

SECURITIES AND FUTURES ORDINANCE (Chapter 571)

Pursuant to sections 169 and 399 of the Securities and Futures Ordinance, the Securities and Futures Commission publishes the following amendments to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct). These amendments shall become effective on 5 August 2022.

1. Add the following paragraph after paragraph 17.1 of the Code of Conduct:—

“17.1A Appointment

Before accepting an appointment by a listing applicant as a sponsor in relation to a listing application on the Main Board of the Stock Exchange, a sponsor should either:

- (a) be independent¹ of the listing applicant and ensure that it or one of the companies within its group of companies² is appointed at the same time as an overall coordinator (“OC”) (as defined under paragraph 21.2.3 of the Code) in connection with that listing application; or
- (b) obtain written confirmation from the listing applicant that at least one sponsor, which is independent of the listing applicant, or one of the companies within the group of companies of that sponsor, has been appointed as an OC in connection with that listing application.”

2. Add the following paragraphs after paragraph 20.5 of the Code of Conduct:—

“Bookbuilding and placing activities in equity capital market and debt capital market transactions

21.1 Introduction

21.1.1 Paragraph 21 applies to a licensed or registered person that engages in providing services to issuers, investors or both in respect of an offering of shares or debt securities and involves the following activities conducted in Hong Kong:

- (a) collating investors’ orders (including indications of interest) in an offering in order to facilitate:
 - (i) the price determination and the allocation of shares or debt securities to investors; or
 - (ii) the process of assessing demand and making allocations (“bookbuilding activities”);
- (b) marketing or distributing shares or debt securities to investors pursuant to those bookbuilding activities (“placing activities”); or

¹ The circumstances under which a sponsor is considered not to be independent of the listing applicant are set out under the Listing Rules.

² For the purposes of this paragraph, “group of companies” has the same meaning as in section 1 of Part 1 of Schedule 1 to the SFO.

- (c) advising, guiding and assisting the issuer client¹ in those bookbuilding and placing activities.

A licensed or registered person engaged in any of the above-mentioned capital market activities is referred to as a “capital market intermediary” (“CMI”).

21.1.2 Paragraph 21 covers only the following types of offerings that involve bookbuilding activities:

- (a) an offering of shares² listed³ or to be listed⁴ on The Stock Exchange of Hong Kong Limited (“SEHK”) (“share offering”); or
- (b) an offering of debt securities listed or unlisted, and offered in Hong Kong or otherwise (“debt offering”).

21.1.3 Paragraph 21 sets out the standards of conduct expected of a CMI in a share or debt offering. CMIs are also reminded to fulfil their obligations under applicable laws, rules and regulations, including properly addressing actual and potential conflicts of interest, ensuring the fair treatment of both their issuer client and investor clients, and upholding the integrity of the market at all times. In the case of a share offering, these include the Listing Rules⁵ and other regulatory requirements or guidance issued by SEHK from time to time (“SEHK Requirements”). In the case of a debt offering where the debt securities are listed on SEHK, CMIs are also reminded to ensure compliance with the applicable rules and regulations issued by SEHK.

21.1.4 There are many types of share and debt offerings, which vary in nature and complexity, and a CMI may play different roles in different offerings. It is the responsibility of the senior management of a CMI to establish and implement adequate and effective policies, procedures and controls to ensure compliance with the rules and regulations which are applicable to the roles they play in an offering.

21.2 Types of CMIs

21.2.1 A CMI which is engaged by the issuer of a share or debt offering is referred to as a syndicate CMI.

¹ In the case of an initial public offering of shares (including a public offer conducted in connection with a secondary listing in Hong Kong) (“IPO”), “issuer client” includes “listing applicant”.

² References to “shares” in paragraph 21 also include depositary receipts and units or interests in SFC-authorised real estate investment trusts (“REITs”) listed or to be listed in Hong Kong.

³ This only covers the placing of listed shares to third-party investors by an existing shareholder if it is accompanied by a top-up subscription by the existing shareholder for new shares in the issuer.

⁴ This covers (i) IPOs, which include share offerings in connection with a secondary listing and offer of existing shares by way of IPO; (ii) offerings of a class new to listing; and (iii) offerings of new shares of a class already listed under a general or special mandate.

