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Question 1

Do you agree that the Equivalence Requirement and the concept of “Recognised Jurisdictions” and “Acceptable Jurisdictions” should be replaced with one common set of Core Standards for all issuers?

Yes

Please give reasons for your views.

Agree, but we believe that limited classes of existing issuers should be subject to a grandfathering

arrangement. These are: (a) existing primary listed overseas issuers incorporated in Acceptable Jurisdictions, and (b) existing secondary listed issuers. These issuers chose to list their securities on the Stock Exchange based on the often negotiated set of shareholder protection standards at the time of their listing, especially given the differences in shareholder protection standards between their local jurisdiction (e.g. Italy) for category (a) issuers and their jurisdiction of primary listing (e.g. US) for category (b) issuers. It would be harsh to now require them to change their articles of association, particularly for issuers which have another listing elsewhere. For secondary listed issuers, it would be disruptive and unfair to investors in their jurisdiction of primary listing for the issuers to have to change their articles of association.

Question 2a

Do you agree with the proposed Core Standards set out in paragraphs 79 to 137 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 2b

Do you agree that the existing shareholder protection standards set out in Schedule C of the Consultation Paper should be repealed?

Yes

Please give reasons for your views.

Question 3

Do you agree to codify the current practice that all issuers must conform their constitutional documents to the Core Standards or else demonstrate, as necessary for each standard, how the domestic laws, rules and regulations to which the issuer is subject and its constitutional documents, in combination, provide the relevant shareholder protection under the Core Standards?

Yes

**Please give reasons for
your views.**

Question 4

Do you believe any other standards or Listing Rules requirements, other than those set out in paragraphs 79 to 137 or Schedule C of the Consultation Paper , should be added or repealed?

No

Please provide these other standards with reasons for your views.

Question 5

Do you agree that existing listed issuers should be required to comply with the Core Standards?

No

Please give reasons for your views.

We believe that limited classes of existing issuers should be subject to a grandfathering arrangement. These are: (a) existing primary listed overseas issuers incorporated in Acceptable Jurisdictions, and (b) existing secondary listed issuers. These issuers chose to list their securities on the Stock Exchange based on the often negotiated set of shareholder protection standards at the time of their listing, especially given the differences in shareholder protection standards between their local jurisdiction (e.g. Italy) for category (a) issuers and their jurisdiction of primary listing (e.g. US) for category (b) issuers. It would be harsh to now require them to change their articles of association, particularly for issuers which have another listing elsewhere. For secondary listed issuers, it would be disruptive and unfair to investors in their jurisdiction of primary listing for the issuers to have to change their articles of association.

Question 6a

Do you agree that existing listed issuers should have until their second annual general meeting following the implementation of our proposals to make any necessary amendments to their constitutional documents to conform with the Core Standards?

Please give reasons for your views.

Question 6b

Do you agree that the application of the Core Standards will not cause existing listed issuers undue burden?

Please give reasons for your views.

Question 7

Do you agree with the principles set out in paragraph 155 of the Consultation Paper for use when considering waiver applications from Overseas Issuers applying for a dual primary listing in Hong Kong?

Yes

Please give reasons for your views.

Question 8

Do you agree to codify certain Common Waivers and the prescribed conditions as described in paragraph 158 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 9

Do you agree that Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR and/ or VIE Structures should be able to apply for dual primary listing directly on the Exchange as long as they can meet the relevant suitability and eligibility requirements under Chapter 19C of the Listing Rules for Qualifying Issuers with a WVR structure?

Yes

Please give reasons for your views.

Question 10

Do you agree that Grandfathered Greater China Issuers and Non-Greater China Issuers referred to in Question 9 above be allowed to retain their Non-compliant WVR and/ or VIE Structures (subsisting at the time of their dual primary listing in Hong Kong) even if, after their listing in Hong Kong, they are de-listed from the Qualifying Exchange on which they are primary listed?

Yes

Please give reasons for your views.

We believe this position is already clear from the 2018 consultation paper and conclusions, and therefore support the proposal to make this clear.

Question 11

Do you agree with our proposal to codify requirements (with the amendments set out in the Consultation Paper) relating to secondary listings in Chapter 19C of the Listing Rules and re-purpose Chapter 19 of the Listing Rules as one dedicated to primary listings only?

Yes

Please give reasons for your views.

