

# On the Shareholder Status of the Equity Assignee in Equity Transfer for Security

Weiyan Kuang

Faculty of Law, Macao University of Science and Technology, Macao, China

## ABSTRACT

This article discusses the issue of whether the equity assignee in equity transfer for security enjoys the shareholder qualification within the corporate organization. There are disputes both in the theoretical circle and judicial practice regarding the shareholder status of the equity assignee in equity transfer for security within the corporate organization. The ambiguity in the legal framework of equity transfer pledges and the vagueness of standards for determining shareholder identity are the theoretical roots of the identification dilemma. Meanwhile, the encroachment of party autonomy on mandatory corporate law norms and the dualistic judicial approaches (differentiating between internal and external relationships) serve as practical catalysts for these challenges. To accurately ascertain the shareholder status of the equity transferee within the corporate framework in the context of equity transfer as security, it is imperative to meticulously elucidate the foundational legal architecture of equity transfer as security. Additionally, the legal provisions in the Company Law governing the determination of shareholder status should serve as the cornerstone for legal interpretation.

## KEYWORDS

Equity Transfer Guarantee; Equity Transfer; Shareholder Status.

## 1. INTRODUCTION

Transfer security arrangements in China originated from private lending activities and are characterized by the use of real estate such as houses and land as collateral. In the early stages, academic discussions on transfer security predominantly approached its legitimacy, legal nature, and legal validity through a civil law framework, aiming to incorporate transfer security into the jurisdiction of guarantee law. Under the influence of the functionalist approach in security legislation, academia began to prioritize commercial security. Meanwhile, with the continuous refinement of property registration systems, the types of underlying assets in transfer security arrangements have diversified, with equity emerging as the most widely applied collateral in practice after real estate. The essence of equity transfer guarantee lies in the conveyance of equity interests to secure the realization of creditor's rights. Equity transfer for security, which possesses the functions of credit enhancement and guarantee, can broaden a company's financing channels and circumvent financing risks. It has thus become an important means of corporate financing. Meanwhile, the disputes arising from equity transfer for security are also showing an increasing trend.

*The Civil Code of the People's Republic of China* does not explicitly provide a statutory definition for equity transfer guarantees. *Article 69 of the Interpretation of the Supreme People's Court on Issues Concerning the Application of the Civil Code of the People's Republic of China Regarding Security Systems* defines equity transfer guarantee as follows: \*Shareholders provide security for the performance of debts by transferring their equity to the name of the creditor. The equity transfer

guarantee involves the cross-applicability of legal systems such as contracts, security interests, property rights, corporate law, and bankruptcy. Under the framework of corporate law, equity transfer guarantees in existing research encompass issues such as disputes over shareholder identity, exercise of shareholder rights, assumption of shareholder obligations, and equity transfers. A central issue arising from the application of equity transfer guarantees in corporate law is determining the legal status of the rights holders within the corporate entity. This involves resolving their standing as shareholders or creditors. In the legal framework of equity transfer guarantees, the debtor acts as the security grantor and equity transferor, while the creditor serves as the security rights holder and equity transferee. The subject of this study is the equity transfer guarantee right holder, focusing on whether they acquire shareholder status within the corporate structure after receiving transferred equity. Following the logical sequence of "theoretical collation-problem identification-cause analysis-viewpoint construction", this article first sorts out the existing research findings in the field of equity transfer for security. Subsequently, it focuses on the disputes over the determination of shareholder status derived from equity transfer for security, and analyzes the normative and practical incentives that lead to the difficulties in identifying the shareholder status of the secured obligee.

## 2. LITERATURE REVIEW

Existing studies have carried out extensive discussions on equity transfer for security. Research conducted from the perspective of legal hermeneutics encompasses aspects such as the legal structure, legal effects, and realization of security rights of equity transfer for security. Empirical analysis, on the other hand, covers the basic characteristics, time, causes of action, geographical distribution, hierarchical distribution of the trial courts, parties involved in the cases, and the focal points of disputes in cases related to equity transfer for security. *The Civil Code* provides normative guidance and support for the improvement of the interpretive approach to equity transfer for security.[1] Against this backdrop, the legal validity of the equity transfer contract and the equity transfer itself should be recognized, and the shareholder status of the creditor should be clarified.[2] However, some existing researchers have already realized that the previous studies have not been conducted based on the attribute of the Company Law as an organizational law.[3] The thorough resolution of the legal issues concerning equity transfer for security must be grounded in commercial thinking.[4] Regarding the specific issue of shareholder status identification, most of the existing studies merely briefly mention the issue of the secured creditor's shareholder qualification under the topic of "the secured creditor exercising equity rights". The secured creditor enjoys the status of a nominal shareholder.[5] This kind of research presupposes the stance that the equity assignee in equity transfer for security is a shareholder of the company, and it lacks sufficient attention to the disputes over shareholder qualification triggered by equity transfer for security.

