

**From:** Stephen Ng [REDACTED]  
**Sent:** Wednesday, 5 February 2020 11:13 AM  
**To:** response  
**Subject:** Review of Chapter 37 - Debt Issues to Professional Investors Only

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Dear Mr. Graham,

It is encouraging that the Listing Division is planning to fine tune certain rules in Chapter 37 despite those debts traded at the Stock Exchange of Hong Kong ("SEHK") did not grow in line with the number of issuance and issuance amount since the Professional Debt Regime was streamlined in 2011 and the fact that retail investors are prohibited to participate due to listing condition but not product suitability. Nevertheless, the proposed changes are mostly constructive and these are my views on the Consultation Paper questionnaire:

1. Support to increase the NAV requirement from HKD100 million to HKD1 billion as NAV is a good indicator on the size of the company, the change should ensure to cover guarantor(s) if the issuer is a single purpose vehicle.
2. The eligibility exemption for state corporations is suggested to be remained, the SEHK should take a relax stance on them given their quasi-government status. Chapter 37 is intended for Professional Investors ("PI") which they should have the responsibility and ability to understand their status through offering memorandum, credit rating report(s) and/or credit spread.
3. Support to introduce a minimum issuance size but the amount is suggested to be HKD500 million (or equivalent in other currencies) instead of HKD100 million. Most USD denominated and HKD denominated issues have a minimum denomination of USD200,000 and HKD1 million respectively which listing is meant to facilitate a broader base of investors. Most outstanding Chapter 37 debts issue size should be over HKD500 million (or equivalent in other currencies) and setting a higher threshold should not have material impact in attracting issuers choosing SEHK as a listing venue. I agree that the minimum issuance size should not apply to tap issuance on the condition that they are traded under the same umbrella.
4. Support to requiring issuers to state in the cover page of listing documents that the issue is for PI only. It would be helpful if the offering document could address this limitation timeframe, trading channel and geographic coverage in the offering document selling restrictions section.
5. Support to publish the listing documents at SEHK's website on the listing date, issuers, lead managers and SEHK have the responsibilities to provide as much information as possible in facilitating investors to make informed decision. Furthermore, it is suggested that non-exempted issuers and/or guarantor(s) should make ongoing disclosures on financials and material events as private companies information are not easily accessible.
6. It is suggested that current disclosure and vetting approach should remain unchanged, Chapter 37 debts are targeted for PI and it is not advisable to further differentiate different types of PI given the listing is intended to take a light touch approach. It is the responsibility of investors, including HNW investors, to consult professionals if they have terms and conditions in doubt.
7. It is not necessary for the SEHK to publish disclosure guidelines to market on specific features as all classes of investors should rely on information in the offering document to make investment decision. The essential terms should be summarised in the summary of terms section whereas key risks should be addressed in the risk disclosure section of a well written prospectus. As mentioned in point 5, SEHK should more focus on ongoing disclosures in relation to financials and material events.

8. Support to codify the PI Waiver in an effort to streamline the rules and procedures.
9. Support the eligibility of REIT issuers to be assessed through assets and financials, this would encourage more REITs with sound assets to be listed at the SEHK. Debts and REITs investors are more concern on interest income where issuers ability to distribute interest and repay debt are key investment considerations. I agree that SEHK listed REITs should be exempted from the Issuer Eligibility Requirements given they have met the stringent main board listing requirements which additional hurdle would result duplication.
10. Other than the proposed enhancement stated in chapter 3F(2) of the Consultation Paper, it is suggested to include annual financial statement (except sovereign and exempted corporations), significant increase in liabilities, deterioration of credit rating and material change in ownership, management and line of business as part of issuer and/or guarantor(s) ongoing disclosures.
11. I am neutral on requiring issuers and/or guarantors to provide written confirmation to their due corporation, capacity and authorisation instead of submitting them for SEHK vetting. This change would not have material impact given most Chapter 37 debts are traded in the dealers market and investors hardly examine these documents prior to investment. The market deemed making false statement as criminal offence.
12. Support the issuer and/or guarantor(s) to submit the audited financial statement as it is a more prudent document to reflect the relevant parties financial standing. Exempted issuer and/or guarantor(s) should not be required to make separate submission given their quasi government status and those already been disclosed in listing documents should also not necessary in an effort to streamline the documentation list.
13. Support to adding "including but not limited to the pricing supplement" in Rule 37.26 to magnify that pricing supplement is an essential element of supplementary listing disclosure. This requirement is helpful for investors to know the terms and conditions of different tranches under the same note issuance programme.

If there are points in my response you like to further discuss, I can be reached by email at [REDACTED] or by phone at [REDACTED]

Regards

Stephen C K Ng