

Consultation Paper

# Review of Chapter 15A – Structured Products

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## How to Respond to this Consultation Paper

The Exchange, a wholly-owned subsidiary of HKEX, invites written comments on the matter discussed in this paper, or comments on related matters that might have an impact upon the matter discussed in this paper, on or before **Tuesday, 11 November 2025**.

To submit written comments please complete the questionnaire that can be accessed via the link and QR code below:

Link: [https://surveys.hkex.com.hk/jfe/form/SV\\_094laR6u77N1xNY](https://surveys.hkex.com.hk/jfe/form/SV_094laR6u77N1xNY)

QR Code:



Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that we will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix IV.

Submissions received during the consultation period by **Tuesday, 11 November 2025** will be taken into account before the Exchange decides upon any appropriate further action and a consultation conclusions paper will be published in due course.

## Disclaimer

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## DEFINITIONS

TERM	DEFINITION
<b>“60-day Qualifying Period”</b>	As detailed further in note 3 of Rule 15A.35, a period of 60 consecutive business days to maintain the prescribed public float capitalisation in order for stocks (or ETFs where the context requires) to be eligible securities for structured product issuances
<b>“AUM”</b>	Assets under management
<b>“Call Price”</b>	A pre-determined price/level of a CBBC at which an MCE occurs once the price/level of the underlying asset reaches such price/level
<b>“CBBC(s)”</b>	Callable bull bear contract(s)
<b>“Chapter 15A”</b>	Chapter 15A of the Rules
<b>“Code of Conduct”</b>	Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission published by the SFC
<b>“CRA”</b>	Credit rating agency recognised by the Exchange
<b>“DW(s)”</b>	Derivative warrant(s)
<b>“ELI(s)”</b>	Equity-linked instrument(s)
<b>“ETF(s)”</b>	Exchange traded fund(s)
<b>“EU”</b>	European Union
<b>“Emulation Issue(s)”</b>	Structured product(s) issued with substantially identical product terms of an existing structured product
<b>“Exchange”</b>	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
<b>“FAQ”</b>	<a href="#">Frequently asked questions</a> published by the Exchange, which aims to, inter alia, enhance transparency of how the Exchange applies the Rules in specific circumstances
<b>“Fitch”</b>	Fitch Ratings Inc.
<b>“Fees Rules”</b>	The Rules governing listing or issue fees, and levies, trading fees, brokerage and other charges relating to transactions of securities listed or to be listed on the Exchange as published in the “Fees Rules” section of the Exchange’s website from time to time

TERM	DEFINITION
<b>“Further Issue(s)”</b>	A further issue of structured products to form a single series with an existing structured product
<b>“guarantor(s)”</b>	The legal person(s) that unconditionally and irrevocably guarantees or otherwise secures a structured product issuer’s obligations under such issuer’s non-collateralised structured products (as defined in Rule 15A.14)
<b>“HKMA”</b>	Hong Kong Monetary Authority
<b>“HKEX”</b>	Hong Kong Exchanges and Clearing Limited
<b>“Holding Company”</b>	In relation to a company, means another company of which it is a subsidiary (as defined in Chapter 1 of the Rules)
<b>“HSI”</b>	Hang Seng Index
<b>“Incentives”</b>	Commission rebates or other incentive schemes in respect of structured products
<b>“Index Information”</b>	The following information in relation to an index:  (a) a description of the index, the constituent stocks; and the method of calculation; (b) the identity of the party which sponsors and/or calculates the index; (c) the historic highs or lows for the last five years; and (d) the closing spot level at the latest most practicable date
<b>“Industry Principles on Liquidity Provision”</b>	<a href="#">Industry Principles on Liquidity Provision for Listed Structured Products</a> published by issuers and posted on the Exchange website in July 2012 (as updated from time to time)
<b>“Intrinsic Value”</b>	The difference between Spot Price and Strike Price
<b>“IW(s)”</b>	Inline warrant(s)
<b>“Launch Announcement”</b>	A formal announcement in respect of the launch of each structured product for listing
<b>“Launch Date”</b>	The date of submission of term sheets to the Exchange by issuers for approval to launch structured products for listing
<b>“MAS”</b>	The Monetary Authority of Singapore
<b>“MCE”</b>	Mandatory call event. An MCE occurs when (a) the Spot Price is at or below the Call Price in case

