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Procedural Defects and Judicial Reinforcement of Remedies for IPO Registration Refusal Under the Registration-Based System: From the Perspective of Illegal Environmental Information Disclosure

Chenyu Deng[1, *]

[1]School of Public Administration and Law, Hunan Agricultural University, Changsha, China
[*]Corresponding author: adengcorey@outlook.com

Abstract: Following the implementation of China's comprehensive registration-based IPO system, IPO registration refusal decisions issued by the China Securities Regulatory Commission (CSRC) constitute negative administrative acts in the field of administrative licensing, which directly affect enterprises' financing eligibility and major property rights. At present, China's remedy system for IPO registration refusal presents prominent deficiencies: inadequate ex ante procedural safeguards, fragmented remedy channels, inconsistent identification criteria for illegal environmental information disclosure, and weak judicial review. In cases where registration is refused on the ground of illegal environmental information disclosure, enterprises commonly face practical obstacles including insufficient defense opportunities, difficulties in verifying specialized facts, and low remedy efficiency. Centered on the protection of enterprises' right to remedy, this paper adopts normative analysis and comparative research methods to systematically elaborate the jurisprudential basis and normative foundation of remedies for IPO registration refusal. By comparing mature extraterritorial institutional experiences and their adaptability to China's context, this paper constructs a systematic remedy framework tailored to illegal environmental information disclosure scenarios from three dimensions: improving ex ante procedures, optimizing in-process remedies, and strengthening ex post judicial safeguards. This study aims to enhance effective judicial supervision over regulatory discretion, balance capital market regulatory efficiency and the protection of enterprises' legitimate rights and interests, and advance the standardized, law-based, and transparent operation of the registration-based IPO system.

Keywords: Registration-based IPO system; IPO registration refusal; right to remedy; judicial review; illegal environmental information disclosure.

1. Introduction

The comprehensive registration-based system, with information disclosure at its core, represents a major direction in the law-based and market-oriented reform of China's capital market. Against the background of the deepening implementation of the "dual-carbon" strategy, the full launch of mandatory A-share ESG disclosure, and the official enforcement of the Ecological Environment Code, environmental information disclosure has become a mandatory and substantively binding review item in IPO audits. Environmental information disclosure violations have also become a frequent cause for IPO rejection or forced withdrawal.

During its first IPO application for the ChiNext Market, Green Biotech Co., Ltd. faced a total fine of 200,000 yuan for two minor atmospheric pollution violations committed by its subsidiary, Manan Biotech. Although the company completed rectification, it failed to disclose such penalty information in its application materials in a timely manner. Selected for on-site inspection in 2021, the company was forced to withdraw its IPO application due to such environmental information disclosure issues. In its second application in 2023, the company continued to face sustained inquiries regarding historical environmental penalties and compliance problems, and eventually withdrew the application again in 2024. This case truly reflects that even enterprises with minor environmental violations that have been rectified face long-term obstacles to restart listing merely due to information disclosure defects, with their financing eligibility and development space severely restricted. Such cases reveal the vague identification criteria for environmental information violations in current IPO audits, and the lack of reasonable remedies for enterprises even after rectification. This not only impairs the legitimate rights and interests of enterprises but also deviates from the compliance incentives, precise regulation, and inclusive and prudent principles advocated by green finance, weakening the capital market's function in serving green development [1].

Therefore, a systematic study of remedies for IPO registration refusal due to environmental information disclosure violations is directly relevant to the rule of law level of the registration-based system reform, the sound operation of the green financial system, and the improvement of capital market fairness and regulatory credibility [2]. Improving identification criteria, strengthening right protection, and regulating regulatory discretion carry strong practical urgency and important institutional value.

2. Normative Foundations, Legal Basis, and Research Status of Remedies Against IPO Registration Refusal

From the perspective of legal basis, the remediability of IPO registration refusal decisions stems from their legal nature and basic principles of the rule of law. The CSRC's decision to refuse registration is a typical negative administrative act in the administrative licensing category, a public power act authorized by the Securities Law, rather than a market self-regulatory act [3]. Such a decision directly denies an enterprise's listing and financing qualification and exerts a final and significant impact on the enterprise's property rights and commercial reputation, fully satisfying the requirements of a reviewable specific administrative act under the Administrative Reconsideration Law and the Administrative Litigation Law. Meanwhile, the legitimacy of remedies relies on three core principles: the due process principle requires guaranteeing enterprises' rights to statement, defense, and cross-examination in the identification of environmental information violations [4]; the power restriction principle aims to constrain regulatory power with vague standards and broad discretion through external remedies [5]; the right protection principle follows the maxim that "where there is a right, there is a remedy," avoiding weakened corporate motivation for rectification due to inadequate remedies, which would run counter to the "dual-carbon" goals and green finance orientation.