⁵ The Rules Governing the Listing of Securities on SEHK and Rules Governing the Listing of Securities on GEM of SEHK.

21.2.2 A CMI which is not engaged by the issuer⁶ of a share or debt offering is referred to as a non-syndicate CMI.

21.2.3 In the case of a share offering, an “Overall Coordinator” (“OC”) of the offering is a syndicate CMI which, solely or jointly, conducts any of the following activities:

- (a) overall management of the offering, coordinating the bookbuilding or placing activities conducted by other CMIs, exercising control over bookbuilding activities and making allocation recommendations to the issuer client;
- (b) advising the issuer client of the offer price and being a party to the price determination agreement with the issuer client; or
- (c) exercising the discretion to reallocate shares between the placing tranche and public subscription tranche, reduce the number of offer shares, or exercise an upside option or over-allotment option.

21.2.4 In the case of a debt offering, an OC of the offering is a syndicate CMI which, solely or jointly, conducts the overall management of the offering, coordinates the bookbuilding or placing activities conducted by other CMIs, exercises control over bookbuilding activities and makes pricing or allocation recommendations to the issuer client.

21.2.5 For the avoidance of doubt, irrespective of whether or not a CMI has been formally appointed by, or has entered into a written agreement with, the issuer client, a CMI which conducts any of the activities in paragraphs 21.2.3 or 21.2.4 will be an OC and is required to comply with this paragraph.

21.3 CMI - Obligations and expected standards of conduct⁷

A CMI should uphold market integrity and ensure compliance with all applicable legal and regulatory requirements.

21.3.1 Assessment of issuer client and offering

A CMI should conduct an adequate assessment of an issuer client before engaging in a share or debt offering for that issuer client. This includes:

- (a) taking reasonable steps to obtain an accurate understanding of the history and background, business and performance, financial condition and prospects, operations and structure of the issuer client, except for a repeated issuer of debt offerings where a CMI acted as the CMI for previous offerings made by the same issuer. In this case, the CMI should

⁶ Given that a non-syndicate CMI is not engaged by the issuer, the issuer is not its client and hence not an “issuer client”. The above notwithstanding, references to “issuer client” in this paragraph include references to “issuer” in the case of a non-syndicate CMI.

⁷ For the purpose of this paragraph, a non-syndicate CMI which is not appointed by a syndicate CMI (hence does not receive remuneration directly or indirectly from the issuer client) and is only responsible for relaying investor clients’ orders to CMI for placing into the order book is only required to comply with paragraphs 21.3.3, 21.3.5 and 21.3.7.

ascertain whether there have been any material changes in the circumstances of the issuer client of relevance to its role as CMI; and

- (b) establishing a formal governance process to review and assess the share or debt offering, including any actual or potential conflicts of interest between the CMI and the issuer client as well as the associated risks.

21.3.2 Appointment of CMI

Subject to paragraph 21.4.1 of the Code, before a CMI conducts any bookbuilding or placing activities, it should ensure that it has been formally appointed under a written agreement to conduct such activities by an issuer client in the case of a syndicate CMI or another CMI in the case of a non-syndicate CMI. The written agreement should clearly specify the roles and responsibilities of a CMI, the fee arrangements (including fixed fees as a percentage of the total fees to be paid to all syndicate CMIs participating in the offering⁸) and the fee payment schedule.

21.3.3 Assessment of investor clients

- (a) A CMI should take reasonable steps to assess whether its investor clients, based on their profiles, fall within the types of investors targeted in a marketing and investor targeting strategy (“targeted investors”) as referred to under paragraph 21.4.3.
- (b) In the case of a share offering, a CMI should take all reasonable steps to identify investor clients to whom the allocation of shares will be subject to restrictions or require prior consent from SEHK under the SEHK Requirements (“Restricted Investors”) and inform the OC (whether directly or indirectly) before placing an order on behalf of such clients.
- (c) In the case of a debt offering, a CMI should take all reasonable steps to identify whether its investor clients may have any associations⁹ with the issuer client, the CMI or a company in the same group of companies¹⁰ as the CMI (“group company”) and provide sufficient information to an OC to enable it to assess whether orders placed by these investor clients may negatively impact the price discovery process.

