

Sponsor regime

General

Q1: Who will be eligible to act as sponsors or compliance advisers under the enhanced sponsor regime?

A: Only Type 6 intermediaries¹ that (1) can meet the eligibility criteria set out in the Sponsor Guidelines² and (2) remain fit and proper as licensees or registered persons will be eligible to act as sponsors or compliance advisers under the regime. The intermediary and its Management³ shall be responsible for ensuring that the firm satisfies all specific and on-going eligibility criteria of the Sponsor Guidelines and paragraph 17 of the Code of Conduct⁴. Both the Sponsor Guidelines (Appendix I to the Fit and Proper Guidelines) and the Code of Conduct can be downloaded from the SFC⁵ website (<http://www.sfc.hk>) under the "Rule Book" section.

Q2: What will be classified as sponsor work and IPO⁶ sponsor work?

A: Intermediaries will be regarded as carrying out sponsor work if they take up an appointment as a sponsor pursuant to the requirements of the Main Board or GEM⁷ Board of SEHK⁸. Intermediaries appointed as listing agents in relation to the listing of REITs⁹ on SEHK will also be regarded as carrying out sponsor work.

Intermediaries acting as a sponsor for the IPO of an issuer will be regarded as carrying out IPO sponsor work.

Q3: Can a newly established firm with no track record act as a sponsor?

A: Yes. In order to act as a sponsor, a newly established firm will need to apply for a Type 6 licence and file a submission to demonstrate that it can meet the eligibility criteria pursuant to the Sponsor Guidelines. In considering the licence application of the firm, the SFC will take into account the competency of the firm to act as a sponsor, based on the criteria set out in the Sponsor Guidelines, and will also consider more generally the firm's fitness and properness as a corporate finance advisory firm under the Fit and Proper Guidelines.

Q4: Can intermediaries that are currently licensed or registered for Type 6 regulated activity and are subject to a licensing condition restricting them from providing advice in respect of the Listing Rules, act as a sponsor?

A: No. Intermediaries licensed or registered for Type 6 regulated activity that have a licensing condition restricting them from providing advice concerning compliance with the Listing Rules¹⁰ of SEHK, or other similar conditions, are not allowed to carry out sponsor work.

Q5: Can corporations that have been granted temporary licences or have applied for temporary licences act as sponsors?

A: No. Corporations that have been granted temporary licences or have applied for temporary licences will not be eligible to act as sponsors.

Q6: When carrying out sponsor work, who should sign off on behalf of the sponsor, the various forms relating to the listing application and the sponsor's declaration submitted to the Listing Division of SEHK?

A: Sponsors should refer to the specific requirements of the Listing Rules. Regardless of who signs the relevant forms on behalf of the sponsor, the Management of the sponsor is ultimately responsible for the work carried out by the sponsor, and for the supervision of the sponsor work. Such responsibilities cannot be delegated.

Q7: What should intermediaries do if there is any change in the information contained in the submissions made to the SFC?

A: If there is any change in the information provided to the SFC, intermediaries should notify the SFC immediately of such change.

Q8: Would acting as sponsor for an IPO that went through the Listing Committee hearing, but subsequently failed to list on the Main Board or GEM Board of SEHK, be considered as relevant IPO experience?

A: No. The IPO would have to be completed. An IPO transaction will only be considered as having been completed when listing on the Main Board or GEM Board of SEHK occurs. As mentioned in the Consultation Conclusions on the regulation of IPO sponsors published on 12 December 2012, an IPO should not be deemed to be complete simply because it has been through a hearing of the Listing Committee of SEHK or obtained an in-principle approval from the Listing Committee. An IPO would only be regarded as completed if the issuer has successfully been listed on SEHK.

Q9: What is the difference between the term "principal" in the Licensing Information Booklet and the term "Principal" as used in the Sponsor Guidelines?

A: The term "principal" mentioned in the Licensing Information Booklet, and in various licensing application forms, refers to the corporation to which an individual licensed by, or registered with, the SFC is accredited. The term "Principal", as used in the Sponsor Guidelines, means a responsible officer or an executive officer appointed by the sponsor to be in charge of the supervision of the Transaction Team¹¹.