From the perspective of normative basis, China has formed a multi-level, cross-sectoral institutional system connecting public law norms and regulatory rules, yet it is generally characterized by strong principled provisions but weak special rules, and strong generality but weak scenario applicability [6]. At the basic administrative law level, the Administrative Licensing Law establishes procedural obligations of reasoning and informing remedy rights for adverse administrative decisions, while the Administrative Reconsideration Law and the Administrative Litigation Law provide the basic framework for ex-post remedies. At the securities registration system level, the Securities Law establishes the issuance registration system centered on information disclosure, and the Measures for the Administration of Initial Public Offering Registration clarifies that registration refusal decisions are subject to administrative reconsideration and litigation. At the environmental supervision level, the Ecological Environment Code and the Measures for Ecological and Environmental Administrative Penalties provide professional grounds for identifying environmental violations and verifying data authenticity [7]. However, current norms have obvious limitations: rules are fragmented and poorly coordinated, identification criteria for "material environmental violations" are vague, and exchange reviews, administrative reconsiderations, and judicial reviews suffer from functional overlap and weak supervision, resulting in hollowed-out remedy channels and insufficient error-correction effects [8].

From the perspective of research status, existing literature has accumulated certain findings around registration-based system reform, information disclosure regulation, environmental rule of law, and securities remedies, yet systematic research focusing on corporate defense and right remedies from the perspective of environmental information disclosure violations remains relatively weak [9]. Most existing studies acknowledge the necessity of judicial review of IPO audits, focusing on the allocation of audit power, due process improvement, and judicial supervision boundaries. Research on environmental information and ESG regulation mostly emphasizes the construction of disclosure standards, institutional optimization, and regulatory efficiency, highlighting the strengthening of corporate compliance obligations and regulatory deterrence, with few studies conducted from the perspectives of corporate right protection, procedural defense, and regulatory power restriction [10]. Overall, existing research presents a pattern of "three mores and three lesses": more compliance-oriented research and less remedy-oriented research; more macro-institutional discussions and less environmental professional scenario analyses; more suggestions for strengthening regulation and less designs for regulating discretion and defense protection. Most literature starts from market regulation and corporate compliance, and rarely centers on corporate right remedies to systematically explore procedural defects and judicial reinforcement paths for IPO registration refusal due to environmental information disclosure violations. This paper fills this research gap, supplements deficiencies in existing research, and enriches theoretical outcomes of environmental information regulation and right protection under the registration-based system [11].

3. Practical Dilemmas of Remedies for IPO Registration Refusal

In the practice of China's registration-based system, the remedy mechanism for IPO registration refusal faces an overall dilemma of insufficient front-end procedures, weak mid-end remedies, and inadequate back-end judiciary. This dilemma is more prominent in cases of registration refusal caused by environmental information disclosure violations [12]. The superimposition of various problems not only impairs the protection of corporate rights but also restricts the rule of law level of environmental information disclosure regulation.

Insufficient ex-ante procedural safeguards deprive enterprises of effective opportunities to defend against the identification of environmental information disclosure violations during the audit stage. Audits are dominated by written inquiries, leaving enterprises limited room for full debate on key professional judgments such as the materiality of environmental information disclosure and the severity of environmental violations. Even with reasonable grounds such as environmental rectification or carbon emission accounting, enterprises cannot explain through face-to-face cross-examination, rendering the right to statement and defense nominal. For highly professional and controversial environmental matters, hearing procedures are barely applicable, making it difficult for enterprises to refute professional evidence and identification logic. More crucially, registration refusal decisions are poorly reasoned, only generally indicating defects in environmental information disclosure without specifying details of violation constitution and evidence admission, leaving enterprises unable to initiate targeted remedies or clarify compliance directions.

