



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

**Report on the Securities and Futures Commission's  
2012 annual review of the Exchange's performance  
in its regulation of listing matters**

November 2012



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## Executive Summary

1. This report summarises the key findings and recommendations of the Securities and Futures Commission's 2012 annual review regarding the performance of The Stock Exchange of Hong Kong Limited (the "Exchange") in its regulation of listing matters during 2011.
2. This report records our assessment of the Exchange's performance for the year 2011.
3. We reviewed the Exchange's operational procedures and decision-making processes in each of the Listing Division's operational departments to assess whether they are adequate to enable the Exchange to meet its statutory obligation under section 21 of the Securities and Futures Ordinance (the "SFO"). The Exchange has a statutory obligation under section 21 to ensure, as far as reasonably practicable, an orderly, informed and fair market.
4. We are of the view that the operational procedures and decision-making processes reviewed were appropriate to enable the Exchange to discharge its statutory obligation under section 21 of the SFO during the period reviewed.
5. We are satisfied that the Exchange has taken some steps to address the recommendations in our 2011 report and that improving transparency is a continuing process. We note that the Exchange is reviewing its policy on regulation of overseas companies. We encourage the Exchange to continue its efforts to guide and keep its staff abreast of the developments in this policy initiative.
6. This report is divided as follows:
  - (a) Section 1 explains the purpose and focus of our review, its scope and the review process;
  - (b) Section 2 sets out our assessment and recommendations in respect of our review of Exchange's operational procedures and decision-making processes in each of the Listing Division's operational departments to assess whether they are adequate to enable the Exchange to meet its statutory obligation under section 21 of the SFO; and
  - (c) Appendix A is a table summarising the results of a survey of the Listing Committee members and the market participants' view of the Exchange's performance.



## Section 1

### Purpose and focus of our review

7. This is our report on the 2012 review of the Exchange's performance in its regulation of listing matters during 2011.
8. We have a statutory duty under section 5(1)(b) of the SFO to supervise, monitor and regulate the activities carried on by the Exchange. As set out in the Memorandum of Understanding between the Exchange and ourselves dated 28 January 2003 ("Listing Matters MoU"), we have agreed with the Exchange that we should periodically review the Exchange's performance in its regulation of listing-related matters. Our periodic review does not cover the other activities carried on by the Exchange, such as market and product development.
9. In March 2004, the Government published its Consultation Conclusions on Proposals to Enhance the Regulation of Listing. Amongst other matters, the Government recommended that we prepare annual reports on our review of the Exchange's performance of its listing functions and submit these reports to the Financial Secretary. This is our eighth report following the Government's recommendation.
10. As a recognised exchange under the SFO, the Exchange has statutory obligations to:
  - (a) ensure an orderly, informed and fair market, so far as reasonably practicable, and
  - (b) act in the interest of the public, having particular regard to the interest of the investing public<sup>1</sup>.

The Exchange is also required under section 21(6)(b) of the SFO to provide and maintain competent personnel for the conduct of its business. It has also agreed in the Listing Matters MoU to maintain an adequate level of staff strength in the Listing Division with an adequate level of professionalism and experience to discharge the responsibilities of the Listing Division.

11. Except for matters specifically reserved by the Listing Committee, most matters concerning the Listing Rules are dealt with by the Listing Division in the first instance. Matters dealt with by the Listing Division include processing listing applications, monitoring and enforcing listed companies' compliance with the Listing Rules.
12. As with our previous review, we reviewed the Exchange's operational procedures and decision-making processes to assess whether they are adequate to enable the Exchange to meet its statutory obligations under section 21 of the SFO.
13. The Exchange's statutory obligation under the SFO is ongoing, and whether it has made necessary arrangements to comply with its obligation in the future cannot be judged merely by reference to its past compliance. Therefore we use the review process to assess whether the Exchange has taken adequate steps to meet its statutory obligation and identify issues that, in our view, should be addressed to ensure ongoing compliance.

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<sup>1</sup> Section 21 of the SFO



14. During the course of our review of the Exchange's performance, we may also make observations of the current issues and changes in the Exchange's operational procedures and decision-making processes.