On the other hand, the confirmation of the shareholder qualification of a limited liability company has always been a highly controversial issue in the theory of company law. With the amendment and implementation of the Company Law of the People's Republic of China in 2024, the academic circle has carried out systematic and reflective research on the equity transfer pattern of limited liability companies. There is a viewpoint holding that describing the pattern of equity transfer with the doctrine of effectiveness upon the company's knowledge conforms to the legal norms and practical expectations.[6] There is another viewpoint suggesting that the pattern of equity transfer cannot achieve uniformity, and the separability of equity interests should be adhered to. One should grasp the different occurrence times of the transfer of property interests of equity and the confirmation of personal interests related to equity.[7] At the same time, in the field of corporate law, there are judgment scales of "substantive criteria" and "formal criteria" for the confirmation of shareholder status. The multiple confirmation bases within the system of company law are likely to lead to chaos and disorder in the standards for confirming shareholder qualifications.[8] Existing research on shareholder qualifications mainly focuses on the definition of subjects such as controlling shareholders, dormant shareholders, and actual controllers. For example, the agreement on the

ownership of equity in the case of entrusted equity holding is involved in the issue of identifying the shareholders of a company.[9] Compared with the above-mentioned subjects, the shareholder status of the equity assignee in equity transfer for security does not arise from legal provisions, nor from the company's election or appointment, and is not a result of an entrusted equity holding agreement either. Instead, it stems from the "agreement" between the creditor and the debtor in the equity transfer for security, which reflects the consensus on equity transfer and the consensus on security. Due to the complex transaction structure unique to equity transfer for security, which is absent in the cases of controlling shareholders, dormant shareholders, and actual controllers, the existing identification approaches have failed to adequately address the issue of confirming shareholder qualifications arising from equity transfer for security. Existing research on shareholder status has overlooked the particularity of the shareholder status derived from equity transfer for security.

### **3. PROBLEM STATEMENT**

Existing research on equity transfer guarantees has conducted extensive discussions on its legal complexities and practical applications. Studies employing doctrinal legal research examine the legal structure, legal validity, and realization of secured claims under equity transfer guarantees. Empirical analysis covers the basic characteristics, chronological distribution, case nature, geographical distribution, court hierarchy distribution, involved parties, and dispute focuses in equity transfer guarantee cases. Most existing studies only briefly address the shareholder status of security rights holders under the rubric of "exercise of equity interests by security rights holders." Such research presupposes the position that equity transfer guarantee rights holders qualify as company shareholders, while neglecting the unique characteristics of shareholder status disputes inherent in equity transfer guarantees. Consequently, these studies fail to adequately address the shareholder status controversies triggered by such arrangements.

The shareholder status confirmation issues arising from equity transfer guarantees exhibit unique characteristics. Existing research on shareholder status predominantly focuses on defining entities such as controlling shareholders, undisclosed shareholders, and actual controllers, while devoting insufficient attention to the distinct legal dynamics of equity transfer guarantee arrangements. In contrast to the aforementioned entities, the shareholder status of equity transfer guarantee rights holders does not arise from statutory provisions, corporate elections/appointments, or equity holding agreements. Instead, it stems from the "agreement" between the creditor and debtor in the equity transfer guarantee, reflecting the dual intentions of equity transfer and security arrangement. Furthermore, equity transfer guarantees exhibit two distinctive features: (1) the separation of security objectives and methods, and (2) diverse transaction structures. Unlike scenarios involving controlling shareholders, undisclosed shareholders, or actual controllers—which lack such complex transactional frameworks—existing legal identification frameworks have failed to adequately resolve shareholder status disputes arising from equity transfer guarantees.