Q10: There may be times when the sponsor does not have any sponsor mandates. Does this mean the sponsor is still required to maintain 2 Principals during those periods?

A: Yes. In order to maintain their eligibility as sponsors, intermediaries that are qualified to act as sponsors should, at all times, have at least two Principals, with at least one of them being eligible to act as a Principal pursuant to Option 1 of the Sponsor Guidelines.

Q11: Paragraph 1.3.1 of the Sponsor Guidelines states that there should be sufficient Principals engaged in a full-time capacity to discharge the sponsor's role in supervising the Transaction Teams. Does "full-time" mean the Principal must be engaged full-time on sponsor-related work, or does it simply mean that the Principal has to be engaged by the firm on a full-time basis?

A: The Principal should be engaged by the sponsor for the purpose of conducting sponsor-related work on a full-time basis. In addition, the Principal, in his/her capacity as a responsible officer of the sponsor under the SFO¹², should be available at all times to supervise the regulated activity to which his/her approval as a responsible officer relates.

Q12: If there are joint sponsors on a particular transaction, does the team require separate oversight by Principals from each sponsor?

A: Yes. Each sponsor should have its designated Principal to supervise the transaction.

Additional sponsors appointed to advise a listing applicant will not diminish in any way the overall obligations and responsibilities of each sponsor in respect of the entire transaction, as required by all relevant rules, regulations, codes and guidelines.

Q13: Must the 5 years' corporate finance experience required in paragraph 1.4.1(2) of the Sponsor Guidelines be obtained over a continuous 5-year period?

A: Yes.

Q14: Will responsible officers or executive officers be regarded as qualified to act as Principals if there are conditions imposed on their licence or registration?

A: The nominated Principal should be a responsible officer or executive officer of the sponsor, who is responsible for supervising the regulated activity at all times and whose licence or registration is free from any condition concerning his competence to advise on, or engage in, sponsor work.

Q15: If most of the clients of a firm are based outside Hong Kong and one of the firm's 2 proposed Principals is domiciled outside Hong Kong for the purpose of carrying out due diligence functions outside Hong Kong, will the firm be qualified to act as sponsor given that responsible officers domiciled overseas may have a non-sole condition imposed on their licences?

A: Yes. A sponsor can appoint a responsible officer who is subject to the non-sole condition as Principal, provided he/she is fully competent to act as a Principal and whose licence is subject to the said condition solely because he/she is based outside Hong Kong. Such appointment is subject to the sponsor having at least one other Principal who is eligible to act as a Principal under Option 1, who is based in Hong Kong and whose licence is not subject to the non-sole condition or any other condition restricting him/her from advising on, or engaging in, sponsor work.

Q16: How should the sponsor notify the SFC of changes in Principal appointments?

A: Sponsors are required to notify the SFC in writing in respect of any addition or cessation of its Principals, within 7 business days after such changes, under paragraph 1.3.4 of the Sponsor Guidelines. Together with the notification, they must also complete and submit Supplement 10(s) of any newly appointed Principal.

Q17: If a firm intends to act as a compliance adviser, what does it need to do?

A: A firm must be eligible under its licence or registration to act as a sponsor in order to act as a compliance adviser. The firm is required to follow the same procedures as applicable to intermediaries that wish to act as sponsors and submit the relevant sponsor submission forms to the SFC to demonstrate that it can meet the eligibility criteria under the Sponsor Guidelines. Provisions in the Sponsor Guidelines that are applicable to individuals engaging in sponsor work are equally applicable to individuals who engage in compliance adviser activities. Intermediaries and individuals can lodge the sponsor submission via the SFC Online Portal. Alternatively,

they can file paper submission forms which can be downloaded from the SFC website.

Q18: Can sponsors continue to act as sponsors or compliance advisers if one or more of their qualified Principals ceases to act as a Principal leaving the firm with only one Principal?

A: If intermediaries that are permitted to act as sponsors cease to have at least 2 qualified Principals, of which at least one is eligible to act as a Principal pursuant to Option 1 as required under paragraph 1.3 of the Sponsor Guidelines, they will not meet the eligibility criteria to act as a sponsor under the Sponsor Guidelines. Therefore, if one of their appointed Principals ceases to act as a Principal leaving the firm with only one Principal or with no Principal eligible to act as a Principal pursuant to Option 1, the SFC may, after considering the facts and circumstances of the case, impose a licensing condition on the firm restricting it from carrying out sponsor and compliance adviser work.

