

## LEGAL REGULATION OF SCI-TECH FINANCE AND ITS EFFECTS TO SCI-TECH INNOVATION OF CHINA

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This article deals with the problem of legal regulation of sci-tech finance in China. It provides a definition of sci-tech finance and characterizes the Chinese legislation regulating this area. The authors formulate some proposals for improving the legal regulation of sci-tech finance in China.

**Ключевые слова:** sci-tech finance; China legislation; regulation; internet finance; decentralized cryptocurrencies; AI.

The so-called sci-tech finance is essentially a diversified technology finance system focusing on the transformation of scientific and technological achievements and high-tech industries. Currently, sci-tech finance maturity is the stage of optimized development under government guide [1].

The use of the term "sci-tech finance" in China originated from "Sci-tech Progress Law of the People's Republic of China" (1993) [2].

Foreign scholars didn't pay enough attention the concept of "sci-tech finance". Different experts and scholars have given different explanations, but they all continue the logic of financial service technology, technology capitalization, and the mutual promotion and interdependence of finance and technology [3].

Regulation of sci-tech finance also faces a number of difficulties. Regulation may inhibit or stimulate technological innovation. Technology and regulation are often posed as adversaries. Technology symbolizes markets, enterprise, and growth, while regulation represents government, bureaucracy, and limits to growth [4]. Many sci-tech innovation activities have obvious uncertainties and risks. Because finance is central to the economy, is social and political, and is non-stationary [5]. However, financial system including more supporting tools and varieties has been formed. In the process of vigorously promoting the innovation of tools and varieties of financial support for technological innovation, effective regulation and supervision of these supporting tools and varieties is particularly important, and it is urgent.

China experienced serious problems because of lacking legal regulations of sci-tech finance in the past few years. In particular, China announced many administrative regulations to advocate capital invest in long-term technological innovation, such as semiconductor, instead of over speculation in capital market and real estate market. But, because of lacking legal regulation in sci-tech finance, many companies cheat to invest in sci-tech innovation, they constantly invest the capital into real estate.

The overall trend of China's sci-tech innovation has been improving in recent years. Over 29 government legal regulation documents about sci-tech finance were issued. The number of Patent in Force in R&D Institutions of Local Governments, the number of New Products Development and Sale of Industrial Enterprise, and the Value of Imports and Exports of High-tech Products were show thriving trends of sci-tech innovation in China.

As a result of our research, it was found that legal regulation of sci-tech finance in China suffered from:

1) Lacking law making on sci-tech legal regulation, it includes: internet finance, decentralized cryptocurrencies and P2P lending.

2) Weakness of enforcement, including: lacking international legislation cooperation and enforcement and insufficient talents in court.

3) Insufficient in introducing technology.

4) Lacking mechanism innovation, including: crowdfunding financing and low legal hierarchy.

In order to solve these problems, suggestions are:

1) Scientifically making laws and regulations, including formulate detailed legal regulation, revision financing guarantee laws, improve law for venture capital, improve intellectual property law and eliminate the inconsistency between legal.

2) Strengthen enforcement of sci-tech finance legal regulation, including: strengthen enforcement of sci-tech finance legal regulation refers to improve legal supervision of shadow banking and improve internet financial supervision and using principle-oriented supervision.

3) Scientifically introducing technology, including: promote financial system innovation, regulate fintech, introduce blockchain, introduce AI, introduce regulatory technology and promote financial system innovation.

4) Promote mechanism innovation, including: SEC act as financial stability, establish long-term mechanism, establish departmental linkage mechanism, set multidimensional responsibilities for stakeholders, establish joint international regulatory regime, develop institutional structure that rewards policy innovation, establish consumer financial protection bureau, localize internet financial supervision entities and construct "safe harbor" system for internet finance.

Legislators should take into account that when modifying existing laws or creating new ones, a level playing field should exist between all financial services providers. Legislation should also avoid a situation in which sci-tech company apply ledger technology and are heavily regulated for doing so, while new sci-tech companies apply ledger technology for the same purposes but remain unregulated. The same regulated services should be subject to the same legal requirements. The various services offered by various market participants could be mapped and regulated accordingly [6].

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