21.3.4 Marketing

- (a) A CMI should only market the shares or debt securities to its investor clients which are targeted investors. In the case of a share offering, where the shares are only marketed to selected investor clients, the CMI should be satisfied that the shares have been marketed to a sufficient number of

⁸ This includes fees for providing advice to the issuer, marketing, bookbuilding, making pricing and allocation recommendations and placing these securities with investor clients. This is also commonly referred to as “underwriting fees” by the industry.

⁹ Investor clients who are the directors, employees or major shareholders of the issuer client, the CMIs or their group companies would be considered as having an association with the issuer client, the CMIs or their group companies.

¹⁰ For the purposes of this paragraph, “group of companies” has the same meaning as in section 1 of Part 1 of Schedule 1 to the SFO.

clients and the likelihood of undue concentration of holdings is reasonably low.

- (b) A CMI should allow all of its investor clients which are targeted investors and have indicated an interest in an offering to participate in that offering.

21.3.5 Order book

- (a) A CMI should take reasonable steps to ensure that all orders (including indications of interest) placed in an order book represent bona fide demand of its investor clients, itself and its group companies. A CMI should also make enquiries with its investor clients about orders which appear unusual, for example, an order which is not commensurate with the investor client's financial profile, before placing the order.
- (b) A CMI should ensure transparency in the bookbuilding process. It should disclose (whether directly or indirectly) the identities of all investor clients in an order book, except for orders placed on an omnibus basis. For orders placed on an omnibus basis, a CMI should provide, whether directly or indirectly, information about the underlying investor clients (ie, the investor client's name and unique identification number) to the OC and the issuer when placing the orders.
- (c) A CMI (including the OC) which receives information about the investor clients for orders placed on an omnibus basis as mentioned under subparagraph (b) should only use this information for placing orders in that specific share or debt offering transaction.

21.3.6 Allocation

A CMI should establish and implement an allocation policy to ensure a fair allocation of shares or debt securities to its investor clients. This policy should:

- (a) address or take into account the principles and requirements under paragraph 21.3.10 and the following factors:
 - (i) the marketing and investor targeting strategy;
 - (ii) the order size and circumstances of the investor client;
 - (iii) the price limits for the investor client's orders;
 - (iv) any minimum allocation amounts indicated by investor clients;
 - (v) any applicable legal and regulatory requirements; and
- (b) prevent any practices which may result in the unfair treatment of investor clients or knowingly distort the demand for other share or debt offerings.

21.3.7 Rebates and preferential treatment offered

- (a) A CMI should not offer any rebates to an investor client or pass on any rebates provided by the issuer client to an investor client. In addition:

- (i) in the case of an IPO, a CMI should not enable any of its investor clients to pay, for each of the shares allocated, less than the total consideration as disclosed in the listing documents; and
 - (ii) in the case of a debt offering, a CMI should not enter into any arrangements which may result in investor clients paying different prices for the debt securities allocated.
- (b) A CMI should disclose (whether directly or indirectly) to the issuer client, OC, all of its targeted investors and the non-syndicate CMIs it appoints:
- (i) any rebates offered (such as those offered by the issuer client of a debt offering) to CMIs. The disclosure should specify, for example:
 - the targeted recipients of the rebates;
 - the terms and conditions under which the targeted recipients may receive the rebates; and
 - the timing for the payment of the rebates; and
 - (ii) any other preferential treatment of any CMIs or targeted investors (such as guaranteed allocations).

In the case of a share offering, a CMI should make the above disclosure upon becoming aware of any such rebates or preferential treatment. In the case of a debt offering, the disclosure should be made no later than the time of the dissemination of the deal “launch message” to targeted investors.

21.3.8 Disclosure of information to OC, non-syndicate CMIs and targeted investors

A CMI should disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it received to:

- (a) the OC (whether directly or indirectly) and non-syndicate CMIs it appoints for them to carry out their duties; and
- (b) its targeted investors for them to make an informed decision¹¹.

21.3.9 Record keeping

A CMI should maintain books and records which are sufficient to demonstrate its compliance with all applicable requirements in this paragraph. In particular, a CMI should document:

- (a) assessments of the issuer client, share or debt offering and investor clients;

¹¹ Where a CMI is a non-syndicate CMI (such as a sub-placing agent), it should disclose information received from syndicate CMIs or non-syndicate CMIs (such as a distributor).