TERM	DEFINITION
	of bull CBBs; or (b) the Spot Price is at or above the Call Price in case of bear CBBs
“MiFID”	Markets in Financial Instruments Directive, which is a set of European regulations governing the financial markets in the EU
“Moody’s”	Moody’s Investors Service, Inc.
“NAV”	Means the net asset value (i.e. the aggregate of share capital and reserves)
“New Product Guide”	<a href="#">Guide on Product Review and Approval Process for Listed Structured Products</a> published by the Exchange in July 2018 to increase transparency of new product approval process (as updated from time to time)
“Prescriptive Product Terms”	Specific requirements on product terms under the Rules as detailed under paragraph 81 below
“Product Sheet(s)”	<a href="#">Product Sheet</a> containing specific product terms and liquidity provision requirements for each type of structured products approved by the Exchange, as published by the Exchange from time to time on the Exchange’s website to provide guidance to structured products issuers for product issuances
“Regulated Entity”	An entity regulated by (a) the SFC for the conduct of the business in dealing in securities in Hong Kong; (b) the HKMA; or (c) an overseas regulatory authority acceptable to the Exchange
“Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board)
“S&P”	S&P Global Ratings
“Selected Overseas Exchanges”	Six main overseas structured products markets for comparison with the Exchange, comprising Boerse Frankfurt, Boerse Stuttgart, Euronext, Korea Exchange, SET and SGX
“SET”	Stock Exchange of Thailand
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap. 571)
“SGX”	Singapore Exchange
“SLD”	Supplemental listing document containing the information required by the Rules to support the

TERM	DEFINITION
	specific structured product issuances by issuers using a base listing document
<b>“Spot Price”</b>	The current price/level of the underlying asset at the specified time
<b>“Strike Price”</b>	A pre-determined price/level used to compare against the Spot Price of the underlying asset to arrive at the cash settlement amount upon expiry of the structured product
<b>“structured products”</b>	<p>Listed structured products as opposed to unlisted structured products, as the context may require, and “structured products market” should be construed accordingly</p> <p>This contextual usage is adopted for the purpose of this paper and is distinct from the proposed definition of “structured products” discussed in section A of Chapter 5 of this paper</p>
<b>“supplementary listing document”</b>	Supplementary listing document prepared to update information contained in a base listing document

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# EXECUTIVE SUMMARY

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## Introduction

1. This paper solicits market feedback on proposals to amend Chapter 15A of the Rules governing the listing of structured products on the Exchange.

## Background

2. The structured products market is an important component of the Hong Kong securities market ecosystem as it offers investors an alternative to investing in underlying assets and provides hedging instruments to reduce investor risk exposure. It also adds liquidity to underlying assets and related futures and options traded on the Exchange.
3. The Hong Kong structured products market has been ranked top globally in terms of annual turnover since 2007. In 2024, the Exchange accounted for approximately 65% of global total turnover in structured products with the other top four exchanges<sup>1</sup> accounting for an aggregate of approximately 23%. The Exchange's leading position for the trading of structured products contributes strongly to Hong Kong's role as an international financial centre.
4. In 2024, the average number of daily new issuances in Hong Kong was 129 structured products<sup>2</sup> and the average daily turnover of structured products was around HK\$11.8 billion representing around 9% of the Exchange's total cash market turnover. As at end of 2024, over 8,800 structured products were listed on the Exchange with an aggregate market value of around HK\$4 billion.
5. Structured products in the form of warrants were first listed on the Exchange in 1989 followed by ELIs<sup>3</sup> in 2002. The last major Rule amendments to Chapter 15A were made in 2006 following a review conducted by the SFC in relation to the DWs<sup>4</sup> market in Hong Kong<sup>5</sup>. CBBCs<sup>6</sup> were introduced in the same year.
6. Since 2006, the Hong Kong structured products listing regime has continued to evolve through enhancement of liquidity provision standards, shortening of the listing process and publication of the New Product Guide to increase transparency of new product approval process. In 2019, IWs<sup>7</sup> were introduced as a new product type.
7. In 2025, the Exchange launched an investor education corner on the Exchange's website to support learning and deepen understanding of structured products. It features four thematic videos and an upgraded version of frequently asked questions to help investors better understand structured products.