Intermediaries that are permitted to act as sponsors are reminded that they must not accept new sponsor or compliance adviser work once they no longer meet the eligibility criteria to act as a sponsor under the Sponsor Guidelines. The undertaking of any new sponsor or compliance adviser work by such an intermediary, when it is not eligible to do so, may raise concerns as to its ability to control business risks and its overall fitness and properness to remain licensed or registered for Type 6 regulated activity.

Q19: Does an individual who has ceased to act as a Principal after having previously been appointed as Principal under Option 1 or Option 3, have to demonstrate once again that he/she has fulfilled the eligibility criteria under paragraph 1.4.1 of the Sponsor Guidelines in the 5 years immediately preceding a new appointment of him/her as a Principal?

A: An individual who has ceased to act as a Principal after having previously been appointed as a Principal under Option 1 or Option 3, will not be required to demonstrate that he/she has fulfilled the eligibility criteria concerning IPO transactions in the 5 years immediately preceding his/her new appointment as a Principal, provided such new appointment is made within 3 years after he/she ceased to act as a Principal and he/she is seeking to become a Principal again under the same option as he/she was previously appointed.

However, where such appointment is not made within that 3 years period, the individual will be required to demonstrate that he/she satisfies all of the criteria for eligibility to be appointed as a Principal stipulated in Paragraph 1.4 of the Sponsor Guidelines. This will be so irrespective of whether the individual has remained a responsible officer or a representative licensed for Type 6 regulated activity during the period after he/she ceased to act as a Principal.

Q20: If all the Principals of a sponsor who are qualified under Option 1 resign, how would this impact on the sponsor in seeking a suitably qualified candidate to act as its Principal?

A: As an individual who is qualified to act as a Principal under Option 2 or Option 3 is required to be accredited to a sponsor that has at least one other individual who is eligible to act as a Principal pursuant to Option 1, the sponsor should first seek to appoint at least one Principal who is qualified to act as a Principal under Option 1. For the avoidance of doubt, the SFC will not accept any appointment of individuals under Option 2 or Option 3 until at least one individual, who is qualified under Option 1 and who is based in Hong Kong, has been appointed to act as a Principal.

Eligibility to act as Principal

Q21: In order to be eligible to act as a Principal under Option 1 of paragraph 1.4.1 of the Sponsor Guidelines, should the appointee have played a senior role within a Transaction Team, with responsibility for supervising other team members? What if there is more than one person who has played a substantial role in advising the listing applicant?

A: The term "substantial role" should be interpreted according to its ordinary meaning. A person who has played less than a leading supervisory role in an IPO transaction is generally not considered to have played a substantial role. Please refer to Note (1) to paragraph 1.4 of the Sponsor Guidelines for matters that would be taken into account in establishing whether an individual intending to act as a Principal has played a substantial role in an IPO. The sponsor should not attribute the experience of all the appointees of the firm to the same transaction when trying to meet the eligibility requirements as Principals under the Sponsor Guidelines.

Q22: An appointed Principal is required to have played a substantial role in advising the listing applicant as a sponsor in at least 2 completed IPOs on the Main Board or the GEM Board of SEHK under Option 1 of paragraph 1.4.1 of the Sponsor Guidelines. In what circumstances will the SFC allow waivers in the event that the Principal has taken a short career break?

A: In exceptional circumstances, the SFC may allow dispensation from certain requirements regarding the eligibility of Principals, provided that such dispensation will not prejudice the overall protection of investors' interests. The SFC will consider, among others, the firm's business nature and model, supporting expertise and resources, compliance track record and systems, and the comparability of the overseas experience acquired by the Principal. Please see also Note (2) to paragraph 1.4 of the Sponsor Guidelines.

Q23: International firms may transfer a senior member of their US or UK sponsor team, who has extensive experience participating in and overseeing sponsor work in international markets, to Hong Kong to lead the sponsor activities and appoint the individual as Principal under Option 2 of paragraph 1.4.1 of the Sponsor Guidelines. What kind of supporting documents will be regarded as relevant for the purpose of demonstrating that the individual has acquired the relevant experience? What if the said individual acquired such experience when he/she was acting for another group?