- (b) audit trails from the receipt of orders (i.e. including indications of interest), the placing of orders in the order book (whether directly or indirectly) through to the final order allocation (including changes in the orders received, details of the rejected orders and the reasons thereof, order confirmations with each investor client or CMI prior to the final allocation decisions and records of the allocation decisions made with a special focus on large or unusual allocations);
- (c) all key communications with, and information provided to, the OC, other CMIs or investor clients, including information about the status of the order book (such as the launch term sheet and book messages);
- (d) where a CMI's order is placed on an omnibus basis, the intended basis of allocation for all orders with justifications as well as any material deviations from its allocation policy as referred to in paragraph 21.3.6;
- (e) all key communications with the issuer client, such as disclosures made to the issuer client in relation to actual or potential conflicts of interest;
- (f) rebates offered by the issuer client and the payment details;
- (g) any other preferential treatment offered to itself, non-syndicate CMIs it appoints or its investor clients; and
- (h) information forming the basis of all submissions made to SEHK and the SFC.

Except for records mentioned in sub-paragraph (b), which should be kept for a period of not less than two years, a CMI should maintain the above records for a period of not less than seven years.

21.3.10 Conflicts of interest

- (a) A CMI should establish, implement and maintain policies and procedures to:
 - (i) identify, manage and disclose actual and potential conflicts of interest which may, for example, arise when a CMI:
 - serves both the interests of its issuer client and investor clients;
 - serves the interests of its investor clients when having a proprietary interest (including a proprietary interest of its group companies) in an offering; or
 - has full discretion over allocations to investor clients or a proprietary order; and
 - (ii) govern the process for generating proprietary orders as well as making allocations to such orders.

- (b) A CMI should:
- (i) always give priority to satisfying investor clients' orders over its own proprietary orders¹² and those of its group companies;
 - (ii) only be the price taker in relation to its proprietary orders and those of its group companies and ensure that these orders would not negatively impact the price discovery process; and
 - (iii) segregate and clearly identify its own proprietary orders and those of its group companies (whether directly or indirectly) in the order book and book messages.

Note: For the purposes of this paragraph, proprietary orders of a group company exclude orders placed by the group company on behalf of its investor clients or funds and portfolios under its management, but include orders placed on behalf of funds and portfolios in which a CMI or its group company has a substantial interest.

- (c) In relation to a debt offering, a CMI should take reasonable steps to disclose (whether directly or indirectly) to the issuer client how any risk management transactions it intends to carry out for itself, the issuer client or its investor clients will not affect the pricing of the debt securities.

21.3.11 Resources, systems and controls

A CMI should maintain sufficient resources and effective systems and controls to ensure that it can discharge its obligations and responsibilities.

Chinese walls

- (a) Where a CMI is a company or is part of a group of companies undertaking multiple activities in relation to an offering, for example, it or its group company is involved in the preparation and issuance of research reports, sponsor work, bookbuilding activities, placing activities and other related business activities, the CMI should take adequate measures to prevent the flow of information which may be confidential or price sensitive between staff performing different activities and to prevent and manage any conflicts of interest which may arise. In particular, the CMI should establish and maintain:
- (i) an effective system of functional barriers (Chinese walls) which should include having physical separation between, and different staff employed for, the various business activities; and
 - (ii) appropriate policies and procedures which cover:
 - the procedures (including approval procedures) for bringing staff over the wall;

¹² For share offering, proprietary orders are subject to the SEHK Requirements.

- the standards of conduct expected of staff brought over the wall; and
- the records to be kept on wall-crossing activities.

Review and approval of orders and allocations

- (b) The placing of orders for, or the allocation of shares or debt securities to, any of the following types of accounts by a CMI should be subject to appropriate risk assessments (taking into consideration, for instance, a CMI's financial capability and exposure to associated risks) and management review and approval:
 - (i) proprietary orders for the CMI and any of its group companies;
 - (ii) orders from its investor clients which may appear unusual, for example, orders which might appear to be related to the issuer client; and
 - (iii) in the case of a share offering, allocations which are subject to restrictions or require the prior consent of SEHK under the SEHK Requirements.

