

Disclosure Obligations

1. What are the guidelines governing the publication of marketing materials in relation to listed structured products?

An issuer should comply with the Guidelines on Marketing Materials for Listed Structured Products issued from time to time by the Securities and Futures Commission. Any such marketing materials should also prominently display the non-collateralized nature of structured products and highlight the associated risks.

MB Rule 15A.53

First released: July 2012; last updated: May 2024

2. What is a “false market”?

The term “false market” refers to a situation where there is material misinformation or materially incomplete information in the market which is compromising proper price discovery. This may arise, for example, where:

- (a) an issuer has made a false or misleading announcement;
- (b) there is other false or misleading information, including a false rumour, circulating in the market;
- (c) an issuer has inside information that needs to be disclosed under the Inside Information Provisions but it has not announced the information (e.g. the issuer signed a material contract during trading hours but has not announced the information); or
- (d) a segment of the market is trading on the basis of inside information that is not available to the market as a whole.

Where a media or analyst report appears to contain information from a credible source (whether that information is accurate or not) and:

- (a) there is a material change in the market price or trading volume of the issuer's structured products which appears to be referable to the report (in the sense that it is not readily explicable by any other event or circumstance); or
- (b) if the market is not trading at the time but the report is of a character that when the market starts trading, it is likely to have a material effect on the market price or trading volume of the issuer's structured products,

the issuer must announce information necessary to avoid a false market in its structured products.

MB Rules App E5-1(1)(a), APP E5-26

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3. What is the meaning of the term “such enquiry with respect to the issuer and/or the guarantor as may be reasonable in the circumstances”? What sort of enquiry is an issuer and/or its guarantor required to make in response to the Exchange’s enquiries?

When will an issuer and/or its guarantor be expected to contact any of its controlling shareholders when they are not directors or officers of the issuer and/or the guarantor?

The facts and circumstances giving rise to each enquiry are different. Therefore, what enquiry is reasonable depends on the circumstances, and there are no hard and fast rules. The test is one of reasonableness.

To facilitate compliance, it is crucial that an issuer and/or the guarantor implement(s) and maintain(s) adequate and effective internal control systems and procedures to ensure material information concerning the issuer, the guarantor and/or any of its/their business would be promptly identified, assessed and escalated to the Board for consideration and action from a Rule compliance perspective. This would require a timely and structured flow to the Board of information arising from the development or occurrence of events and circumstances so that the Board can decide whether disclosure is necessary.

An issuer and/or its guarantor is/are generally not expected to contact (a) any of its controlling shareholders when they are not directors or officers of the issuer and/or the guarantor, or (b) counterparties to a transaction, except if there is information available to the issuer and/or the guarantor suggesting that the subject matter of the enquiry is related to the controlling shareholders or the counterparties to a transaction. For example, the issuer and/or the guarantor is/are aware of any of its controlling shareholder’s plan to dispose of its interest in the issuer and/or the guarantor, and there is an unusual increase in the trading volume of the issuer’s structured products. Another example is where there are press articles suggesting that the counterparty to a disclosed transaction may not be able to complete the transaction as a result of difficulties in obtaining financing.

*MB Rule APP E5-26(2)
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4. An issuer has inside information which is exempted from disclosure under one or more of the safe harbours in the Inside Information Provisions. If there are market rumours which are unrelated to this information, but have resulted in unusual trading movements of the structured products, does the issuer need to publish a standard announcement?

If the standard announcement states that there is no inside information that needs to be disclosed under the Inside Information Provisions, but the issuer subsequently discloses the information, say a month later, will this result in market uncertainty?

Whether an announcement is required to be issued under these provisions depends on the facts and circumstances of the matter. It is only if and when requested by the Exchange that an announcement needs to be issued.

Information that is exempted from disclosure under the Inside Information Provisions does not fall within the term “any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance” contained in the standard announcement. Therefore, a standard announcement issued under those circumstances will not be inaccurate.



To avoid market uncertainty arising from the subsequent disclosure of the inside information previously exempted from disclosure, the issuer can clarify in the disclosure announcement that the information was exempted from disclosure when the standard announcement was issued.

MB Rule APP E5-26(2)

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5. Where and for how long should documents on display be published online? How will these documents be removed from the relevant websites after the expiry of the prescribed display period?

An issuer should publish documents on display on both the HKEX website (through EPS under the headline category “Documents on Display”) and the issuer’s website for the time period prescribed by the Listing Rules (which is the same as what the Listing Rules originally require for physical display of such documents).

After the expiry of any relevant display period prescribed by the Listing Rules, an issuer should remove the documents on display manually from the HKEX website through EPS and its own website.

An issuer should not do so before the expiry of the relevant display period.

MB Rule APP D1D-27

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6. Do the obligations to make an announcement to avoid a false market in the issuer’s structured products, to respond to the Exchange’s enquiries, and to apply for a trading halt cover information relating to the underlying stock?

No, those obligations are generally confined to information relating to the structured products, issuers and/or guarantors.

MB Rules APP E5-1(1)(a), APP E5-26

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