Regarding the legal status of right holders under equity transfer guarantees within corporate entities, academic circles present three distinct theoretical perspectives. The first one is "creditor-only Theory". The security rights holder is merely an nominal shareholder, as the equity transfer lacks genuine intent for equity investment. Since the transfer is purely formal and not grounded in actual shareholder contributions, their post-transfer shareholder rights are restricted by the security objective. The second one is "full shareholder status theory". Once the security rights holder completes the equity transfer formalities, they attain full shareholder status under corporate law, thereby entitled to all shareholder rights. The third view is the mainstream perspective in judicial adjudication. Adopted as the prevailing judicial approach, this perspective posits that: For subjects in external legal relations of the company, the security right holder has the status of a shareholder, while for the company and other shareholders of the company, it does not have the status of a shareholder. This approach is referred to as the "internal-external distinction theory".

Disputes arising from equity transfer guarantees in corporate law have shown an increasing trend in Chinese judicial practice. Shareholder status confirmation litigation constitutes the primary issue to be addressed in equity transfer guarantee-related corporate law cases. In related disputes, apart from the validity assessment of equity transfer guarantee agreements involving contractual law's evaluation of atypical contracts, issues such as whether the transferee acquires shareholder status or assumes shareholder capital contribution obligations cannot be resolved without recourse to the understanding and application of corporate law. Among these issues, determining who holds shareholder status within equity transfer guarantee arrangements constitutes the foremost legal challenge when such mechanisms intersect with corporate law. Judicial practice has developed an adjudicative framework that adopts a dual perspective. In terms of internal legal relations of the company, the security grantor retains the status of shareholder. In terms of external legal relations of the company, the security holder is recognized as the shareholder.

Both the theoretical and practical circles have adopted the internal-external distinction theory to identify the legal status of the security holder in the company's organizational structure in the context of equity transfer guarantee. However, under the logic of the internal-external distinction theory, the attribution of equity to both the creditor and the debtor violates the principle that equity can only be vested in one rights holder, giving rise to the issue of ambiguous shareholder status for the security holder in equity transfer guarantee. This paper will analyze the deep-rooted causes of the dilemma in identifying the shareholder status of the security holder in equity transfer guarantee from both theoretical and practical dimensions, and propose optimization paths.

## **4. THE IDENTIFICATION DILEMMA**

As an atypical security method developed in commercial practice, there is still no unified understanding of the legal nature of equity transfer for security in both the theoretical and practical circles. Meanwhile, the issues of determining the validity of equity transfer and confirming shareholder status have always been the core points of contention in the field of company law. The combination of the above two factors has put the identification of the shareholder status of the equity assignee in the legal relationship of equity transfer for security in a dilemma.

### **4.1. The Legal Fundamental Structure of Equity Transfer for Security is Unclear.**

The legal architecture of equity transfer guarantee remains a locus of theoretical debate, rooted in conflicting characterizations of the ownership nature of the guaranteed subject matter. Ownership is no longer merely a "right label" appended to the subject matter for the purpose of ownership attribution. It exists as an independent right inherently possessing transferability, securability, and credit-bearing attributes. This contradicts the perspective in the civil law system's real rights theory that "ownership, as a right label, remains inseparable from the subject matter and embodies absolute erga omnes validity" — a principle asserting its binding force against all persons in the world. Thus, two divergent theories have emerged: the ownership structure theory and the security interest structure theory. The theory of ownership structure holds that, in transfer guarantee, the transfer of ownership between the guarantor and the secured party is merely a formality. The creditor holds "formal" ownership, while the debtor retains the so-called "substantive" ownership. Under the security interest structure theory, the creditor's rights are confined to the security value of the subject matter, limited to the purpose of guarantee. The ownership structure theory focuses on the legal means of transferring ownership to the creditor, while the security interest structure theory centers on the purpose of guarantee. The theoretical construction of real rights for security is more in line with *the Civil Code* and its judicial interpretations, and it can be linked with the principles of party autonomy in will and the doctrine of appearance, so as to achieve better legal effects.[10] In addition, some scholars hold the view that neither the theoretical construction of ownership nor the theoretical construction of real rights for security can explain equity transfer for security, and the normative

construction of equity transfer for security should be clarified according to positive law.[11]This paper holds that,whether the equity of the guaranteed subject matter exists as a complete ownership or is characterized as a security right will affect the identification of the shareholder status of the holder of the equity transfer guarantee in the corporate entity.However, the existing discussions on the legal fundamental structure of equity transfer for security are presupposed on the thinking mode of civil law, lacking attention to the commercial attributes of the equity transfer for security transactions. As a result, it fails to correctly identify the multi-layered legal relationships triggered by equity transfer for security.