Fragmented and misaligned remedy channels including exchange reviews, administrative reconsiderations, and administrative litigations fail to meet the professional demands of environmental information disclosure violation cases. Exchange reviews are internal examinations lacking environmental professional capacity, making substantive correction of identification deviations difficult; administrative reconsiderations suffer from insufficient independence and professionalism without participation of environmental experts, leading to inaccurate judgments of causal links between environmental violations and registration refusal and low error-correction rates; administrative litigations are time-consuming and costly, with courts lacking environmental professionals to handle specialized disputes, and lengthy procedures often cause enterprises to miss listing windows, resulting in weak remedy effectiveness. Poor coordination among the three channels fails to form synergy, leaving enterprises at a loss in rights protection.

Cases involving environmental information disclosure violations involve special remedy obstacles with high professional barriers and more complex disputes. First, criteria for "material environmental violations" are vague, with no specific indicators such as penalty amount or pollution degree specified by law, and inconsistent identification standards between ecological and environmental authorities and securities regulators, making it difficult for enterprises to form stable compliance expectations or mount effective defenses. Second, access to professional evidence is difficult, as key evidence such as environmental penalties and monitoring data is held by administrative organs, placing enterprises in an information-disadvantaged position with limited ability to cross-examine and refute. Third, the definition of causality is ambiguous, with reconsideration authorities and courts struggling to distinguish minor defects from material violations in environmental information disclosure, often treating different violation scenarios equally and reducing enterprises' remedy success rates [13].

Judicial review is procedurally superficial and lacks professional support, failing to function as the final line of defense for right remedies. Courts mostly conduct only procedural legitimacy reviews in IPO registration refusal cases, rarely examining the facts, evidence, and discretionary rationality of environmental information disclosure violations in substance, and defer excessively to regulatory discretion. Facing specialized issues such as carbon emissions and environmental standards, courts rely heavily on regulatory opinions and cannot make independent judgments, leading to nominal judicial review [14]. This results in low remedy success rates in such cases, with registration refusal decisions nearly final, impairing corporate rights and regulatory credibility, and failing to guide enterprises in standardizing environmental information disclosure—contrary to the capital market regulatory orientation under the "dual-carbon" goals.

4. Extraterritorial Experience and Local Adaptation

In contrast to China's practical limitations of written inquiry-dominated IPO audits, inadequate corporate professional defense rights, and deferential judicial review, the U.S. remedy model centered on administrative hearings and judicial review presents a sharp contrast [15]. After the U.S. Securities and Exchange Commission (SEC) issues a registration refusal decision, it conducts formal hearings presided over by administrative law judges, with specialized experts in environmental protection introduced into the review process to guarantee enterprises full rights to cross-examine and debate on professional matters such as carbon emission accounting and environmental penalty identification, precisely solving the prominent problem of insufficient professional defense for Chinese enterprises. Its courts conduct comprehensive substantive reviews of facts related to environmental information disclosure violations, breaking through the limitation of China's judicial review focusing on procedural legitimacy, and effectively correcting regulatory discretion deviations. Moreover, the specialized division mechanism between the U.S. Environmental Protection Agency (EPA) and the SEC provides feasible reference for resolving the disconnect between environmental regulation and securities audit in China.

In response to China's practical dilemma of lacking unified criteria for identifying "material environmental violations" and fragmented remedy channels, the EU remedy model demonstrates more prominent institutional advantages. The EU transforms ESG information disclosure from soft-law constraints into hard-law obligations through relevant legislative directives, clearly defining specific standards for environmental information disclosure and boundaries of violation identification in IPO audits, effectively solving the problems of inconsistent identification criteria and divergent regulatory standards in China's environmental information disclosure regulation. Its integrated remedy structure and multi-field expert collegial reconsideration model, distinct from China's misaligned and poorly coordinated multiple remedy channels, significantly improve the professionalism and efficiency of remedy procedures. Meanwhile, the institutional design of open discretionary logic effectively compensates for the lack of transparency in China's remedy procedures.

