

**STATEMENT ON SETTLEMENT OF DISCIPLINARY MATTERS  
INVOLVING LISTING RULE BREACHES**

**INTRODUCTION**

1. The Stock Exchange of Hong Kong Limited (**Exchange**) has a statutory duty to ensure, as far as reasonably practicable, an orderly, informed and fair market for the trading of listed securities.
2. The [Enforcement Policy Statement](#) sets out the Exchange's approach in relation to enforcing the Listing Rules. This includes four fundamental objectives, to:
  - (a) deter future breaches;
  - (b) educate the market;
  - (c) influence compliance culture and attitude; and
  - (d) enhance corporate governance.
3. The Listing Division (**Division**) is responsible for the Exchange's enforcement of the Listing Rules. The Division conducts enforcement action in accordance with the criteria set out in the Enforcement Policy Statement.

**CRITERIA FOR SETTLEMENT**

4. Parties who are subject to enforcement action may propose and seek to negotiate a settlement of the enforcement action with the Division. Any settlement reached between the Division and the relevant parties is subject to the approval of the Listing Committee (**Committee**) of the Exchange.
5. Settlement may be proposed and negotiated at any stage during enforcement action, although a party wishing to settle should approach the Division as early as possible. Whilst the Division can only engage in a meaningful settlement discussion after it has acquired sufficient understanding of the case, parties should note that, as a general rule, the Division is less likely to be amenable to settlement proposals the further the enforcement action has progressed.
6. Settlement terms must result in a fair overall regulatory outcome and disposal of the matter generally, be consistent with the Exchange's regulatory objectives and in a manner proportionate to the Listing Rule breach.

**SETTLEMENT PROCESS**

7. **Without prejudice** – All settlement negotiations are conducted on a without prejudice basis. Neither the Division nor the relevant parties involved in the settlement negotiation may subsequently rely on admissions or statements made during the settlement discussions against the other.
8. **Admission or no contest of breach** – Settlement must be based upon the premise that the parties admit or do not contest the Listing Rule breach.

9. **Publicity** – In most cases, publicity is a necessary element in any settlement as it is important for the Exchange to send the appropriate regulatory message to the market in accordance with its enforcement objectives. This is normally achieved by way of a news release and/or public statement setting out, amongst other things, the sanctions.
10. **Global settlement** – Unless there are very exceptional circumstances, all parties to an enforcement action must join as parties to a settlement.
11. **Settlement terms in writing** – Settlement negotiations may be conducted orally and/or in writing. The Division will reduce the agreed settlement terms (including any agreed sanctions) into writing for signature by all parties concerned, and thereafter for approval by the Committee.

#### **Procedures for consideration and endorsement**

12. The procedures for consideration and endorsement of a settlement proposal are set out in the [Disciplinary Procedures](#).

#### **KNOWLEDGE OF SETTLEMENT NEGOTIATION**

13. Save for when the Committee is asked to approve settlement terms that have been agreed by the parties, the Committee is not involved in or informed of the substance of any settlement negotiations. However, it may be necessary to notify the Committee of the fact that settlement negotiations are taking place (as opposed to the substance of those negotiations) if this may be relevant to the Committee's directions and timetabling within the enforcement action.
14. If the Committee rejects a settlement proposal submitted to it for consideration, and the matter thereafter proceeds to a disciplinary hearing, then the matter will be heard by a differently-constituted Committee to that which considered the settlement proposal.

#### **BENEFITS OF SETTLEMENT**

15. Settlement can save the costs and time otherwise involved in enforcement action. The earlier a settlement is agreed, the greater the saving of costs, time and resources for the parties involved.
16. In addition, parties may have an opportunity to negotiate the content of any public statement made by the Exchange in relation to the enforcement action. This is not the case in relation to an enforcement action that is heard and determined by the Committee. Parties may therefore have greater control over the outcome and the potential impact by negotiating an agreed settlement.

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