A: As Option 2 is largely concerned with circumstances in which international firms seek to transfer to Hong Kong senior staff who are highly experienced in the area of due diligence as a result of leading IPOs in Australia, the United Kingdom or the United States of America, we do not consider it necessary to dictate the number or recency of these IPOs. We would expect that the documentation submitted would, in all the circumstances, lead the sponsor to reasonably conclude that the proposed Principal has the relevant experience, as required under Option 2 of the Sponsor Guidelines. If the individual is from another group and the sponsor cannot satisfy itself that the individual's experience meets the criteria as set out in Option 2, the individual should not be appointed as a Principal. This individual could still engage in sponsor work as a representative or responsible officer of the sponsor.

Q24: If an individual, who formerly qualified as a Principal under Option 2, again seeks to become a Principal under Option 1, will he/she be required to demonstrate that he/she has fulfilled the eligibility criteria under Option 1?

A: Yes. The individual will be required to demonstrate that he/she has satisfied all of the eligibility criteria of Option 1 under paragraph 1.4.1 of the Sponsor Guidelines.

Q25: Who would be eligible to act as a Principal under Option 3?

A: An Individual who has played less than a substantial role, but has participated actively and substantially in due diligence work in at least 4 completed IPO transactions in Hong Kong within the 5 years preceding the proposed appointment, may seek to be appointed as a Principal under Option 3.

Q26: Can itinerant professionals be appointed as Principals?

A: Itinerant professionals will not be eligible to act as Principals.

Q27: Does experience in the listing of REITs, in which an individual's firm participated as a financial adviser, count as relevant corporate finance experience?

A: If the intermediary to which the individual has been accredited acted as a listing agent of the REIT, and the individual participated in the capacity as described under paragraph 17 of the Code of Conduct, the individual's experience with regard to the said listing will be regarded as relevant for the purpose of demonstrating the individual's compliance with the relevant IPO experience requirements. However, if the intermediary only acted as a financial adviser, and not as a listing agent with regard to the said listing, the relevant experience acquired will only be regarded as relevant corporate finance experience of the individual.

Q28: What kind of supporting documents will the SFC regard as relevant for the purpose of demonstrating that the individual has acquired the relevant experience under Option 1 or Option 3? What if the individual completed an IPO with another sponsor?

A: We would expect that the documentation submitted would, in all the circumstances, lead the sponsor to reasonably conclude that the proposed Principal has the relevant experience, as required under the Sponsor Guidelines. Sponsors are expected to perform their own due diligence in verifying the information provided by new recruits and assessing whether they have satisfied the competence and experience requirements.

If an individual completed an IPO with another sponsor, the individual could seek to obtain from that sponsor a copy of the team structure chart that it submitted to the SFC with regard to that IPO.

Q29: With regard to an individual seeking to become a Principal, will the SFC request the sponsor, to which the proposed Principal has previously been accredited, to provide supporting information or documents to demonstrate that the individual has played a substantial role in the IPO undertaken by that sponsor?

A: Sponsors are expected to perform their own due diligence in respect of the competence and experience of intended Principals and to satisfy themselves that any proposed Principal has satisfied the eligibility criteria before they sign "Section 12: Declaration by Sponsor Firm" of Supplement 10(s).

The team structure chart that is submitted to the SFC may be utilised in assessing whether a proposed Principal has satisfied the eligibility criteria. Sponsors are expected to cooperate by providing team structure charts to each other for the purpose of facilitating such assessment. For IPOs completed after 1 October 2013, the sponsor should provide a copy of the team structure chart that is submitted to the SFC, to each of the individuals named in the chart. For IPOs that were completed within 5 years before 1 October 2013, the SFC expects sponsors to provide copies of team structure charts to members of the teams when requested to do so.

Examinations

Q30: Who will be required to pass the relevant examination under paragraph 1.4A.1 of the Sponsor Guidelines?