Appointment of non-syndicate CMIs

- (c) Where a CMI appoints a non-syndicate CMI to assist it in distributing shares or debt securities, it should exercise due skill, care and diligence in the selection and appointment.

Surveillance and monitoring

- (d) A CMI should conduct independent surveillance and monitoring on a regular basis to detect irregularities, conflicts of interest, leakage of price sensitive or confidential information about the issuer client and the offering, and potential non-compliance with applicable regulatory requirements or its own policies and procedures. For example, a CMI should:
 - (i) review the book messages it prepares and disseminates to ensure that there are no misleading messages;
 - (ii) perform surveillance of electronic communications; and
 - (iii) select debt or share offerings for post-deal reviews to ensure that the pricing or allocation is adequately justified.

This should be supplemented by an effective incident management and reporting mechanism to ensure that any issues identified are reported to independent control functions for follow-up action and escalated to senior management as appropriate.

A CMI should deal with the SFC and SEHK in an open and cooperative manner and promptly provide all relevant information and explanations in accordance with applicable legal or regulatory requirements or upon request.

21.4 OC - Obligations and expected standards of conduct

In addition to the requirements specified in paragraph 21.3, an OC should comply with the following requirements.

21.4.1 Terms of appointment

- (a) Before an OC conducts any activities specified in paragraph 21.2.3 for a share offering or participates in any bookbuilding or placing activities for a debt offering, it should ensure that:
 - (i) it has been formally appointed by the issuer under a written agreement to conduct such activities; and
 - (ii) the written agreement should clearly specify its roles and responsibilities, fee arrangements (including fixed fees as a percentage of the total fees to be paid to all syndicate CMIs participating in the offering) and the fee payment schedule.
- (b) In the case of an IPO on the Main Board of SEHK, an OC should, before accepting an appointment, either:
 - (i) ensure that it (or one of its group companies) is also appointed as a sponsor¹³, which is independent¹⁴ of the issuer client, and that both appointments are made at the same time and at least two months before the submission of the listing application to SEHK by or on behalf of the issuer client; or
 - (ii) obtain a written confirmation from the issuer client that for that IPO at least one sponsor, which is independent of the issuer client, or a group company of that sponsor, has been appointed as an OC, in which case its appointment as an OC should be made no later than two weeks after the submission of the listing application to SEHK by or on behalf of the issuer client.
- (c) In the case of an IPO on GEM of SEHK, an OC should ensure that it is appointed as an OC no later than two weeks after the submission of the listing application to SEHK by or on behalf of the issuer client.

21.4.2 Advice to issuer client

- (a) An OC should act with due skill, care and diligence when providing advice, recommendations and guidance to the issuer client. In particular, an OC should:

¹³ Reference to “sponsor” in this paragraph 21 shall include the listing agent in the context of a REIT seeking the SFC’s authorisation.

¹⁴ The circumstances under which a sponsor is considered not to be independent of the issuer client are set out under the Listing Rules.

- (i) ensure that its advice and recommendations are balanced and based on thorough analysis and are compliant with all applicable legal and regulatory requirements;
 - (ii) engage the issuer client at various stages during the offering process to understand the issuer client's preferences and objectives with respect to pricing and the desired shareholder or investor base so that the OC is in a position to advise, develop or revise a marketing and investor targeting strategy with a view to achieving these objectives given prevailing market conditions and sentiment;
 - (iii) explain the basis of its advice and recommendations to the issuer client, including any advantages and disadvantages. For example, it should communicate its allocation policy to the issuer client to ensure that the issuer client understands the factors underlying the allocation recommendations;
 - (iv) advise the issuer client in a timely manner, throughout the period of engagement, of key factors for consideration and how these could influence the pricing outcome, allocation and future shareholder or investor base; and
 - (v) advise the issuer client on the information that should be provided to syndicate CMI's to enable them to meet their obligations and responsibilities under the Code of Conduct. This includes information about the issuer client to facilitate a reasonable assessment of the issuer client required under paragraph 21.3.1.
- (b) An OC which participates in a share offering should
- (i) provide guidance to the issuer client on the market's practice on the ratio of fixed and discretionary fees¹⁵ to be paid to syndicate CMI's participating in an IPO; and
 - (ii) advise and guide the issuer client and its directors as to their responsibilities under the SEHK Requirements which apply to placing activities and take reasonable steps to ensure that they understand and meet these responsibilities.
- (c) Where the issuer client decides not to adopt an OC's advice or recommendations in relation to pricing or allocation of shares or debt securities or, in the case of a share offering, its decisions may lead to a lack of open market, an inadequate spread of investors or may negatively affect the orderly and fair trading of such shares in the secondary market, the OC should explain the potential concerns and advise the issuer clients against making these decisions.

