although many American scholars have put forward their own opinions on stock manipulation, there is no accurate definition in the law [2]. China's definition of stock market manipulation combines the actual situation of China, that is, a certain unit or individual, for its own interests or to reduce its own losses, makes full use of various advantages, such as

advantages in information, capital and public power, to manipulate the stock market, thereby affecting the stock market price, creating some false images of the stock market to confuse ordinary investors, Disturbance to the stock market. In the measures for the identification of market manipulation, five typical market manipulation behaviors are defined, such as preemptive trading, misleading trading, false declaration, specific price and specific period trading, which belong to stock manipulation. With the continuous development of information technology, the stock market gradually has the characteristics of high openness, which has a certain impact on stock manipulation.

3. Current Situation of Stock Market Opening

China's stock market is gradually opening up in the process of continuous development. From the current actual opening situation, it is mainly reflected in the following aspects.

3.1. Opening up the Overseas Issuance and Listing of Enterprises

With the continuous development of the times, China's stock market has gradually become mature, and the openness of the stock market has gradually improved. The listing of domestic enterprises in China has undergone many changes, from the first domestic company to issue B shares in China, to the H shares listed overseas by domestic companies, and then to the possibility of issuing a shares and H shares at the same time. For example, Tsingtao Beer became the first A + H shares company in China [3]. With the development of time, overseas listing places have been expanded, and domestic companies have more choices in listed shares. For example, Sinopec has become the first super large mainland enterprise listed in four places in China. On the whole, the listing of domestic enterprises in China has achieved rapid development, which can play a positive role in promoting the development of China's stock market.

3.2. Gradually Open to Investors

In the process of the continuous development of the stock market, the degree of opening of the stock market in China has gradually increased, and the investment behavior of investors has been gradually liberalized. Investors can obtain more investment information in the open market. Some overseas investors have gradually established communication channels in the domestic market or domestic investors in the overseas market, such as QFII, RQFII, Shanghai Hong Kong stock connect, Shenzhen Hong Kong stock connect, etc. Among them, QFII is a qualified foreign institutional investor system, which can establish a transitional arrangement for the inflow of foreign capital into the domestic stock market. In 2014, the Shanghai Hong Kong stock connect and Shenzhen Hong Kong stock connect were opened one after another, opening the era of gradual interconnection of domestic and foreign markets. The opening of the stock market to investors has created favorable conditions for the development of China's stock market, and the scale of the domestic stock market is constantly expanding.

3.3. Gradually Open To Institutions

Judging from the actual situation of institutions investing in stocks, the investment channels of overseas institutions are more abundant, and the restrictions on investing in China are gradually relaxed. Some institutions can obtain information in a more open state, forming a strong competitive ability and reducing the occurrence of stock manipulation. In 2002, foreign capital held no more than 33%, but by 2018, the proportion of foreign capital held was relaxed to 51%. At present, there are also cases of absolute foreign capital holding in China's stock market. For example, Nomura Oriental and JPMorgan Chase. With the continuous improvement of the openness of China's stock market, the channels for foreign capital to enter the domestic stock market are gradually increasing, and the convenience is also gradually increasing.

4. The Concrete Influence of Stock Market Opening on Market Manipulation

The opening degree of the stock market is gradually deepened, and investors can make stock investment in a more fair environment, which has an important impact on the manipulation of the stock market, mainly reflected in the following aspects.

4.1. Reduce Information Asymmetry

An important impact of the opening of the stock market is to reduce the asymmetry of information and ensure a good investment environment. For example, most of QFII are professional investment banks or fund companies. They have mastered a lot of investment information and analysis technology, and can conduct in-depth analysis and mining of enterprise information. After completing relevant analysis work, they can fully integrate the information into the stock price and better reflect the basic operating conditions of the company. When QFII is sold off, it will cause other investors to analyze and follow, It forms a negative threat and can guarantee the legitimate operation of the management of QFII and avoid the release of false information. At the same time, the investment behavior of QFII can be quoted and learned by investors, which can effectively reduce the cost of other

investors to obtain information, and continuously improve the market's attention to the holding companies, so that the stock market can share more listing information. In the operation process of listed companies, the transparency of information is gradually improved. Ordinary investors can understand the specific situation of investment companies in detail, which makes it more difficult for market manipulators to carry out manipulation. Therefore, when the stock market is open, it can have an important impact on market manipulation and reduce the difficulty of obtaining information.