In summary, from a comparative law perspective, the remedy systems of the United States and the EU precisely address the core shortcomings of China's remedies for IPO registration refusal due to environmental information disclosure violations in terms of procedural professionalism, standard setting, and channel coordination. Drawing on extraterritorial experience requires grounding in China's comprehensive registration-based system practice and "dual-carbon" orientation, locally adapting the institutional logic of U.S. professional defense and substantive review, as well as the practical path of EU unified standards and integrated remedies, and integrating them into China's existing remedy system to fill institutional gaps. This will fully leverage the practical empowerment value of comparative law research and construct a remedy system for IPO registration refusal due to environmental information disclosure violations that fits China's local context and integrates professionalism and operability.

5. Improvement Paths for the Remedy System

5.1. Ex-Ante Level: Rigid Procedural Constraint System

A rigid procedural constraint system shall be established to avoid improper financing blockages at the source. Securities regulators and stock exchanges shall implement due process throughout the audit. Before issuing decisions such as registration refusal or application dismissal that affect corporate listing and financing, they shall legally notify enterprises in writing of the alleged violation facts, evidentiary basis, and proposed outcomes. Enterprises' statutory rights to statement, defense, and supplementary material submission shall be fully guaranteed. For major professional matters involving carbon emission data disputes and rectification effect identification, a multi-disciplinary joint hearing procedure shall be mandatorily initiated, with hearing records serving as a necessary basis for decision-making. Meanwhile, the reasoned disclosure obligation of review documents shall be strengthened, clearly specifying violation identification, evidence admission, rectification evaluation, and the causal link to financing restrictions, providing standardized support for subsequent rights protection and listing restart.

5.2. In-Process Level: Hierarchical Remedy and Financing Tolerance-Restart System

A hierarchical remedy and financing tolerance-restart system shall be established to address the dilemma of corporate listing restart barriers. Relying on a three-tier identification standard of minor, moderate, and material violations, a differentiated remedy system shall be constructed: for minor disclosure defects that are unintentional, without substantive harm, and fully rectified, negative listing records shall be directly exempted, allowing enterprises to restart IPO applications normally after rectification verification; for moderate defects with active rectification, a 6–12 month compliance observation period for rectification shall be set, with financing restrictions lifted upon expiration without new violations; for material violations involving intentional fraud or concealment, strict access regulation shall be maintained to safeguard market disclosure bottom lines. Meanwhile, reconsideration collegial deliberation and differentiated burden of proof rules shall be optimized, a suspension mechanism for financing penalty enforcement shall be added, and a cross-departmental verification of rectification outcomes green channel shall be opened to resolve compliance disputes efficiently and prevent financing stagnation due to pending controversies.

5.3. Ex-Post Level: Substantive Judicial Reinforcement System

A substantive judicial reinforcement system shall be improved to build the final line of defense for corporate financing rights. On the basis of legality review, people's courts shall conduct substantive reviews of factual identification, evidence admission, and regulatory discretionary rationality, focusing on verifying the causal link between disclosure defects and financing restrictions. Decisions with incorrect standard application or improper discretion shall be revoked or remanded for re-deliberation according to law. Judicial professional deficiencies shall be addressed through expert assistants, environmental judicial appraisal, and professional consultations with competent authorities, reducing over-reliance on regulatory opinions. Meanwhile, the Supreme People's Court, together with the CSRC and the Ministry of Ecology and Environment, shall unify adjudication standards for similar cases to realize consistency between regulatory and judicial standards.

5.4. Supporting Level: Cross-Departmental Coordination and Compliance Incentive Mechanism

A cross-departmental coordination and compliance incentive mechanism shall be improved. A mechanism for information sharing and joint identification between the CSRC and ecological and environmental authorities shall be established to unify violation judgment criteria and rectification acceptance standards, and eliminate cross-departmental regulatory conflicts. A third-party pre-listing compliance verification model shall be promoted to reduce disclosure defect risks at the source. A special capital market credit repair mechanism shall be improved to restore market credit records for enterprises with rectified minor violations, ensuring normal IPOs, refinancing, and other capital operations.

