

Professional Investors

Can a subsidiary having a sole business of holding investments, and wholly owned by a corporation which is a professional investor, be treated as a professional investor as well for the purposes of the Professional Investor Rules (the Rules)?

Posted on 6.06.2003

14.1 The Securities and Futures Ordinance (SFO) and the Rules do not provide for such a subsidiary to be treated as a professional investor. However, section 134(1)(xiv) of the SFO provides that the Commission may, upon application, grant a licensed corporation or registered institution a modification or waiver in respect of requirements of any provision of rules made by the Commission under the SFO. A licensed corporation or registered institution can therefore apply for a modification of the Rules for treating such a subsidiary as a professional investor.

Can a corporation having a sole business of holding investments, and whose shareholders are all professional investors, be treated as a professional investor as well for the purposes of the Professional Investor Rules (the Rules)?

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14.2 The Securities and Futures Ordinance (SFO) and the Rules do not provide for such a corporation to be treated as a professional investor. However, section 134(1)(xiv) of the SFO provides that the Commission may, upon application, grant a licensed corporation or registered institution a modification or waiver in respect of requirements of any provision of rules made by the Commission under the SFO. A licensed corporation or registered institution can therefore apply for a modification of the Rules for treating such a corporation as a professional investor.

In determining an individual investor's portfolio for the purposes of the Professional Investor Rules (the Rules), can the portfolios held by corporations, wholly owned by the investor and having a sole business of holding investments, be aggregated to the portfolio held in the investor's own account and treated as part of the investor's portfolio?

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14.3 The Rules do not provide for such an aggregation of portfolios. However, section 134(i)(xiv) of the Securities and Futures Ordinance (SFO) provides that the Commission may, upon application, grant a licensed corporation or registered institution a modification or waiver in respect of requirements of any provision of rules made by the Commission under the SFO. A licensed corporation or registered institution can therefore apply for a modification of the Rules to enable aggregation of such portfolios for treating relevant individual investors as professional investors.