#### **4.2. he Interpretative Dilemma in Equity Transfer**

The legal validity of equity transfer acts is regarded as one of the critical criteria for determining whether shareholder qualifications are acquired. There are doubts about how to define the legal validity of the equity transfer in equity transfer for security. It is widely believed that equity transfer is the external form of equity transfer for security. This form of transaction can be described as "ostensibly an equity transfer but actually an equity transfer for security", that is, the transfer of equity is a collusive false act by the parties, and their true intention is concealed. Based on the provisions of the Civil Code, the equity transfer act carried out by the creditor and the debtor should be deemed invalid. In contrast, some viewpoints hold that adjudicators should employ a penetrative trial thinking to explore the true intention of the guarantee hidden by the parties. This paper argues that in commercial practice, equity transfer for security is presented in the form of an equity transfer contract, and the intention of guarantee is concealed among the parties. When the parties sign a clear equity transfer for security contract, or make explicit agreements in the contract regarding the establishment of equity guarantee, the exercise of equity, etc., at this time, the equity transfer for security represents the true intention of the parties. In the case of not violating the mandatory provisions of laws and administrative regulations, there is no situation where the equity transfer for security has a disparity between its name and substance.

Interpretative controversies are existed in theoretical circles regarding the equity transfer acts within the transaction structure of equity transfer guarantee.Article 71 of *the Minutes of the National Court Civil and Commercial Trial Work Conference* and Article 68 of *the Interpretation of the Supreme People's Court on the Application of the Guarantee System under the Civil Code of the People's Republic of China* emphasize that the transfer of property rights in transfer guarantee is a "formal transfer".In other words, judicial interpretations provide that holders of equity transfer guarantees are not entitled to shareholder qualifications and shall be prohibited from exercising shareholder rights against the company.On the contrary, an opposing view holds that "formal transfer" implies a risk that legal acts with a registered appearance may be unreliable, which is equivalent to imposing a higher duty of care on the counterparties to other legal relationships involving the subjects of equity transfer guarantee.

#### **4.3. The Ambiguity in Standards for Shareholder Qualification Determination**

The determination of shareholder qualifications has long been a persistent challenge in China's judicial practice.Due to the prolonged imperfection of corporate legal systems and insufficient depth in company law theory,there remainsno unified or clear consensus on how to identify shareholde qualifications.Compounded by the highly non-standardized establishment and operation of companies in practice,this has further exacerbated difficulties in judicial adjudication.Courts across the country now lack standardized criteria for handling such disputes,leading to a chaotic situation where similar cases yield contradictory judgments.

The theoretical discourse on equity transfer mechanisms in limited liability companies remains sharply contested. Scholarly debates primarily revolve around two competing doctrines: the doctrine of mutual assent, which posits that equity transfers are effected upon achieving consensus between

contracting parties, and the doctrine of formal validity, which mandates supplementary requirements including commercial registration or amendment of shareholder registries to operationalize such transfers. From a judicial perspective, the comprehensive contextual approach has gained judicial ascendancy, stipulating that equity transfer efficacy must be adjudicated through holistic evaluation of contractual performance, registration formalities, and corporate governance participation. Additionally, there is a controversy regarding the criteria for determining shareholder qualifications, which are divided into formal requirements and substantive requirements. The former holds that shareholder status must be demonstrated through outward forms, while the latter maintains that the acquisition of shareholder status lies in the shareholder's capital contribution. The ambiguity in the criteria for determining shareholder qualifications is not only the reason for inconsistent judgments in shareholder qualification confirmation lawsuits for similar cases but also the cause of disputes over the identification of actual controllers and the formalization of dormant shareholders in judicial practice.

## **5. PRACTICAL INDUCEMENTS**

Equity transfer for security, an atypical guarantee system that has gradually emerged and evolved in the realm of commercial transactions, has undergone a process of development. Through the accumulation of experiences from judicial precedents and the refinement of legal theories, certain rules pertaining to this system have been formalized into law. Nevertheless, the existing legal framework's provisions on equity transfer for security remain inadequate. The vagueness of legal texts and the incompleteness of institutional construction have given rise to substantial discrepancies and conflicts in legal interpretation within judicial practice, particularly concerning the determination of shareholder status triggered by this guarantee mechanism. The contradictions among varying judicial perspectives have significantly undermined the uniformity and predictability of judicial decisions. In essence, the identification of shareholder status associated with equity transfer for security continues to be a source of interpretative conflicts in judicial practice, reflecting the pressing need for theoretical clarification and legal refinement.