Question 12

Do you agree that the Exchange should implement the quantitative eligibility criteria as proposed in paragraphs 199 and 201 of the Consultation Paper for all Overseas Issuers without a WVR structure (including those with a centre of gravity in Greater China) seeking to secondary list on the Exchange?

Yes

Please give reasons for your views.

Question 13

Do you agree that an exemption from the listing compliance record requirement be introduced, similar to the current JPS exemption, to cater for secondary listing applicants without a WVR structure

that are well-established and have an expected market capitalisation at listing that is significantly larger than HK\$10 billion?

Yes

Please give reasons for your views.

Question 14

Do you agree that new secondary listing applicants without a WVR structure (including those that have a centre of gravity in Greater China) should not have to demonstrate to the Exchange that they are an “Innovative Company”?

Yes

Please give reasons for your views.

Question 15

Do you agree that a Rule should be introduced to make it clear that the Exchange retains the discretion to reject an application for secondary listing if it believes the listing constitutes an attempt to avoid the Listing Rules that apply to primary listing?

Yes

Please give reasons for your views.

Question 16

Do you agree that the Exchange should apply the test for a reverse takeover, as described in paragraph 210 of the Consultation Paper, if the Exchange suspects that an issuer’s secondary listing application is an attempt to avoid the Listing Rules that apply to primary listing?

Yes

Please give reasons for your views.

Question 17

Do you agree that the scope of the Trading Migration Requirement should be extended to cover all issuers with a secondary listing?

Yes

Please give reasons for your views.

Question 18

In your opinion, will the extension of the Trading Migration Requirement to all secondary listed issuers be unduly burdensome for those that are not currently subject to this requirement?

No

Please give reasons for your views.

Question 19

Do you agree with the codification of the principles set out in paragraph 215 of the Consultation Paper on which exemptions/ waivers are granted to secondary listed issuers?

Yes

Please give reasons for your views.

We believe that the principle for waivers under paragraph 215(d) be "unduly burdensome or unnecessary", and not just "unduly burdensome".

Question 20

Do you agree to codify the Automatic Waivers and conditional Common Waivers in the Listing Rules for all issuers with, or seeking, a secondary listing?

Yes

Please give reasons for your views.

Question 21

Do you agree with the removal of the current condition for granting a waiver from the shareholders' consent requirement relating to further issues of share capital for secondary listed issuers as described in paragraphs 218 and 219 of the Consultation Paper?

Yes

Please give reasons for your views.

The pre-emptive rights requirement should be clearly disapplied for secondary listed issuers.

Question 22

Do you agree that secondary listed issuers should comply with the requirements for a diversity policy and for such policy to be disclosed in their annual reports (for the reasons set out in paragraph 223 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 23

Do you have any comments on the content of the Guidance Letter in relation to trading migration and de-listing of secondary listed issuers from their overseas exchanges of primary listing set out in Schedule E of the Consultation Paper?

Yes

Please give reasons for your views.

The Guidance Letter should be expanded to address the situation where a secondary listed company under Chapter 19C seeks a voluntary migration to a primary listing, and not just in the event the "55%" is triggered or in the event of a de-listing from its primary listing venue. This is a natural progression of the "two step approach" discussed in the Consultation Paper.

We believe that the market would benefit from a framework for Grandfathered Greater China Issuers to voluntarily convert its secondary listing into a dual primary listing before the bulk of trading has

migrated to the Exchange's markets on a permanent basis under Listing Rule 19C.13 (i.e., before the Trading Migration Requirement is triggered), without compromising on investor protection (as it is already recognized that issuers with a primary listing elsewhere and which do not have their bulk of trading in Hong Kong offer adequate protection for Hong Kong investors under the Chapter 19C regime).

Under the proposed framework for voluntary migration, we believe that a Grandfathered Greater China Issuer which has already been secondary listed on the Stock Exchange with a good compliance record, and which undertakes a voluntary migration to a primary listing, should be permitted to maintain the same compliance profile under Chapter 19C, at least until the "Trading Migration Requirement" is triggered. This means that the general exceptions under Listing Rule 19C.11 and the specific waivers granted at the time of the secondary listing will continue to be in place, and is effectively a time-relief waiver or extended grace period (a concept contemplated under Listing Rule 19C.13) until the Trading Migration Requirement is triggered.