21.4.3 Marketing, rebates and preferential treatment offered

¹⁵ Discretionary fees refer to the portion of the total fees to be paid to all syndicate CMI's at the absolute discretion of the issuer client.

- (a) An OC should, in consultation with the issuer client, devise a marketing and investor targeting strategy for order generation, taking into account the objectives and preferences of the issuer client. This may include specifying the types of investors targeted¹⁶ and the portion of an offering to be allocated to each type of investors to establish the desired shareholder or investor base. In the case of an IPO, the strategy should include which types of investors who may be appropriate to be cornerstone investors and aim to achieve an open market and an adequate spread of investors and promote the orderly and fair trading of the shares in the secondary market in accordance with the SEHK Requirements.
- (b) An OC should keep in view prevailing market conditions and sentiment and advise the issuer client to adjust the strategy as appropriate.
- (c) An OC should advise the issuer of the disclosure of any rebates and preferential treatment.

21.4.4 Bookbuilding

An OC should take all reasonable steps to ensure that the price discovery process is credible and transparent, the order book has been properly managed and the allocation recommendations made to the issuer client as well as the final allocation have a proper basis. An OC should use its best endeavours, when advising the issuer client or when making pricing and allocation decisions as delegated by the issuer client, to strike a balance between the interests of the issuer client and investor clients and to act in the best interests of the integrity of the market.

- (a) Order generation and consolidation of an order book

An OC should take reasonable steps to properly manage an order book and ensure the transparency of the order book.

- (i) In particular, an OC should:
 - ensure that the identities of all investor clients are disclosed in the order book, except for orders placed on an omnibus basis;
 - properly consolidate orders in the order book by taking reasonable steps to identify and eliminate duplicated orders, inconsistencies or errors;
 - segregate and clearly identify in the order book and book messages any proprietary orders of CMIs and their group companies; and
 - make enquiries with CMIs which have placed orders on behalf of their investor clients, themselves or their group

¹⁶ These include institutional clients, sovereign wealth funds, pension funds, hedge funds, family offices, high net worth individuals and retail investors.

companies which appear unusual or irregular, for example, orders which appear to be related to the issuer client.

(b) Pricing

An OC should:

- (i) advise the issuer client on the pricing with reference to, for instance, the results of the bookbuilding activities, the characteristics of the issuer client, prevailing market conditions and sentiment and the requirements of the relevant authorities;
- (ii) advise the issuer client against providing any arrangements whereby:
 - in the case of an IPO, the investor clients would pay, for each of the shares allocated, less than the total consideration as specified in the listing documents; and
 - in the case of a debt offering, the investor clients would pay different prices for the debt securities allocated.
- (iii) ensure that the proprietary orders of CMI's or their group companies and, for debt offering, the orders placed by investor clients which have associations with the issuer client, CMI's or their group companies, will not negatively impact the price discovery process.

(c) Allocation

- (i) An OC should develop and maintain an allocation policy which sets out the criteria for making allocation recommendations to the issuer client. The allocation policy should address or take into account the following factors:
 - the issuer client's objectives, preferences and recommendations;
 - the prevailing market conditions and sentiment;
 - the types and characteristics as well as the circumstances of targeted investors;
 - the spread of investors (for example, the sizes and number of large holdings); and
 - the overall subscription rate for the offer.
- (ii) An OC should make allocation recommendations in accordance with an allocation policy as referred to in subparagraph (i) above. In addition:

- recommendations regarding the allocation of shares or debt securities to the investor clients of the OC should take into account the policy specified in paragraph 21.3.6; and
- in the case of an IPO, allocation recommendations should also ensure that allocations to Restricted Investors comply with the SEHK Requirements and be made with a view to achieving an open market, an adequate spread of shareholders and the orderly and fair trading of the shares in the secondary market.

