



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

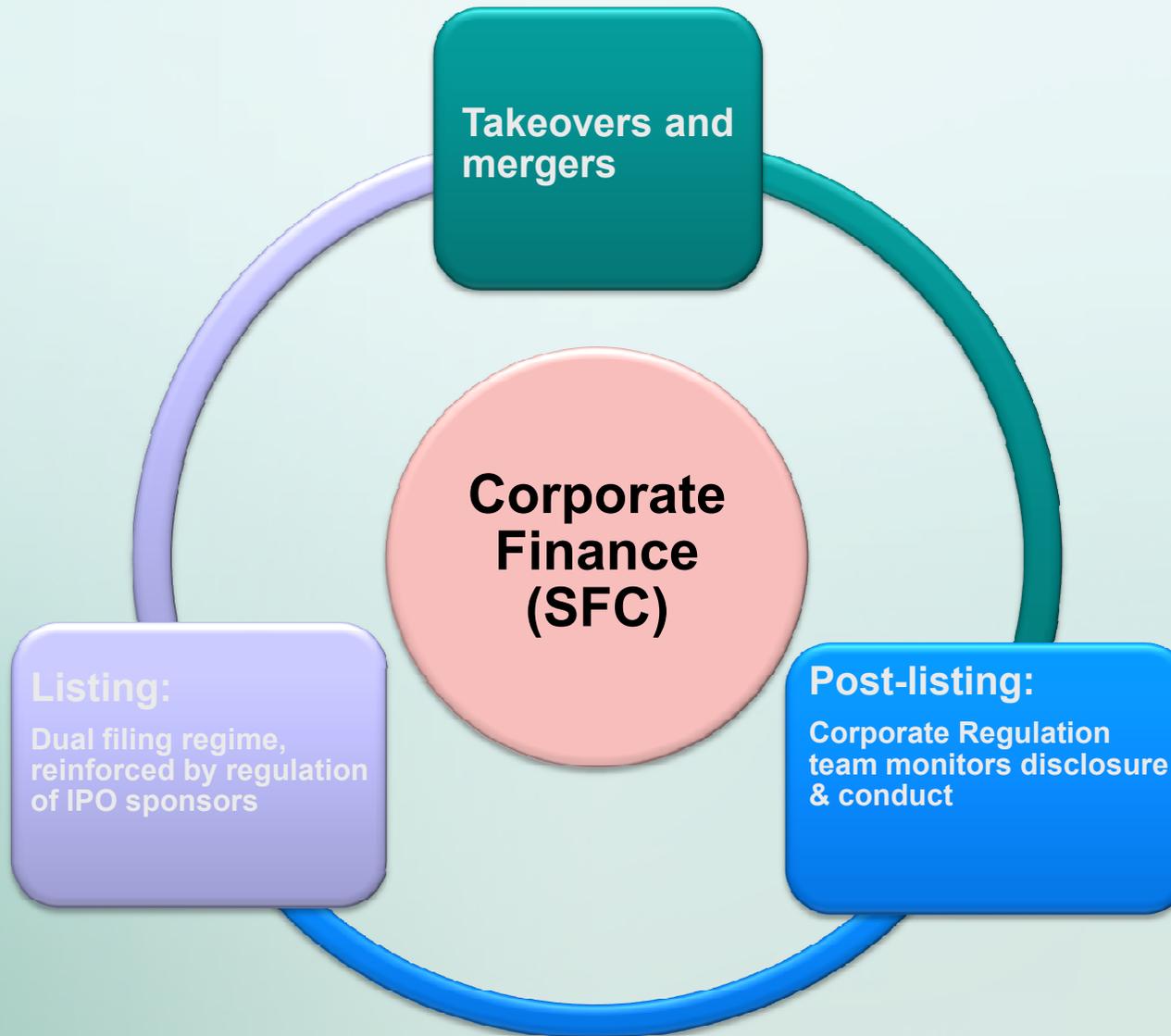
Corporate Regulator

**The Hong Kong Institute of Directors
Speaker Luncheon Meeting**

12 May 2014

**Carlson Tong
Chairman**

SFC's corporate oversight



Listing: Dual filing regime

- Effective when the SFO came into effect on 1 April 2003
- SFC also acts as a gatekeeper for listing applications:

Request further information relating to the listing application

Veto listings on grounds of public interests or misleading info

Take enforcement action against disclosure of false or misleading info

Directors' obligations in listing

- Obligations in statute, in the common law and non-statutory provisions
- Preparation of a listing document: A collaborative process
- INEDs: The same rules apply!