### **5.1. A Conflict Exists between the Principle of Party Autonomy and the Mandatory Provisions of Company Law.**

The identification of the shareholder status of equity transfer guarantee holders embodies a value conflict between the party autonomy and the organizational norms of company law. The agreement between the guarantor and the secured party in equity transfer guarantee falls within the scope of party autonomy, on which there is little controversy in both theoretical and practical circles. The point of contention is whether the equity transferor can restrict shareholder rights in the equity transfer agreement. Some argue that allowing the two parties to an equity transfer guarantee to agree on the secured party's management rights can play a positive role in protecting creditors. On the contrary, opposing views hold that agreements regarding shareholder status and the exercise of equity disrupt the determination of shareholder status under company law, "representing a process in which the validity of contracts gradually expands to affect the internal and external organizational relationships of the company."<sup>[12]</sup> This paper contends that the practice of confirming equity ownership based on contractual agreements between parties overlooks the mandatory norms governing shareholder status determination in company law.

### **5.2. The Judicial Approach of Distinguishing between Internal And External Relationships Has Significantly Exacerbated the Discrepancy between the Nominal and Actual Shareholder Status.**

In judicial practice, the identification of the shareholder status of secured parties in equity transfer guarantee transactions demonstrates a bifurcated judicial approach that distinguishes between internal

and external legal relationships. The jurisprudential basis for the bifurcated judicial approach of distinguishing between internal and external relationships lies in the principle of differentiation. A company is an association established by two or more civil subjects, and company law is categorized as collective law. Once formed, the association generates internal relationships and external relationships. The principle of differentiation posits that distinct legal norms should govern the internal relations and external relations of an association. However, controversies persist regarding the definition of internal relations. Some perspectives confine internal legal relations to those between the guarantor and the secured party. Another perspective maintains that "internal validity primarily concerns the exercise of the secured party's equity and the manner of guarantee enforcement."<sup>[13]</sup> There is also a perspective that defines internal relations as being contract-based, extending to issues such as the validity and performance of equity transfer guarantee contracts, equity transfers, and the exercise of equity rights involved in corporate shares.<sup>[14]</sup> The bifurcated judicial approach of distinguishing between internal and external relations appears to mitigate the problem of shareholder qualification identification, but in reality, it artificially exacerbates the separation between the nominal and actual equity in equity transfer guarantee scenarios, failing to resolve the issue of shareholder qualification confirmation.

## **6. IDENTIFICATION OF SHAREHOLDER STATUS**

To clarify the organizational status of secured parties in equity transfer guarantees under company law, it is necessary first to delineate the legal structure of equity transfer guarantees and, on this basis, comply with the provisions of company law regarding shareholder status.

### **6.1. The Legal Foundational Structure of Equity Transfer Guarantee Should Adhere to the Ownership Structure Theory.**

Equity transfer guarantee transaction structures entail both a property law consensus for ownership transfer and an obligation law consensus for economic security, embodying both obligatory and real rights relationships. Regarding the issue of the legal structure of equity transfer for security, the prevalent view in the academic circle in China in the early days was the theory of ownership. Influenced by comparative law and the development of legal theories, the existing viewpoints have gradually shifted towards the theory of real rights for security. The security real rights structure theory overlooks the dual property-obligation nature of equity transfer guarantees and fails to explain why security acts "without ownership transfer" still require completion of equity change registration. The ownership structure theory completes public notification through the formal transfer of ownership, aligning with the principle of reliance protection on right appearances in commercial transactions and avoiding transaction risks caused by "mismatches between form and substance." Second, the security real rights structure theory fails to explain why secured parties can actually control the property rights of equity within the corporate entity. In this regard, the ownership structure theory provides a justificatory basis for secured parties to exercise shareholder rights through the transfer of nominal ownership. Third, the security real rights structure theory's interpretation of security transactions involving ownership transfer as mere security real rights is prone to causing discrepancies in legal application. Compared with the security real rights structure theory, the ownership structure theory is more justifiable in explaining the legal foundation of equity transfer guarantees.<sup>[15]</sup>