5.5. Implementation Path and Feasibility Analysis

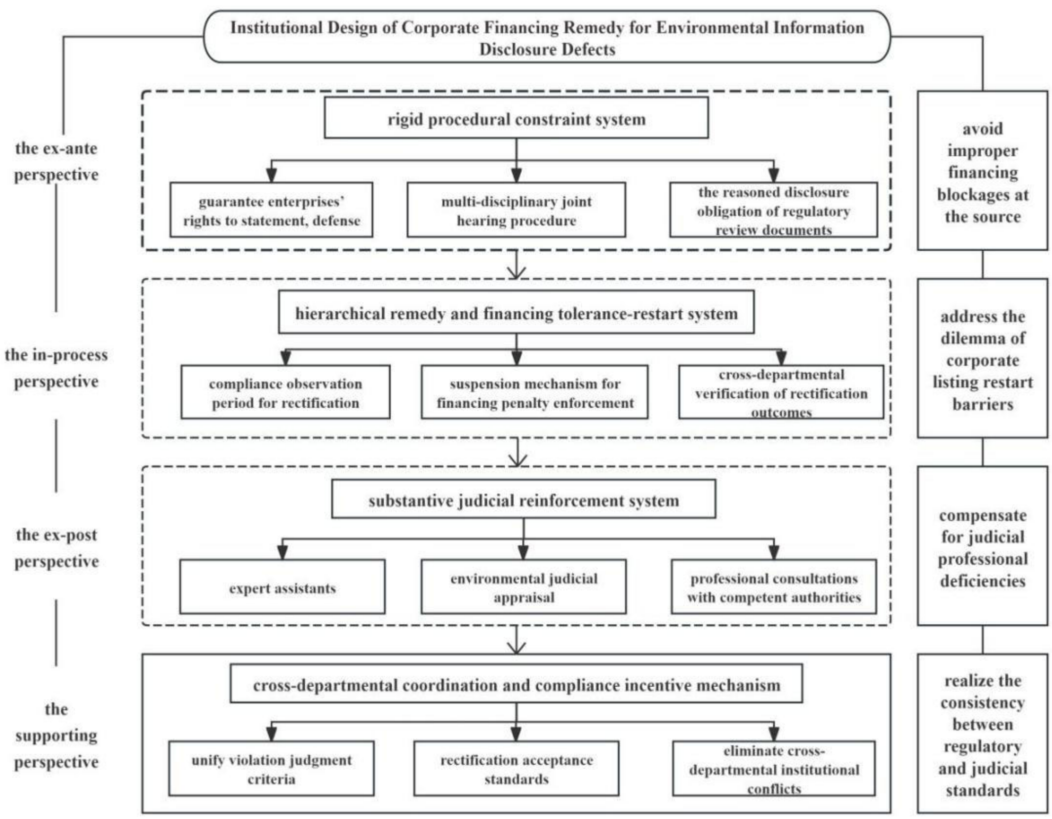

Figure 1. Corporate Financing Remedy (for Environmental Disclosure)

The system shall be implemented in a three-stage progressive path: in the short term, core rules for tolerance restart, hearing reasoning, and credit repair shall be improved, with unified audit and burden of proof standards; in the medium term, the full-process remedy mechanism shall be fully implemented, and a cross-departmental coordination, verification, and judicial linkage system established; in the long term, mature mechanisms shall be institutionalized as normalized rules and integrated into the registration-based regulatory system.

This institutional system has sufficient practical feasibility. First, all rules are refined and extended within the current legal framework with a solid legal foundation. Second, mature extraterritorial experiences are locally adapted to avoid institutional mismatches and fit China's market regulatory structure. Third, it accurately distinguishes defect levels and subjective faults, solving the core pain point of difficulty in restarting listing and financing while preventing market disorders caused by excessive regulatory leniency. It aligns with the rule-of-law reform direction of the registration-based system and green finance, featuring strong operability and application value.

6. Conclusion

Remedies for IPO registration refusal are an indispensable component of the rule of law in the registration-based IPO system. Remedies for registration refusal due to illegal environmental information disclosure represent a key intersection balancing the "Dual Carbon" goal and the rule of law development of the capital market. Improving such remedies does not weaken regulatory authority; instead, it achieves organic integration of regulation and right protection by regulating the exercise of public power and perfecting the right to remedy. Only by establishing a system featuring due process, effective remedies, and robust judicial protection can we standardize enterprises' environmental information disclosure practices, maintain capital market order, protect enterprises' legitimate rights and interests, enhance the credibility and rule of law level of the registration-based IPO system, and promote the coordinated achievement of high-quality capital market development and the "Dual Carbon" strategic goal.

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