## **Our approach**

15. Our review process focussed on the Listing Division's laid down procedures and processes as a whole, supplemented by reviews of sample cases in order to understand how the division's policies work in practice and to verify whether the division's practices follow its policies.
16. As part of the review process, we interviewed each of the Heads of Departments, including the Head of Listing, to obtain understanding of their assessment of the effectiveness and efficiency of their respective department's decision-making processes and operational procedures. In 2012, we performed thematic review on the Listing Division's processes and procedures in respect of:
  - (a) processing listing applications in respect of Initial Public Offering (IPO) of equity securities;
  - (b) processing structured products listing applications; and
  - (c) dissemination of listed company information.
17. We also interviewed the Chairman and Deputy Chairmen of the Listing Committee and selected Listing Committee members to obtain understanding of their assessment of the effectiveness of the Listing Committee's processes and procedures and the performance of the Listing Division.

## **Scope of our review**

18. Our review focussed on the decision-making process and operational procedures in each of the operational departments in the Listing Division.
19. We did not review the quality of the Listing Division's decisions during the annual review process as this forms part of our regular oversight function of the Exchange under section 5(1)(b) of the SFO. We raise and discuss with the Exchange any particular matter which comes to our attention during the course of the year as and when such matter arises.
20. In 2012, we reviewed the operations of the following departments and teams under the Listing Division in the course of 2011:
  - (a) the IPO Transactions Department (the "IPO Department") whose primary responsibility is to process new listing applications in respect of equity securities;
  - (b) the Compliance and Monitoring Department (the "C&M Department") which is responsible for monitoring listed companies' compliance with the Listing Rules;
  - (c) the Listing Enforcement Department (the "Enforcement Department") which investigates suspected breaches of the Listing Rules and institutes disciplinary action before the Listing Committee for such breaches by companies and their directors; and



- (d) the Listing Operations Department which is responsible for processing listing applications for debt and structured products, such as derivative warrants and callable bull/bear contracts and the dissemination of information concerning listing applicants/listed issuers and providing support for their regulatory filings.

## **How we conducted the assessment**

21. In conducting our assessment, we considered:

- (a) the relevant internal Exchange materials, written policies, procedures and processes documented by the relevant operational departments in the Listing Division and any general practices that have not been documented;
- (b) sample cases, including the relevant operational departments' internal reports and case files;
- (c) information we receive from the Listing Division in the ordinary course of our dealings with the Division, including its monthly report to us, internal reports and case data;
- (d) the Hong Kong Exchanges and Clearing Limited 2011 annual report, the Exchange's quarterly newsletters called the "Exchange", and the 2011 Listing Committee Report;
- (e) the Exchange's published disciplinary procedures, listing decisions, rejection letters, guidance letters, and other related documents on the HKEx website;
- (f) discussions with senior management of the relevant operational departments in the Listing Division;
- (g) discussions with Chairman and Deputy Chairmen of the Listing Committee and selected Listing Committee members;
- (h) comments made in interviews or discussions with the relevant case officers;
- (i) our continuing interaction with the Exchange under the Listing Matters MoU; and
- (j) a survey of market participants' views to gauge the market's perception of the Exchange's performance in its listing-related functions.

## **Gauging market perception of the Exchange's performance**

22. As part of the review process, we conducted a survey of a number of market participants, including sponsors, legal advisers, accountants, investors, listed companies and Listing Committee members, on a private and confidential basis. The purpose of the survey is to establish how they view the Exchange's performance in its regulation of listing matters and to gauge changes in the market's perception of the Exchange's performance over a period of time.



### **The assessment process**

23. Our assessment of the Exchange's performance and our views expressed in this report are a combination of our on-site work, our consultation with market participants and Listing Committee members and our continuing interaction with the Exchange under the Listing Matters MoU.
24. We held an interview with the Head of the Listing Division and discussed our findings with him.
25. We sought the Exchange's comments on both the factual matters set out in this report and our conclusions.
26. The field work and review process were completed in May 2012. Where relevant, we have also made observations of the current issues and changes in the Exchange's operational procedures and decision-making processes in 2012.



## Section 2

### Overall assessment

27. We are of the view that during 2011 the Exchange's operational procedures and decision-making processes in each of the Listing Division's operational departments as described in the "Scope of our review" section above, were appropriate during the review period to enable the Exchange to discharge its statutory obligation to ensure, so far as reasonably practicable, an orderly, informed and fair market.