The identification of the legal structure of equity transfer for security should adhere to commercial law thinking, taking fully into account the particularity, efficiency value, and commercial logic of commercial transactions. Civil law scholars often recognize and evaluate the nature, internal and external legal validity of various specific commercial guarantees based on civil law thinking. In contrast, commercial law scholars, based on commercial law thinking, advocate approaches such as the independence of commercial law, the necessity of a commercial code, and the independence of commercial guarantees from the perspective of interpretive theory and the application of laws to

address the regulatory issues of commercial guarantees. Commercial guarantees that emerge under the strict principle of the dichotomy between property rights and obligations in China not only lack a normative foundation but also fail to form a unified understanding of the legal structure of each specific type in theory, thus unable to provide clear theoretical guidance. Equity transfer, as an important sub-topic under commercial guarantees, especially under transfer for security, has had its legality and legal validity judicially confirmed. As a typical product coexisting with civil and commercial guarantee norms, equity transfer for security is one of the representatives of the reasonable transition from traditional civil guarantee norms to commercial guarantee norms.

Currently, the academic community has gradually realized that discussions centered around ownership and membership rights can no longer reflect the essence of equity. The bundled structure of equity interests and the simple combination of specific internal rights of equity can no longer meet the practical needs. In company law, equity is different from ordinary property rights. It not only simultaneously possesses the characteristics of both property rights and personal rights, but also, while enjoying these rights, equity holders are required to fulfill legal obligations or responsibilities such as capital contribution and corporate management. More crucially, the value of equity is closely intertwined with the operating status of the company. Existing research on equity presents the following three aspects: some discussions are carried out from the perspective of the property attributes of equity, some studies are conducted from the angle of the separation of property rights and personal rights of equity, and others are explored from the legal relationships carried by equity. From the perspective of seeking shareholder qualifications, the significance carried by equity is not limited to monetary interests. Instead, it also involves the expectation of obtaining shareholder membership qualifications, and even the competition for the position of a controlling shareholder. Against the backdrop of the Civil Code's efforts to eliminate hidden guarantees and optimize the business environment, it is necessary to follow commercial law thinking, clarify the identity of the equity assignee within the corporate organization, and explore the legal confirmation of shareholder qualifications in equity transfer for security through the analysis of the rule texts in judicial interpretations and the theoretical discussions based on the jurisprudential foundation of company law.

## **6.2. The Determination of Shareholder Status Should Adopt a Unitary Standard for Shareholder Qualification.**

In equity transfer guarantees, the question of which theory should govern shareholder qualification determination to better protect corporate interests while aligning with the essence of such guarantees often involves implicit tensions between the exercise of shareholder rights and the attribution of equity value. Shareholder qualification serves as the foundation for shareholders to enjoy rights and fulfill obligations, and it is determined by company law rules—a legal essence unchanged by the specificities of equity transfer guarantees. Consequently, the determination of shareholder status must comply strictly with the provisions of *the Company Law*. First, the equity transfer in equity transfer guarantees ought to be construed as a substantive conveyance of equity. Article 71 of *the National Court Civil and Commercial Trial Work Conference Minutes* and Article 68 of *the Interpretation of the Supreme People's Court on the Application of the Security System under the Civil Code of the People's Republic of China* risk artificially dissociating legal ownership through their interpretation of the formal transfer of security property. This approach may lead to the hollowing out of the commercial appearance doctrine and an increase in market transaction costs. An equity transfer implies that the original shareholder comprehensively transfers all rights and obligations related to the company to the transferee. Second, the formalist model should govern equity modification. Formalism ensures third parties can rely on the stated ownership status through formal requirements, thereby avoiding transaction risks arising from "mismatches between form and substance." However, shareholder registers lack public notarization effect, and in practice, most companies do not maintain such registers. Based on practical considerations, industrial and commercial registration may serve

as the primary basis for determining shareholder qualification in equity transfer guarantees. Some scholars argue that additional semantic supplementation can be achieved through industrial and commercial change registration in equity transfer guarantees.[16]Equity transfer guarantees complete security public notification through shareholder change registration, which clarifies the status of secured parties as shareholders, externally demonstrates the identity of secured parties within the corporate organization, eliminates the discrepancy between the nominal and actual shareholder status of secured parties, and ensures the stability of shareholder status and corporate legal relations.