The above proposal is conditional on the issuer (a) remaining primary listing on a Qualifying Exchange, and (b) the Trading Migration Requirement not having been triggered.

We believe that the above proposal would significantly enhance liquidity of the Hong Kong market and give due recognition through a primary listing to some of the most actively traded stocks in Hong Kong. It would also facilitate an ordering transition of a group of secondary listed issuers to a primary listing.

Question 24

Do you agree that the Exchange should codify the Regulatory Co-operation Requirement (with modification as described in paragraph 242 of the Consultation Paper) into Chapter 8 of the Listing Rules for all issuers?

Yes

Please give reasons for your views.

Question 25

Do you agree that the Exchange should retain as guidance the alternative auditing standards listed in paragraph 249 of the Consultation Paper that can be used to audit the financial statements of Overseas Issuers?

Yes

Please give reasons for your views.

Question 26

Do you agree to codify the JPS requirement that the suitability of a body of alternative financial reporting standards depends on whether there is any significant difference between that body of standards and IFRS, and whether there is any concrete proposal to converge or substantially converge the standards with IFRS?

Yes

Please give reasons for your views.

We believe that further consideration should be given to including US GAAP as an Accepted Standard in addition to HKFRS, IFRS and CASBE.

Paragraph 263 of the Consultation Paper states that Hong Kong investors have a general unfamiliarity with US GAAP. Respectfully, we believe that there is increasing familiarity with US GAAP, given that investors in Hong Kong (both retail and institutional investors) have increasing access to buying and selling securities of issuers that adopt US GAAP which are listed in Hong Kong as well as in the United States markets, without any reconciliation to IFRS.

The New York Stock Exchange and NASDAQ are the two largest stock exchanges in the world by market capitalization. Domestic U.S. issuers and many foreign private issuers listed in the U.S. adopt US GAAP, and most of the largest companies in the world by market capitalization are listed in the United States markets and adopt US GAAP. US GAAP is one of the major accounting standards in the world and the Stock Exchange should consider including US GAAP as an Accepted Standard. This is consistent with the Exchange's position as one of the top stock exchanges globally, and facilitates multimarket trading by global and local investors as well as the increasing number of overseas issuers seeking to list on the Exchange.

The United Kingdom Financial Conduct Authority permits the use of US GAAP (among others) without a reconciliation statement by non-UK issuers seeking a listing on the London Stock Exchange. This is on the basis that US GAAP is considered an equivalent standard to UK-adopted FRS.

We would understand the need to guard against "GAAP shopping" by issuers, and therefore recognize that there must be a reason for an overseas issuer to adopt US GAAP – an overseas issuer that has adopted US GAAP for the preparation of its annual financial statements (whether it is currently or

formerly listed in the U.S.) should be sufficient reason or nexus for US GAAP adoption, and we believe that for these overseas issuers, a de-listing from the overseas exchange should not result in a requirement to change from US GAAP to IFRS.

We agree that other alternative financial reporting standards that do not have significant investor acceptance should continue to be considered in the context of IFRS convergence.

Question 27

Do you agree to retain, as guidance, the list of acceptable alternative financial reporting standards that can be used to prepare the financial statements of Overseas Issuers subject to the current limitations on their use as set out in Table 7 (see Schedule E of the Consultation Paper)?

Yes

Please give reasons for your views.

In relation to Table 7, we believe that US GAAP should be an Accepted Standard. Subject to this, we agree that the list of other acceptable alternative financial reporting standards should be retained as guidance.

Question 28

Do you agree to codify the JPS requirement that a dual primary or secondary listed issuer that adopts a body of alternative financial reporting standards for its financial statements (other than issuers incorporated in an EU member state which adopted EU-IFRS) must adopt HKFRS or IFRS if it de-lists from the jurisdiction of the alternative standards?

No

Please give reasons for your views.