Should the allocation recommendations materially deviate from the allocation policy or the policy specified in paragraph 21.3.6, the OC should explain to the issuer client the reasons for the deviation.

21.4.5 Assessment of investors

- (a) In the case of an IPO, an OC should:
 - (i) advise the issuer client to provide to all syndicate CMIs a list of its directors, existing shareholders, their close associates and nominees engaged by any of the above for the subscription or purchase of shares offered in the IPO; and
 - (ii) take all reasonable steps to identify investors which are on the list mentioned under sub-paragraph (i) and ensure that they will only be allocated shares in accordance with applicable SEHK Requirements.
- (b) In the case of a debt offering, an OC should
 - (i) advise the issuer client to provide sufficient information to all syndicate CMIs to enable them to reasonably identify whether investor clients have any associations with the issuer client; and
 - (ii) take all reasonable steps to identify whether investor clients have any associations with the issuer client, CMIs or their group companies.

21.4.6 Disclosures to syndicate CMIs and targeted investors

An OC should:

- (a) inform other syndicate CMIs of the issuer client's marketing and investor targeting strategy; and
- (b) disseminate material information related to the offering (for example, information which may affect the prices, orders received per investor type, proprietary orders of CMIs and their group companies, and known preferential treatments and rebates) as included in, for example, the launch term sheet and book messages, in a timely manner to all syndicate CMIs and ensure that such information is complete, accurate and has a proper basis.

21.4.7 Record keeping

An OC should document:

- (a) all changes in the order book throughout the bookbuilding process;
- (b) all key discussions with the issuer client on, for instance, the ratio of fixed and discretionary fees to be paid to all syndicate CMI's participating in the IPO, marketing and investor targeting strategy, pricing, allocation policy and disclosures of any actual or potential conflicts of interest;
- (c) key advice or recommendations provided to the issuer client (including the allocation rationale, advantages and disadvantages, and any material deviations from the allocation policy);
- (d) the final decisions of the issuer client which deviate materially from the advice or recommendations provided by the OC, including the OC's explanation to the issuer client on any potential concerns associated with these decisions and the advice provided; and
- (e) the rationale for any decisions delegated to it by the issuer client (such as pricing and allocation of shares).

An OC should maintain records of the above for a period of not less than seven years.

21.4.8 Communication with the SFC

- (a) An OC should report and provide the following information to the SFC in a timely manner:
 - (i) any instances of material non-compliance with the SEHK Requirements related to, for example, the placing activities conducted by itself or the issuer client;
 - (ii) any material changes to the information it previously provided to the SFC and SEHK;
 - (iii) the reasons for ceasing to act as an OC in a share offering transaction;
 - (iv) other information as the SFC may require from time to time.
- (b) In the case of an IPO, an OC¹⁷ should provide the following information to the SFC by no later than four clear business days prior to the Listing Committee Hearing¹⁸:

¹⁷ In the case of an IPO on the Main Board of the SEHK, this requirement is only applicable to an OC which is also appointed as a sponsor for that IPO as referred to in paragraph 21.4.1(b).

¹⁸ Reference to "Listing Committee Hearing" shall refer to the expected date of the issue of the approval-in-principle letter by the SFC in the context of a REIT seeking the SFC's authorisation.

- (i) the name of each OC participating in the offering;
- (ii) the allocation of the fixed portion of the fees paid by the issuer to each OC; and
- (iii) the total fees (as a percentage of the gross amount of funds raised) of both the public offer and the international tranche to be paid to all syndicate CMIs participating in the offering and the ratio between the fixed and discretionary portions of the total fees to be paid to all syndicate CMIs participating in the offering (in percentage terms).

If there are any material changes to any of the above, the OC should notify the SFC as soon as practicable.

Note: If more than one intermediary is appointed as an OC for an IPO, arrangements should be made for one of them to provide the information specified in this sub-paragraph to the SFC. Notwithstanding this, each OC is jointly and severally liable for ensuring that such information is accurate and complete and has been provided to the SFC within the timeframe stipulated above.”

1 November 2021

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