A: Generally, an individual within the Transaction Team who engages in Type 6 regulated activity in respect of a listing assignment, will be required to pass the relevant examination under paragraph 1.4A.1 of the Sponsor Guidelines unless otherwise exempted. If an individual only engages in non-Type 6 activities such as underwriting, distribution, or marketing of the securities of the listing applicant,

the individual will not be required to pass the relevant examination. Intermediaries are obliged to assess the role played by the individual in a Transaction Team and to determine if the individual is required to pass the relevant examination for individuals engaging in sponsor work.

Q31: Which examination is paragraph 1.4A.1 of the Sponsor Guidelines referring to?

A: Licensing Examination Paper 16 (Sponsor examination for representatives) of the HKSI¹³. Individuals may also choose to take Paper 15 (Sponsor examination for Principals), which requires more in-depth knowledge of sponsor work. However, it should be noted that individuals seeking to become a Principal under Option 2 or Option 3 are required to have passed Paper 15 within 6 months preceding their appointment as a Principal. For details of the examinations, please contact the HKSI (www.hksi.org).

Q32: Which examination or refresher course should an individual intending to be appointed as a Principal under Option 2 of paragraph 1.4.1 of the Sponsor Guidelines take?

A: The individual should take Licensing Examination Paper 15 (Sponsor Examination for Principals) of the HKSI. The HKSI has also developed a refresher course for these individuals. For details, please contact the HKSI (www.hksi.org).

Q33: Which examination should an individual intending to be appointed as a Principal under Option 3 of paragraph 1.4.1 of the Sponsor Guidelines take?

A: The individual should take Licensing Examination Paper 15 (Sponsor Examination for Principals) of the HKSI. For details, please contact the HKSI (www.hksi.org).

Q34: Why should the paper for an individual intending to be appointed as a Principal under Option 3 of paragraph 1.4.1 of the Sponsor Guidelines be taken within the 6 months preceding the individual's appointment as a Principal?

A: As the nature of listing and sponsor work changes in line with market developments, the HKSI will constantly update the study manual relating to the relevant examination, as and when required. We consider it necessary for those who want to be appointed as a Principal under Option 3 to be up-to-date in respect of their knowledge of sponsor work and to have passed the relevant examination within the preceding 6 months.

Q35: Which examination should be taken by an individual intending to engage in activities that constitute Type 6 regulated activity and with the particular intention of engaging in listing assignments?

A: The individual should take Licensing Examination Paper 16 (Sponsor Examination for representatives) of the HKSI. For details, please contact the HKSI (www.hksi.org).

Q36: Does the examination requirement for licensed representatives or relevant individuals engaged in sponsor work apply to those Type 6 licence holders who only conduct corporate finance activities on non-IPO transactions? Is there an examination requirement for these other Type 6 licence holders?

A: The new regulatory examination described under paragraph 1.4A.1 of the Sponsor Guidelines applies to individuals seeking to be, or who are already licensed as, Type 6 representatives engaging in sponsor work. As a firm must be eligible to act as a sponsor in order to carry out compliance adviser work pursuant to section II of the Sponsor Guidelines, individuals engaging in compliance adviser work are also required to pass the relevant examination. Individuals engaging in Type 6 regulated activity other than sponsor or compliance adviser work, will not be affected by the new examination requirement.

Q37: What does "first engagement" in sponsor work mean in paragraph 1.4A.1 of the Sponsor Guidelines?

A: First engagement refers to the first time that an individual is engaged as a member of a Transaction Team in activities that are Type 6 regulated activities, following the commencement of the enhanced sponsor regime on 1 October 2013. The date of filing of Form A1 is not relevant in determining the date of first engagement.

For an existing individual who is licensed or registered for Type 6 regulated activity and who is already engaged in sponsor work (regardless of whether the IPO has been put on hold) when the enhanced sponsor regime became effective, the date of first engagement will be 1 October 2013.

For an individual who is not licensed or registered for Type 6 regulated activity until after 1 October 2013, or an individual who is licensed or registered for Type 6 regulated activity, but who was not engaged in any sponsor work on 1 October 2013, first engagement will be the date on which the individual first became engaged in sponsor work after the commencement of the enhanced sponsor regime.

Q38: What is the consequence for an individual failing to pass the relevant examination within 6 months after his first engagement in

sponsor work?