We would like to reiterate our comment that US GAAP should be included as an Accepted Standard, along with HKFRS, IFRS and (for PRC issuers) CASBE. We therefore do not agree with this proposal with regard to US GAAP; we also do not see the justification for allowing EU-IFRS (and not US GAAP) to “survive” a de-listing. Our view is that an overseas issuer with justifiable reasons for adopting US GAAP at the time of its Hong Kong listing should not be required to adopt HKFRS or IFRS upon a de-listing from an overseas exchange. Apart from the reasons (such as investor acceptance) set out above for including US GAAP as an Accepted Standard, we suggest that further consideration should be given to the following with regard to the requirement by US GAAP issuers to adopt HKFRS or IFRS upon a de-listing:

a. Issuers will incur significant time and expense to change from US GAAP to HKFRS or IFRS. Apart from accounting systems, issuers may have to make significant changes to their business practices and contractual arrangements to accommodate a change from US GAAP. The potential business interruption is not justified when US GAAP is a widely accepted standard, and changes to financial statements will cause confusion to investors.

b. A change from US GAAP to HKFRS or IFRS will be extremely disruptive to investors, as many investors will have to change their financial models, which have been based on US GAAP, to new financial models using HKFRS or IFRS. As neither the securities nor the business of the issuer has changed as a result of the de-listing, we believe that many investors will find this requirement troubling.

Question 29a

Do you agree that issuers that de-list from a jurisdiction of an alternative financial reporting standard should be given an automatic grace period (i.e. an application to the Exchange is not required) within which to adopt IFRS or HKFRS?

Yes

Please give reasons for your views.

Question 29b

Do you agree that this grace period should end on the issuer's first anniversary of its de-listing?

Yes

Please give reasons for your views.

Question 30

Do you agree that, for the sake of consistency of approach, an issuer must demonstrate a reason for adopting US GAAP for the preparation of its financial statements (including annual financial statements and the financial statements included in its accountants' reports) and adopt IFRS or HKFRS if the circumstances underpinning those reasons change (e.g. it de-lists from a US exchange)?

Yes

Please give reasons for your views.

We agree that issuers must demonstrate a reason for adopting US GAAP - an overseas issuer that has adopted US GAAP for the preparation of its annual financial statements (whether it is currently or formerly listed in the U.S.) would be sufficient for this purpose. We do not agree that issuers permitted to use US GAAP must adopt IFRS or HKFRS if the circumstances underpinning those reasons change, as it would be burdensome to the issuer and disruptive/confusing to the issuer as well as its investors. Please see our response to Question 28 above.

Question 31

Do you agree that any issuer that wishes to adopt US GAAP for the preparation of its annual financial statements must include a reconciliation statement showing the financial effect of any material differences between its financial statements and financial statements prepared using HKFRS or IFRS?

No

Please give reasons for your views.

We do not agree with the requirement that a US GAAP issuer must include a reconciliation statement. Please see our comments above in relation to including US GAAP as an Accepted Standard.

Question 32

Do you agree to codify the amendment to the FRCO that established the PIE Engagement regime into the Listing Rules?

Yes

Please give reasons for your views.

Question 33

Do you agree to amend the Listing Rules to codify the requirement that an issuer normally appoint a firm of practising accountants that is qualified under the PAO and is a Registered PIE Auditor under the FRCO to prepare an accountants' report that constitutes a PIE Engagement under the FRCO?

Yes

Please give reasons for your views.

Question 34

Do you agree to amend the Listing Rules to allow Overseas Issuers to appoint an audit firm that is not qualified under the PAO (but it is a Recognized PIE Auditor of that issuer under the FRCO) for PIE Engagements to prepare an accountants' report for a reverse takeover or a very substantial acquisition circular relating to the acquisition of an overseas company?

Yes

Please give reasons for your views.

Question 35

Do you agree to amend the Listing Rules to codify the JPS requirement that, in relation to the PIE Engagements and notifiable transactions, overseas audit firms must normally fulfil the characteristics described in paragraph 271 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 36

Do you agree to amend the Listing Rules to codify the amendments to the FRCO on the collection of levies by the Exchange on behalf of the FRC as described in paragraphs 280 and 281 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 37

Do you agree to codify the JPS requirement for Company Information Sheets as described in paragraphs 283 to 288 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 38

Do you agree that the Company Information Sheet requirement should be applied to: (a) secondary listed issuers; and (b) any other Overseas Issuer, at the Exchange's discretion, where it believes the publication of a Company Information Sheet would be useful to Hong Kong investors?

Yes

Please give reasons for your views.

Question 39

Do you agree to amalgamate the guidance described in paragraphs 289 and 290 of the Consultation Paper into one combined guidance letter for overseas issuers (see Schedule E of the Consultation Paper)?

Yes

Please give reasons for your views.

Comment