## 7. CONCLUSION

The characteristics of equity's hypothecatability, the formal and substantive evaluation of equity transfers, and the realization of equity value determine that equity transfer guarantees involve multi-dimensional aspects of contract law, security law, company law, and insolvency law. Among these, the identification and determination of shareholder status are purely matters of company law.

In the domain of corporate organizational law, the contractual agreement between equity transfer guarantee parties concerning equity ownership shall not prevail over the public notarization effect established by duly completed equity transfer procedures. Company law ought not to be confined to traditional paradigms of shareholder status identification but should instead provide organizational law pathways for secured parties in equity transfer guarantees to attain shareholder registration, exercise rights, and discharge liabilities—thereby effectuating the commercial security function of equity transfers. Upon the secured party's completion of the shareholder change registration, they are legally recognized as a shareholder in the context of the company, thereby attaining shareholder status, and are entitled to exercise shareholder rights while being obliged to fulfill shareholder obligations. Even if the creditor and debtor effectuate the guarantee through equity transfer, they cannot negate the creditor's status as a shareholder in their capacity as a secured party. The confirmation of the secured party's shareholder status in equity transfer guarantees should not be confined to contractual law contexts but should transcend traditional theoretical explanations of shareholder status identification and return to the rule construction of corporate organizational law logic.

## REFERENCES

- [1] Liu GuoDong. Interpretation of the Approach of Equity Transfer Guarantee from the Perspective of the Civil Code[J]. Northern Legal Science, 2021(05).
- [2] Liu GuoDong. Reflection and Reconstruction on the Adjudication Route of the Cases of Equity Transfer Guarantee under the Background of Civil Code[J]. Journal of Beijing Institute of Technology (Social Sciences Edition), 2021(06).
- [3] Wang JiangWen. On the Interpretation of Equity Transfer Guarantee under the Framework of Company Law[J]. Jiangxi Social Sciences, 2022(11)
- [4] Tang Lu. The Return of the Commercial Nature for Equity Transfer Guarantee[J]. Legal Forum, 2014(04)
- [5] Liu Muhan. Research on the Exercise and Effectiveness of Equity Transfer Guarantee—Analysis and Improvement based on the Adjudication and Theory[J]. Journal of National Prosecutors College, 2022(02)
- [6] Wang Yuying. Reflection on the Equity Change Model of Limited Companies from the Perspective of Property Rights Conflict[J]. Tribune of Political Sciences and Law, 2025(02)
- [7] Zhou You. The Non-uniformity of Equity Change Model: Practical Review and Theoretical Explanation[J]. Law Science Magazine, 2025(01)
- [8] Yue Bing. The Unification of the Criteria for Confirming the Shareholder Qualification of Limited Liability Companies[J]. Journal of Zhengzhou University (Philosophy and Social Science Edition), 2024(02).
- [9] Ran Keping, Liang YuFei. Reconstruction of the Nominee Shareholder in Limited Liability Companies Under the Standard of Corporate Intention[J]. Journal of Yantai University (Philosophy and Social Science Edition), 2024(03)
- [10] Qian Jin, Qian Yuwen. Legal Composition and Effectiveness Construction of Equity Transfer Guarantee[J]. Journal of Henan University of Economics and Law, 2022(01).

- [11] WANG Dong-guang,SUN Bo.The Systematization of Legal Regulation of Equity Transfer Guarantee.Hebei Law Science.2025(03).
- [12] Wang Meng.Equity Transfer Guarantee and Its Effectiveness System from the Perspective of Organizational Law[J].THE JURIST,2024(2).
- [13] Si Wei,Chen Xuanhua.An Analysis on the Effect of Stock Rights Transferring Guarantee and Analysis on the Effect of Stock Rights Transferring Guarantee and 68 and 69 of the Civil Code Guarantee System Interpretation[J].Journal of Law Application,2021(4).
- [14] Yao Haifang.On the Limitation on the Equity Transfer Guarantee[J].Political Science and Law,2023(3).
- [15] Wang Zhenjiang.Judicial Adjudication Unity under the Legal Structure of the Transferring Security[J].Journal of Lanzhou University (Social Sciences),2023(3).
- [16] Cheng Wei.Reflection and Reconstruction on the Effect of the Organizational Law of Equity Transfer Guarantee:Taking Equity Registration as the Improving Approach[J].Journal of Social Sciences,2023(12).