A: Individuals who fail to pass the examination before the expiry of the 6 month period are prohibited from engaging in any sponsor work until they have passed the examination.

Q39: Are individuals who intend to engage in sponsor work required to have passed the relevant examination not more than 3 years prior to the date of their first engagement in sponsor work?

A: Yes, unless these individuals were exempted under paragraph 1.4A.2 of the Sponsor Guidelines or they have passed the relevant examination, as referred in paragraph 1.4A.1 of the Sponsor Guidelines, and they have not ceased to be licensed or registered for Type 6 regulated activity for more than 3 years after they have passed or been exempted from taking the examination.

Q40: Will the SFC grant an extension of time to individuals to pass the relevant examination if they fail to pass it within 6 months after the date on which they were first engaged in sponsor work?

A: The SFC is of the view that a period of 6 months is appropriate and therefore no extension will be granted.

Examination exemptions

Q41: Will individuals engaging in sponsor work be required to apply to the SFC for exemption from taking the relevant examination referred to in paragraph 1.4A.2 of the Sponsor Guidelines?

A: No. As set out in paragraph 1.4A.5, a sponsor must ensure that its staff engaging in sponsor work have satisfied, or been exempted from, the examination requirement pursuant to paragraphs 1.4A.1 to 1.4A.4 and that it will be able to demonstrate to the SFC its compliance with this requirement upon request.

Q42: With regard to paragraph 1.4A.2, what kind of evidence or documentation is a sponsor required to obtain in order to demonstrate that an individual engaged in at least 1 completed IPO within the 3 years preceding the effective date of the enhanced sponsor regime and is therefore eligible for the exemption? What if the individual was previously accredited to another sponsor?

A: Generally, sponsors must determine whether the information or documents are relevant and appropriate for the purpose of demonstrating that an individual had participated in an IPO transaction. We would expect that the documentation submitted would, in all the circumstances, lead the sponsor to reasonably conclude that the individual is eligible for the exemption. Sponsors are expected to perform their own due diligence in assessing whether the individual has satisfied the competence and experience requirements.

Sponsors should have no difficulty in determining whether an individual engaged in a completed IPO for which the sponsor was responsible. Similar standards should apply in assessing whether an individual engaged in a completed IPO with another sponsor. The individual should obtain a copy of the team structure chart that the other sponsor submitted to the SFC with regard to that IPO. If the sponsor is not able to satisfy itself that the individual has completed an IPO, the individual should be required to take the relevant examination.

Q43: Can an individual who is a Type 6 licensed representative or relevant individual who engaged in an IPO transaction which commenced before 1 October 2013, but which is completed after that date, be exempted from taking the relevant examination?

A: An individual is qualified for the exemption only if the individual engaged in sponsor work in the capacity of a Type 6 licensed representative or relevant individual in at least 1 IPO transaction that was completed within the 3 years preceding the date on which the enhanced sponsor regime became effective. Accordingly, if the IPO transaction was completed after 1 October 2013, the individual will not be qualified for exemption.

Q44: If an IPO was put on hold after it passed the Listing Committee hearing, but was subsequently revived and completed before the enhanced sponsor regime became effective, will an individual who participated in the IPO be exempted from taking the relevant examination despite the IPO having been put on hold for a while?

A: Completed IPO transaction means that the IPO was duly listed on the Main Board or GEM Board of SEHK. The Listing Committee hearing is not a reference point for completion. An IPO can be counted so long as the individual was engaged as a Type 6 licensed representative or relevant individual in the IPO and the IPO was completed within a 3 year period before the date on which the enhanced sponsor regime became effective. Whether the IPO has ever been put on hold is irrelevant.

However, an individual will not be exempted from taking the relevant examination if the individual did not engage in the IPO transaction until its completion, even if the bulk of work was already completed before the individual left the Transaction Team.

Q45: Does a completed "listing by introduction" count as a completed IPO for the purpose of qualifying for an exemption from taking the relevant examination?

A: Yes.

Q46: Can itinerant professionals and temporary licensed representatives for Type 6 regulated activity be exempted from the examination requirements set out in paragraph 1.4A of the Sponsor Guidelines?