A listing applicant and its directors should:

Fully assist the sponsor in the performance of its duties

Provide information to the sponsor for the IPO

Enable the sponsor to access all relevant records

Acknowledge that the sponsor is required to provide information to the regulators



Latest developments

- Listing applications filed under the dual filing regime:



Up 64% YoY in Apr-Sep 2013 from Apr-Sep 2012



188 in 2013-14 vs 124 in 2012-13

- Draft listing document must be substantially complete
- Eight listing applications were returned on incomplete application proof
- Outcome: Can only re-submit new applications after an eight-week suspension
- “Name and shame”: From 1 April, the names of sponsors and listing applicants of rejected applications remain posted on HKEx’s website

SFC as a corporate regulator

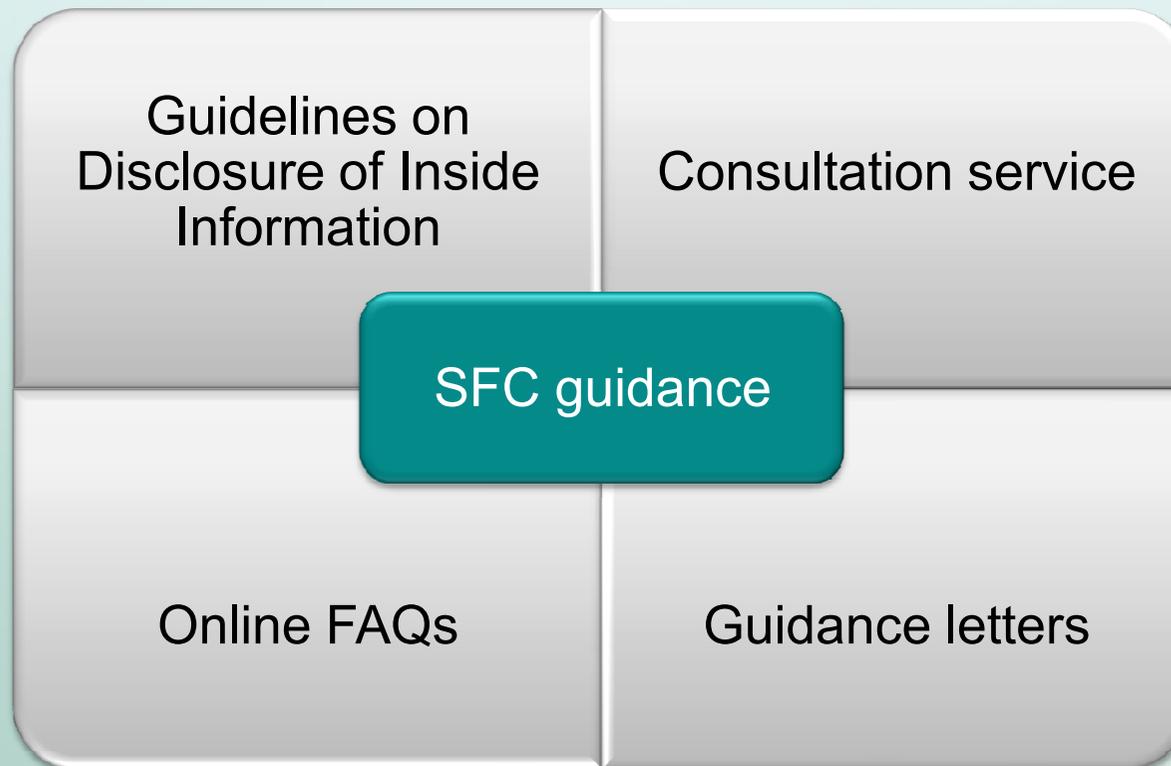
- Market concerns over corporate misconduct



- Build the Corporate Regulation team starting in Dec 2013
- To maintain a level-playing field for companies, and to instil investor confidence

Inside information disclosures

- Statutory regime became effective on 1 January 2013
- To enhance disclosure standards and to cultivate a disclosure culture among listed companies, reducing opportunities for insider dealing



One year on...