### Market perception of the Exchange's performance

28. We sent a questionnaire on the Exchange's performance to 189 (2011: 184) Listing Committee members and market practitioners and received 65 (2011: 61) responses. The response rate is 34.3% (2011: 33.2%).
29. The respondents were asked to rate the performance of the Exchange and each of the operating departments in the Listing Division in various key areas on a scale of 1 to 5 with "5" being wholly satisfied. Please refer to Appendix A for detailed summary of the result of the survey.
30. Overall, there is no significant change in the respondents' view of the Exchange's performance. The average overall score for 2012 is 3.8 which is the same as that for 2011. The respondents are generally satisfied with the efficiency and fairness of the Exchange in its vetting process.
31. A couple of respondents commended the Exchange's effort in streamlining property valuation requirements for listing applicants. A few respondents commended the Exchange as being helpful and quick in responding to enquiries relating to new listing applications and compliance with listing rules.
32. A couple of respondents suggested that the Exchange could further improve consistency of its decisions by enhancing communication among teams within the same department and between departments, and communication between teams who develop new/revised policies and operational teams. Some respondents made similar suggestions in last year's survey.
33. In general, Listing Committee members, who responded to the survey and whom we have interviewed, are satisfied with the performance of the Listing Division.

### Observations on the Listing Division's performance

34. The Listing Division assesses its efficiency or timeliness of its actions primarily by measuring its turnaround time. Each department has instituted performance pledges as to when they will complete a particular task to improve and ensure efficiency.
  - (a) To deal with the increasing number of listing applications, in 2011, the IPO Department increased its professional staff headcount from 42 to 50 or about 19%. Starting from September 2011, the department ran regular internal training for its staff.





- (b) The IPO Department vetted 286 listing applications in 2011, an increase of 51 listing applications or 21.7% from 2010. The number of listing applications accepted has increased significantly in the last few years (2009: 123, 2010: 204 and 2011: 247). However, the number of new listing applications accepted by the department for the first five months ended 31 May 2012 was 61, a decrease of 47% as compared to the same period in 2011.
- (c) The average time between receipt of application and issue of first comment letter in 2011 was 16 calendar days compared to 20 calendar days in 2010. However the percentage of applicants reviewed by the Listing Committee within 120 days was 58% in 2011 compared to 79% in 2010. The time taken before a case is reviewed by the Listing Committee is partly dependant on the time taken by applicants to respond to queries. The Exchange attributes the increase in the time taken to process a listing application in 2011 to the poor quality of listing application materials, the complexity of issues presented by some listing applications and the high level of listing applications.
- (d) As from January 2010, C&M Department only pre-vets announcements on substantial transactions, such as very substantial disposals or acquisitions, reverse takeovers and cash companies. The Department's experience with the post-vetting regime continued to be positive as companies' compliance with the Listing Rules maintained at a satisfactory level. In 2011, 4% (2010: 4%) of the post-vetted announcements resulted in follow-up actions taken by listed companies, mainly by publishing clarification announcements. In terms of timeliness of the department's actions, in 2011, the department commented on post-vetted announcements within one business day for 96% (2010: 93%) of the cases. The department commented on pre-vetted announcements within the same day for 77% (2010: 66%) of the cases.
- (e) The Enforcement Department continued to refine its internal decision-making structures to enable earlier identification of serious misconduct and breaches of the Listing Rules. Also, training on investigation techniques was offered to its staff to improve efficiency of investigations. As a result, the average time for completion of an investigation was 5.6 months for cases with investigation commenced in 2010 and 2011. This compares to 7.7 months for cases with investigation commenced in 2009 and 2010.



## Level of activities

35. The following table indicates the level of activity in the four operational departments of the Listing Division in 2007, 2008, 2009, 2010 and 2011<sup>2</sup>.

	2007	2008	2009	2010	2011
Number of listing applications accepted by the IPO Department	125	137	123	204	247
Number of compliance and monitoring actions handled by the C&M Department <sup>3</sup>	33,163	33,124	38,341	39,823	39,393
Number of investigations handled by the Enforcement Department	167	171	147	133	142
Number of listing applications processed by the Listing Operations Department	7,426	9,312	12,555	14,870	12,483
- Derivative warrants	7,025	5,031	4,434	8,236	7,089
- Callable Bull/Bear Contracts (more commonly known as CBBCs)	401	4,281	8,121	6,634	5,394

36. See paragraph 34 above for comments on the handling of listing applications.

37. Compliance and monitoring actions taken by the C&M Department in 2011 continued to operate at a level similar to 2010. In 2011, the department continued to conduct a high-level review of all announcements and notices before commencement of each trading session. Detailed reviews of announcements which related to more significant transactions or which posed a higher risk of non-compliance were performed. Certain categories of announcements with a good record of issuer compliance were shifted from detailed vetting to high-level review only.