A: No. If these individuals engage in sponsor work and their activities would require them to be licensed for Type 6 regulated activity, they are required to fully comply with the examination requirements set out in paragraph 1.4A of the Sponsor Guidelines. As set out in paragraphs 1.4A2, 1.4A3 and 1.4A4 of the Sponsor Guidelines, individuals who have engaged in sponsor work will be exempted from the examination requirement only if (i) they have engaged in sponsor work as a Type 6 licensed representative or relevant individual within the 3 years preceding the effective date of the enhanced sponsor regime in at least 1 completed IPO transaction; (ii) they are Principals; or (iii) they have passed or been exempted from taking the examination and have not ceased to be licensed or registered for Type 6 regulated activity for more than 3 years.

Team Structure Chart

Q47: Does the SFC expect that all individuals named in the team structure chart to be submitted to the SFC in accordance with paragraph 17.11(c) of the Code of Conduct, should have passed the sponsor examination or been exempted under paragraph 1.4A.2?

A: All individuals named in the team structure chart who are engaging in Type 6 regulated activity are required to take the examination, unless exempted.

Q48: With regard to the IPO team structure chart to be submitted to the SFC within 2 weeks after the first day of dealings, what is the expectation for large sponsor firms which have a complex reporting matrix?

A: The scale of a sponsor's operation should not be a problem for the purpose of compliance with the requirement set out in paragraph 17.11(f) of the Code of Conduct. An intermediary, regardless of size, should have already have put in place its control and reporting lines in relation to the handling the IPO transaction. The new paragraph only codified the requirements regarding clear and appropriate reporting lines and effective internal controls under paragraphs 1.2.2 and 1.5 of the Sponsor Guidelines, which have been repealed and moved to the new paragraph 17 of the Code of Conduct.

Q49: Does the SFC expect all individual transaction team members named in the Form A1 filed to SEHK to be included in the team structure chart of the IPO transaction in question?

A: Yes. Except for parties that do not belong to the sponsor, such as legal advisers, auditors and valuers, transaction team members named in the Form A1 filed to SEHK are the sponsor's representatives who participated in the subject IPO transaction and should be included in the team structure chart of the IPO transaction. The chart should show the reporting line of each of these individuals within the team, together with their respective names, business titles and responsibilities and other details as specified in paragraph 17.11(f) of the Code of Conduct.

Q50: Will the requirement to submit a team structure chart of a completed IPO only apply to transactions for which the Form A1 is filed after 1 October 2013?

A: Paragraph 17.11(f) does not make reference to the date of filing of Form A1 as relevant to the requirement. For IPOs completed on or after 1 October 2013, the sponsor is required to submit the team structure chart within 2 weeks after the first day of dealings of an IPO. Sponsors are also encouraged to submit to the SFC team structure charts for IPOs that were completed within 5 years before the effective date of the enhanced sponsor regime.

Q51: To which department of the SFC should the sponsor send the team structure chart?

A: The sponsor should send the team structure chart to the attention of the Licensing Department of the SFC.

¹ "Intermediaries" means licensed corporations or registered institutions under the Securities and Futures Ordinance.

² "Sponsor Guidelines" means Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers that are applicable after the effective date of the new sponsor regime, unless otherwise stated.

³ "Management" includes a sponsor's Board of Directors, Managing Director, Chief Executive Officer, Responsible Officers, Executive Officers and other senior management personnel.

⁴ "Code of Conduct" refers to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

⁵ "SFC" means the Securities and Futures Commission.

⁶ "IPO" means initial public offering.

⁷ "GEM" means Growth Enterprise Market.

⁸ "SEHK" means The Stock Exchange of Hong Kong Limited.

⁹ "REITs" means real estate investment trusts.

¹⁰ "Listing Rules" means the Rules Governing the Listing of Securities on the Stock Exchange ("Main Board Listing Rules"); references to the Main Board Listing Rules in this paragraph should be taken also to refer to the equivalent GEM Listing Rules.

¹¹ "Transaction Team" means the staff appointed by a sponsor to carry out a listing assignment.

¹² "SFO" means Securities and Futures Ordinance.

¹³ "HKSI" means the Hong Kong Securities and Investment Institute.