Listed companies have started making more announcements:

**Inside
information
announcements**

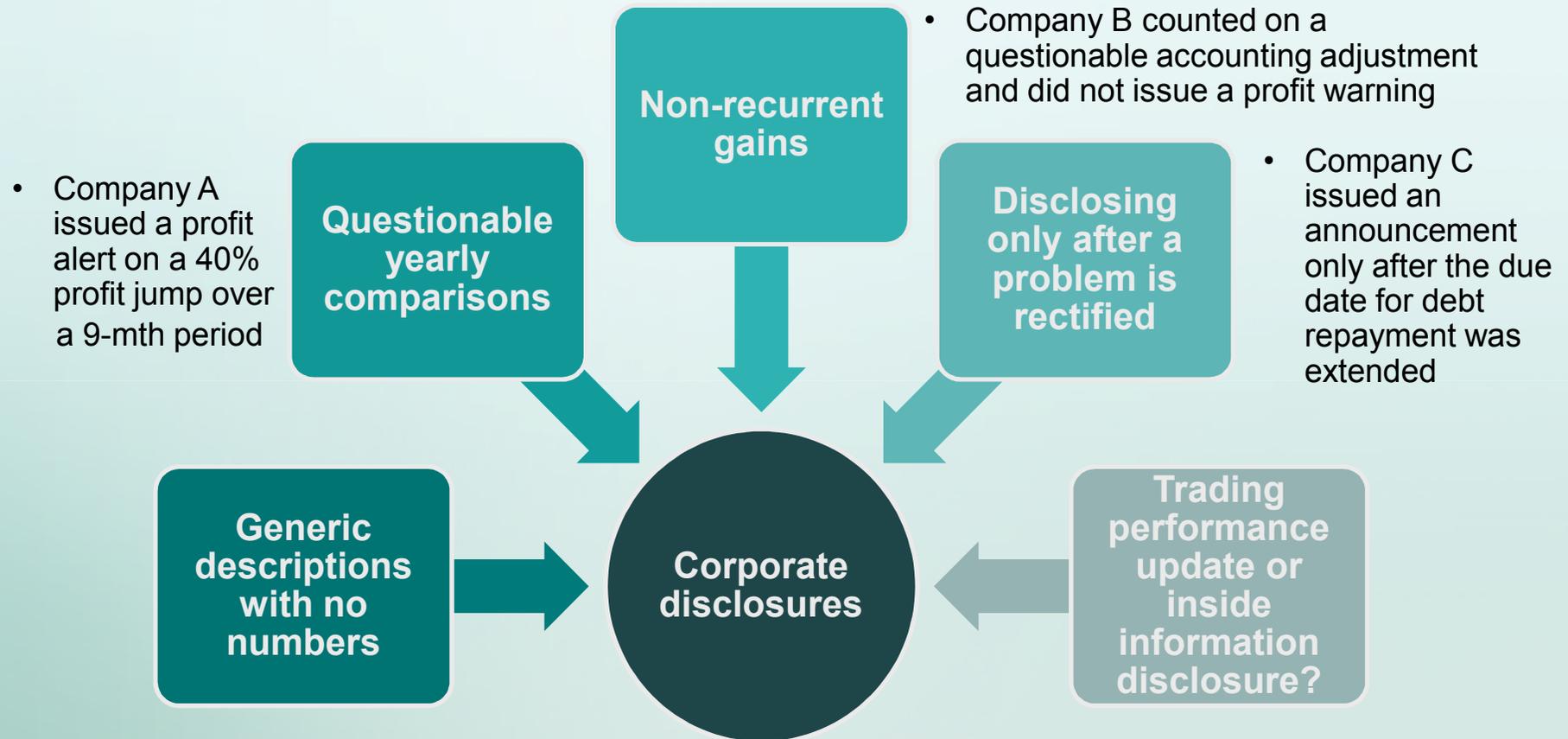
• Up 52% from 2012

**Profit alerts and
warnings**

• Up 16% from 2012



Issues noted



Five key questions

1

Is the information likely to have a material impact on the share price?

2

Do any of the exemptions under the legislation apply?

3

Is the intended disclosure adequate for investors to make an informed decision?

4

Is the disclosure accurate, clear and comprehensive, so that investors will fully understand the new circumstances of the company, as compared to market expectations?

5

Are there any supporting numbers or at least a profit range to accompany a profit alert or warning?



A more proactive approach



- A more proactive and holistic approach
- Broader-based, action-oriented thematic reviews to identify cases for:
 - enforcement action under the SFO and other legislation
 - areas where changes in policy or culture would help improve conduct

What we ask of you

Possess the experience, qualifications and competence to manage company business



Fully assist the IPO sponsor in performing its duties



Comply with the Listing Rules and other legal and regulatory requirements



Ensure that inside information disclosures are accurate and meaningful



Engage in a constructive dialogue with shareholders



Promote and maintain good corporate conduct at all times



My vision

Sound regulation

Quality markets

Properly informed investors



Questions?

