

**Information on the SFC's policy regarding investigation of cases
involving suspected breach of the Disclosure of Interests provisions
in Part XV of the Securities and Futures Ordinance (SFO)**

1. Suspected breaches of Part XV of the SFO fall into four main categories -
 - (A) late disclosures;
 - (B) failing to complete the form in accordance with the directions and instructions in the form;
 - (C) including in the form information which is false or misleading; and
 - (D) failing to make a disclosure of a notifiable event.

2. An apparent breach of the provisions of Part XV is dealt with by the Enforcement Division of the SFC in one of three ways -
 - (i) no action is taken;
 - (ii) a warning letter is issued; or
 - (iii) the matter is referred for investigation with a view to prosecution.

Category (A) – late disclosures

3. The Stock Exchange of Hong Kong Ltd. (SEHK) regularly forwards to the Enforcement Division of the SFC details of Part XV disclosures that appear to be late. In general, the following factors determine the way apparent late disclosures are to be dealt with:

- (i) No action is usually appropriate if the disclosure did not conceal price sensitive information, the time delay is not significant and the aggregated value of the interests involved is less than HK\$100,000.

- (ii) Warnings are usually appropriate if the late disclosure did not conceal price sensitive information and -
 - (a) the person involved has submitted late returns before but has not been warned; or
 - (b) the time delay is not significant and the aggregated value of the interests involved is less than HK\$1 million.

- (iii) Referral for investigation with a view to prosecution is usually appropriate if -
 - (a) the case only justifies a warning, but a warning has been given to the person involved on a previous occasion;
 - (b) the time delay is significant and the aggregated value of the interests is more than \$1 million; or
 - (c) the late disclosure (whatever the delay in disclosure) concealed materially price sensitive information.

Category (B) – failing to complete the form in accordance with the directions and instructions in the form

4. Under normal circumstances, when a person fails to complete a disclosure form in accordance with the directions and instructions in the form, the SEHK will return the form to the person asking him to resubmit the form, failing which the SEHK will refer the case to the SFC.

5. Upon receipt of the referral from the SEHK, the SFC will issue a warning to the person requiring him to resubmit the form immediately in accordance with the directions and instructions in the form. If the person fails to do so within 5 days, the case will be referred for investigation.

Category (C) – including in the form information which is false or misleading

6. If a person, when making a disclosure, provides false or misleading information, the normal course of action is to refer the matter for investigation with a view to prosecution. However, a warning will be appropriate if the aggregated value of the interests involved is less than HK\$100,000 and the person involved has not been warned before.

Category (D) – failing to make a disclosure of a notifiable event

7. If a person fails to make a disclosure of a notifiable event, the normal course of action is to refer the matter for investigation with a view to prosecution. However, a warning will be appropriate if the aggregated value of the interests involved is less than HK\$100,000 and the person involved has not been warned before.