

  

---

**From:** Lu, Guiping   
**Sent:** Monday, 30 December 2019 4:31 AM  
**To:** response  
**Subject:** Review of Chapter 37 - Debt Issues to Professional Investors Only

**WARNING: External email, please exercise caution.**

**Do you agree with the proposed increase of the NAV Requirement from HK\$100 million to HK\$1 billion?**

No. I do not agree for the reasons specified below:

1. The increase may exclude quality issuers with a low net asset level. The quality or financial health of issuers does not necessarily depend on the net asset level, and need to be considered in the context of the relevant industry sector and position in a relevant business circle. Issuers in certain industries may have a lower asset level than that for issuers of other industries. Increasing the net asset requirement will place the light-asset level issuers in a disadvantage.
2. Chapter 37 governs offers and sale of debt securities to **professional investors** only. Practically investment banks screen issuers and agree to place debt securities for issuers they think are of high quality or financial health. Professional investors generally have the knowledge and/or financial wealth in assessing risks associated with debt securities of issuers. Therefore, raising the NAV Requirement may not add any additional value in ensuring that issuers are of high quality or financial health, but may exclude high quality low-asset level issuers that the investment banks consider eligible or of which professional investors would like to purchase debt securities.
3. Have there been empirical studies which indicate that default under the debt terms occurs more often in the case of low asset level issuers? If there is no such empirical evidence, raising the NAV Requirement appears to be arbitrary, and does not serve the purpose of ensuring the quality and financial health of issuers.
4. As indicated in the Consultation Paper, LUXSE, ISE and LSE impose no asset requirement or other financial thresholds for determining an issuer's eligibility under their equivalent listing platforms, and an asset requirement is one of the **alternative** eligibility criteria on SGX. Raising the NAV Requirement will certainly place the Hong Kong Stock Exchange in a disadvantage, which is contrary to key initiatives of the Hong Kong Government to maintain competitiveness in the debt markets.

Under the circumstances, I propose to remove the NAV Requirement, or failing that, maintain the current NAV Requirement, i.e., HK\$100 million.

Regards,

  
Guiping Lu (芦贵平)