38. The Enforcement Department handled 142 investigations in 2011 (2010: 133). The department completed 9 (2010: 9) disciplinary cases, issued 42 (2010: 27) warning or caution letters and closed a further 26 (2010: 20) cases by way of “no further action”.

	Warning/Caution letters issued	Cases closed by way of “no further action”	Disciplinary cases	Total
2008	68	41	15	124
2009	28	41	9	78
2010	27	20	9	56
2011	42	26	9	77

39. The Debts and Derivatives Team saw a decrease of 16.1% from 14,870 in 2010 to 12,483 in 2011 in the total number of derivative warrants and CBBCs listing applications processed.

<sup>2</sup> Source: HKEx 2011 Annual Report, pages 42- 48

<sup>3</sup> Compliance and monitoring actions include announcements and circulars vetted, share price and trading volume monitoring actions undertaken, press enquiries raised and complaints handled.



## **IPO listing applications**

40. Chapter 8 of the Main Board Listing Rules and Chapter 11 of the GEM Listing Rules set out the requirements in respect of qualifications, including eligibility, for listing of equity securities by new applicants on the Main Board and GEM in Hong Kong. Requirements as to the application procedures, content requirements of prospectuses and other requirements are set out in various chapters of the Main Board Listing Rules and the GEM Listing Rules.
41. The Listing Division of the Exchange vets and comments on all materials relating to a listing application and administers the listing process under the Listing Rules. In reviewing a listing application, the Exchange considers, among other matters, whether the listing applicant satisfies the initial listing eligibility criteria and whether the listing applicant is, in the opinion of the Exchange, suitable for listing.
42. In terms of presentation of information in prospectuses, the guiding principles applied by the Exchange are laid down in Rule 2.13 of the Main Board Listing Rules, which requires, among other matters, that information contained in the prospectus must be accurate and complete in all material respects and not be misleading or deceptive.
43. When the Listing Division is satisfied that the applicant meets all applicable new listing requirements, it prepares a report (the “Listing Division report”) and recommends that the Listing Committee of the Exchange approves the listing application. The power to approve a listing application rests with the Listing Committee.
44. We reviewed the Exchange’s records on a sample of IPO applications processed in 2011. We also reviewed Exchange’s operational processes and procedures in respect of IPO listing applications. In particular, we reviewed the Listing Division’s processes and procedures in identifying key issues during the vetting process and in ensuring these issues have been addressed before making listing approval recommendation to the Listing Committee. We also reviewed Listing Division reports to assess whether the reports covered all pertinent issues and provided a balanced discussion of the application in question.
45. We also interviewed the Chairman and Deputy Chairmen of the Listing Committee and five Listing Committee members to obtain an understanding of their assessment of the performance of the Listing Division in processing IPO listing applications.
46. Whilst in general Listing Committee members are satisfied with the performance of the Listing Division, some Committee members commented that there is room for improvement for the Listing Division in vetting IPO listing applications.

### *Approach towards expert reports*

47. The Companies Ordinance defines an “expert” to include an engineer, valuer, accountant and any other person whose profession gives authority to a statement made by him. Where a statement by an expert is included in a prospectus, the expert is subject to civil liability under the Companies Ordinance for any untrue statement in the expert’s report. Experts’ reports in a prospectus include an accountants’ report and in some cases reports by property valuers and competent persons in respect of a mineral or resource business. A listing applicant may decide to include a report by other experts in a prospectus.



48. The Listing Division staff and investors are accustomed to and generally understand property valuation reports. The terminology of these reports is well established and may not require further elaboration. However, where different methodologies and bases are applied to different properties, the reasons for the use of the different methodologies and bases should be clearly explained.
49. Experts' reports dealing with matters other than property valuations and accountants' reports, especially matters that are new or less familiar to the Hong Kong market, may not be well understood by investors. Accordingly, it is important for the Listing Division staff to pay particular attention to expert reports dealing with novel areas and to understand the scope of work and the conclusions reached to ensure there is no ambiguity.
50. We encourage the Listing Division staff to adopt a probing approach when dealing with experts' reports especially those dealing with matters that are new or less familiar to the Hong Kong market.