4.2. Improve Stock Liquidity

The enhancement of information openness can effectively improve the liquidity of stocks. In the stock market, some professional investment enterprises have high authority. Their financial investment behavior can inject more funds into the market. At the same time, if professional investment companies hold shares, it will effectively improve the information of other ordinary investors on the holding companies and generate investment desire. For example, QFII holdings can significantly enhance the confidence of investors in listed companies. Under the opening of the stock market, it can effectively improve the liquidity of the company's shares. Under the influence of strong liquidity, it can cause small changes in the stock price and increase the difficulty of attracting retail investors. If you want to manipulate the stock market, you need to spend a large amount of money, which makes it difficult to manipulate. Therefore, the improvement of stock openness can have an important impact on market manipulation and effectively improve the liquidity of stocks.

4.3. Reduce the Impact of False Information

In the stock market, information plays a very important role for stock investors. In the stock market with high transparency of information, it can effectively reduce the impact of false information and enable some investors to obtain more accurate and comprehensive information in the process of stock investment. In the traditional information acquisition, due to the low market openness, some individuals or enterprises will spread some rumors for their own interests. These rumors are closely related to the interests of investors, resulting in false information flying, seriously affecting the price changes of the stock exchange, and ultimately causing excessive losses to investors. However, when the stock market is open, the information openness is higher and it is in a transparent state, which effectively reduces the spread of false information and reduces the impact of false information on Investors [4].

4.4. Reduce Insider Manipulation of The Stock Market

An important aspect of the manipulation of the stock market is the manipulation of insiders. Since the management power of each large company is in the hands of individual large shareholders, they will, for their own interests, manipulate the price of the company's stock by walking through a lot of information related to the enterprise, such as the profit status, dividend status and future development plan of the enterprise. Sometimes, the enterprise management will directly use the inside information to make profits, For example, the company bought a large number of shares of the company in advance before the company announced the rise of the stock price, and decisively sold the purchased shares

when the company had adverse news, which formed the manipulation of the stock market by insiders, resulting in the gradual chaos of the stock market and the unfair situation. However, with the gradual improvement of the openness of the stock market, the information presents a transparent state, and people get information more quickly and quickly. The speed gap between insiders and ordinary investors getting information is getting smaller and smaller, which makes the stock market gradually in a more open state, effectively reducing the manipulation of insiders on the stock market and making the stock market in a more fair state.

4.5. Reduce Cheating of Stock Brokers and Exchange Staff

In the process of stock trading, stock brokers or exchange staff may have cheating behaviors, such as overturning, false reporting, embezzlement, secret illegal stock trading and other cheating behaviors. These cheating behaviors have a certain impact on the equity of the stock market, causing ordinary investors to be at a disadvantage in the stock trading process, resulting in the loss of funds [5]. However, with the improvement of the openness of the stock market, the channels for investors to obtain stock information are more diversified, and the accuracy and scientificity of the information are gradually increased, which makes the stock trading in a more fair state, effectively reduces the cheating behavior of stock brokers and Exchange staff, and advantageously promotes the sustainable and healthy development of China's stock market.

5. Conclusion

As an information intensive market, investors need to rely on comprehensive, accurate and timely information as the

basis to make stock investment. Under the new environment, the stock market is gradually showing a more open trend, reducing the occurrence of traditional stock market manipulation, effectively reducing the asymmetry of information, improving the liquidity of stocks, and effectively reducing the cheating behavior of internal personnel, This has created favorable conditions for the sustained and healthy development of China's stock market.

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