#### *Discussion in the Listing Division reports*

51. In reviewing a listing application, the Listing Division considers key issues including track record profit requirements, management continuity, ownership continuity and whether the listing applicant is, in the opinion of the Exchange, suitable for listing.
52. When the Listing Division is satisfied that the applicant meets all applicable new listing requirements, it prepares a Listing Division report which summarises the particulars of the listing application and contains the Listing Division's discussion of the relevant issues and its recommendation. The power to approve a listing application rests with the Listing Committee.
53. We understand from the Exchange that the Listing Committee requested the Listing Division to produce streamlined reports in plain language a few years ago. However, some Listing Committee members commented that whilst the Listing Division's analysis of the case was concise, the report tended to be overly brief and did not give members adequate flavour of the issues of the listing application. Some Listing Committee members felt that the discussion of the basis that supported an approval recommendation did not cover all the aspects. These members encouraged the Listing Division to highlight and discuss in the report all important issues, including issues that it had taken substantial amount of time and debate before the Listing Division felt able to recommend approval.
54. We note in our review that, in general, discussion in the Listing Division reports tended to focus on explaining the rationale that justified an approval recommendation. In light of the changed Listing Committee's expectations, we recommend that the Listing Division reports include a detailed analysis of the Division's initial reservations and how these reservations have been dealt with.
55. We note the Exchange has recently changed its policy to require the sponsor to attend the Listing Committee hearing to answer questions.



## Summary

56. In relation to IPO listing applications we recommend that:
- (a) The Listing Division should adopt a probing approach when dealing with experts' reports especially those dealing with matters that are new or less familiar to the Hong Kong market. The Listing Division should pay particular attention to whether:
    - (i) there is ambiguity or sufficient clarity in the work done and the conclusions reached;
    - (ii) the bases and assumptions adopted in reaching the conclusions are reasonable; and
    - (iii) sufficient information, including the bases and assumptions adopted, in respect of the experts' reports has been disclosed in the prospectus, with new or novel types of reports being brought to the attention of the Listing Committee; and
  - (b) The Listing Division should highlight and discuss in the Listing Division reports all important issues to provide Listing Committee members with a more nuanced analysis and recommendation, with appropriate weight given to the various issues considered.
57. We recommended that the Exchange considers changing its policy to require the sponsors to attend the Listing Committee hearing to answer questions. We note the Exchange has recently changed its policy requiring sponsors to attend Listing Committee hearings.

## Structured products listing applications

58. The Listing Committee of the Exchange approves issuers of structured products, such as derivative warrants and callable bull/bear contracts, on the basis of a report from the Listing Division indicating that the issuer meets the eligibility criteria set out in Chapter 15A of the Listing Rules. Once approved, an issuer will continue to be regarded as approved provided that it continues to meet the eligibility criteria and keeps its base listing document current, irrespective of whether it issues structured products.
59. The Listing Committee has delegated the authority to approve issues of structured products to the Listing Division. The Listing Operations Department of the Listing Division is responsible for processing listing applications for structured products. The department reviews a structured product listing application for compliance with the Listing Rules which include requirements for underlying assets; requirements for certain terms and conditions, such as minimum issue price and lifespan of a structured product; and requirements for disclosure and liquidity provision.
60. On 31 March 2011, four derivative warrants over the Nikkei 225 Index were suspended as a result of unusual movements in the warrants' prices and trading volume. It appeared that the settlement price formulae of these warrants were incorrect in the listing documents. The four derivative warrants remained suspended until their expiry. The issuer of these warrants also suspended new warrant issuance until it satisfied the Exchange that remedial steps have been taken and its internal controls strengthened.



61. Following the March 2011 incident, the Exchange became aware of further cases of documentation errors by other warrant issuers. The Exchange requested warrant issuers to review all other listing documentation and suspended new issuance until they had satisfied the Exchange that the errors did not affect the terms and conditions of the warrants, that they had been verified and satisfactory measures had been put in place to prevent documentation errors from recurring.
62. We reviewed the Exchange's processes and procedures in respect of processing listing applications of structured products and suspension of trading of structured products. In reviewing the Listing Division's operating manual for structured products, we note that procedures in respect of suspension of trading of structured products only cover routine circumstances where the underlying securities of a structured product are suspended from trading on the exchange on which they are listed. The Exchange's operating manual does not give any guidance to its staff in respect of suspension of trading of structured products that may arise from other circumstances.
63. We appreciate that a suspension of trading of structured products under other circumstances may be rare and that the Exchange may need to deal with the suspension of trading of structured products under these circumstances on a case-by-case basis. However, it is important that the Exchange gives specific guidance to its staff on what action they should take to deal with a possible suspension of trading of structured products other than the routine circumstances. Having clear internal guidance on suspension of trading of structured products is consistent with the Exchange's statutory obligations to ensure an orderly, informed and fair market.
64. As part of the on-going regulation of the structured products market, the Exchange is working closely with the staff of the SFC in its discussion with structured product issuers on proposals in enhancing the regulation of the structured products industry. Areas under review include issuers' internal controls, liquidity provision obligations, streamlining of documentation requirement and investor communication and education.
65. As a result of our review, the Exchange developed specific guidance to assist its staff to deal with suspension of trading of structured products. We note the Exchange published guidance to the market to enhance the regulation of structured products in July 2012. We also note that the Exchange stated in the guidance that they will monitor the implementation of the new guidance and where necessary enhances the guidance when more experience is gained.

#### **Dissemination of listed company information**

66. The HKExnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) is the primary channel for the dissemination of issuer information. Under the Listing Rules, all listed companies are required to submit announcements, circulars and other corporate documents to the Exchange for publication on the HKExnews website electronically. The HKExnews website also serves as a central repository of issuers' historical information to the investing public at no cost. Listed companies are also required to maintain their own websites and publish disclosures required under the Listing Rules for free access by investors.
67. On 10 August 2011, malicious hacking attacks were made on the Exchange's HKExnews website, disrupting issuers' news dissemination and causing the suspension of seven equity securities and their related debt/derivative products.



68. In light of the malicious hacking attacks in August, an ad hoc Review Committee<sup>4</sup> was established in September 2011 to review HKEX's IT security plans and the existing contingency measures with the objective to ensuring un-interrupted, fair and even distribution of market information for maintaining an orderly and open market. HKEx also commissioned external IT security specialists to give professional advice to the Review Committee. Following the review by the ad hoc Review Committee, HKEx have implemented relevant security enhancements to strengthen protection against further attacks. HKEx advised that they will pursue continuous improvements to sustain reliability and stability of the relevant systems.
69. The Exchange also published guidance on the HKExnews website informing listed companies and investors the arrangements in respect of listed company information dissemination and related trading arrangements in the event of interruption to the information dissemination system (including the HKExnews website service).
70. The Exchange advised that the first set of contingency measures that deal with possible disruption of the listed company information dissemination systems was finalised in June 2007. The Exchange has regularly reviewed its contingency measures since then.

## Recommendations

71. We summarise below our recommendations of this year's review.
72. In relation to IPO listing applications we recommend that:
- (a) The Listing Division should adopt a probing approach when dealing with experts' reports especially those dealing with matters that are new or less familiar to the Hong Kong market. The Listing Division should pay particular attention to whether:
    - (i) there is ambiguity or sufficient clarity in the work done and the conclusions reached;
    - (ii) the bases and assumptions adopted in reaching the conclusions are reasonable; and
    - (iii) sufficient information, including the bases and assumptions adopted, in respect of the experts' reports has been disclosed in the prospectus, with new or novel types of reports being brought to the attention of the Listing Committee; and
  - (b) The Listing Division should highlight and discuss in the Listing Division reports all important issues to provide Listing Committee members with a more nuanced analysis and recommendation, with appropriate weight given to the various issues considered.
73. We recommended that the Exchange considers changing its policy to require the sponsors to attend the Listing Committee hearing to answer questions. The Exchange advised that it has recently changed its policy requiring sponsors to attend Listing Committee hearings.

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<sup>4</sup> The Review Committee comprises three HKEx Board members and three external advisors.





74. In relation to structured products listing applications, we recommended that the Exchange develops specific guidance to assist its staff to deal with suspension of trading of structured products and continues its effort to work with the SFC and structured products issuers in enhancing the regulation of structured products. As a result of our review, the Exchange developed specific internal guidance that deals with suspension of trading of structured products.





## Appendix A

The table below sets out the weighted average scores given by the survey respondents. The respondents were asked to rate the Exchange's performance in various key areas on a scale of 1 to 5 with "5" being wholly satisfied and "1" being wholly dissatisfied. Some questions were asked starting from the 2011 survey and hence the scores for previous years are stated "N/A".

		2008	2009	2010	2011	2012
<b>Views on the Exchange's performance in its regulation of listing related matters</b>						
1.	Communications to the market of the Exchange's policies and practices under the Listing Rules as regards their clarity, adequacy and timeliness	3.8	3.7	4.0	3.8	3.9
2.	Timely response to the market developments	3.4	3.5	3.7	3.5	3.6
3.	Acting in the interests of the investing public	4.0	3.8	3.9	3.9	3.8
4.	Provision of a fair, orderly and efficient market for the trading of the securities	4.0	3.9	3.9	4.0	4.0
5.	Success in ensuring that the disclosure of price sensitive information made by listed companies is on a timely basis	4.0	3.8	3.8	3.7	3.7
6.	Equal and fair treatment of all holders of listed companies	3.7	3.7	3.8	3.8	3.7
7.	Quality of companies listed	3.8	3.6	3.7	3.3	3.4
<b>Views on the Listing Division's performance</b>						
8.	Consistency in interpretation and application of the Listing Rules	3.7	3.6	3.7	3.8	4.1
9.	Impartiality	3.8	3.8	3.9	4.0	4.2
10.	Timeliness of responses	3.6	3.6	3.8	4.1	4.1
11.	Pertinence of enquiries and comments raised during the vetting process or investigation process	3.6	3.5	3.6	3.9	4.0
12.	Experience and knowledge of the Listing Rules as regards its understanding of the policy issues behind the Listing Rules	3.9	4.0	4.0	4.0	3.9
13.	Experience and knowledge of the Listing Rules as regards its understanding of the requirements of the relevant provisions in the Listing Rules	4.0	4.1	4.1	4.2	4.3



		2008	2009	2010	2011	2012
<b>Views on the various aspects of the IPO and C&amp;M Departments' work</b>						
14.	Handling general enquiries	3.7	3.6	3.9	4.1	4.1
15.	Handling requests for guidance on the application of a particular Listing Rule	3.5	3.6	3.8	4.0	4.0
16.	Processing applications for waivers	3.8	3.7	3.7	3.8	4.0
17.	Processing listing applications	3.8	3.7	3.9	4.0	4.1
18.	Clearing draft announcements, circulars and other corporate information	3.7	3.7	3.9	4.1	4.1
19.	Handling complaints	3.6	3.5	3.6	3.5	3.7
20.	Handling short term suspension	3.6	3.7	3.8	3.9	3.9
21.	Handling long term suspension	3.2	3.6	3.4	3.5	3.7
22.	Handling of pre-IPO enquiries	N/A	N/A	N/A	4.0	3.9
<b>Views on the quality of disclosure documents vetted by the Exchange</b>						
23.	Clarity of prospectuses, announcements, circulars and other corporate information	3.9	3.6	3.6	3.6	3.7
24.	Adequacy of information in these documents to enable investors and shareholders (where relevant) to make properly informed assessment of the relevant issuer	3.9	3.7	3.7	3.8	3.8
25.	Ease of understanding of these documents	3.5	3.5	3.4	3.5	3.4
26.	Timeliness of issue of announcements and circulars	3.8	3.8	3.9	3.9	3.8
<b>Views on the Exchange's performance in monitoring compliance with and enforcement of the Listing Rules</b>						
27.	Success in monitoring compliance with the Listing Rules by listed companies and directors	3.7	3.6	3.7	3.7	3.8
28.	Timeliness of disciplinary action taken against listed companies and directors	3.0	3.0	3.2	3.3	3.3
29.	Transparency of policy on disciplinary actions	3.3	3.3	3.4	3.4	3.7
30.	Consistency in approach taken in disciplinary cases	N/A	N/A	N/A	3.8	3.6



		2008	2009	2010	2011	2012
<b>Views on the Exchange's performance in conducting consultations</b>						
31.	Comprehensibility of the issues and proposals in the consultation papers	N/A	N/A	N/A	3.9	3.9
32.	Adequacy of the consultation period to consider and respond to the consultation papers	N/A	N/A	N/A	3.9	3.8
33.	Adequacy of guidance and measures to facilitate transition to amended rules	N/A	N/A	N/A	3.7	3.7
34.	Adequacy of publicity to raise awareness of new or amended rules	N/A	N/A	N/A	3.7	3.6
35.	Adequacy of explanation and discussion of the issues raised, the arguments and the proposals in the consultation papers	N/A	N/A	N/A	3.6	3.6
<b>Overall average scores</b>		3.7	3.6	3.7	3.8	3.8