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<sup>1</sup> Boerse Stuttgart accounted for 9% of global total turnover in structured products, Euronext accounted for 6%, Taiwan Stock Exchange accounted for 4% and SET accounted for 4%.

<sup>2</sup> In this paper, reference to the number of structured products means series of structured products with different stock codes.

<sup>3</sup> ELIs involve an initial payment by investors, in return for which on maturity, investors will receive a specified cash settlement amount or delivery of underlying securities or a cash payment calculated by reference to the value of those underlying securities. Due to a lack of market interest, no ELIs have been listed on the Exchange since 2005.

<sup>4</sup> DWs give holders the right to purchase from or sell the underlying asset to the issuer at a predetermined exercise price and will be settled by cash or delivery of underlying assets if they expire in-the-money See [DWs' Product Sheets](#).

<sup>5</sup> See "[Hong Kong's Derivative Warrants Market – the Way Forward Results of the Consultation on the SFC's Six-Point Plan](#)" published by the SFC in March 2006.

<sup>6</sup> Similar to DWs, CBBCs track the performance of an underlying asset. However, CBBCs will expire early upon occurrence of an MCE. See [CBBCs' Product Sheets](#).

<sup>7</sup> IWs have an upper strike and a lower strike. Investors will receive a fixed payout when the spot price falls on or between the upper strike and the lower strike. See [IW's Product Sheets](#). All IWs have expired as at end of 2023 and there are no IWs currently listed on the Exchange.



8. It is important that requirements under Chapter 15A continue to: (a) be commensurate with the development of the structured products market over time; and (b) balance investor protection and product choice for investors. The proposals set out in this paper aim to achieve the following objectives:
- (a) **Market competitiveness:** to support new product development and enable greater diversity in product choice, which in turn could deepen Hong Kong market as an international financial centre;
  - (b) **Market quality and investor protection:** (i) to enhance the eligibility requirements for structured products issuers; and (ii) to keep investors fully informed of matters relevant to them in a timely manner; and
  - (c) **Market efficiency and transparency:** to streamline the structured product listing process and to provide greater transparency on our requirements, Rule intention and regulatory expectations.

## Key Proposals

9. The Exchange's key proposals are summarised in the table below:

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
<b>I. Market Competitiveness</b>			
<b>Minimum issue price for DW issuances</b>	HK\$0.25.	HK\$0.15.	To facilitate DW issuances with a wider range of possible Strike Prices and more flexibility in choosing expiry periods in response to our observations of investors' trading behaviour.
<b>Minimum issue price for CBBC issuances</b>	HK\$0.25.	No minimum issue price.	To reflect the unique features of CBBCs and to facilitate CBBC issuances with a wider range of possible Strike Prices and more flexibility in choosing expiry periods in response to our observations of investors' trading behaviour.
<b>Minimum market capitalisation for DWs and CBBCs at issuance</b>	HK\$10 million.	HK\$6 million.	To: (a) reflect the proposed changes in minimum issue price; and (b) prevent the

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
			unintended consequence of hedging difficulties and creating risk exposures beyond issuers' risk appetite if they are required to issue a greater number of units of structured products to meet the current minimum market capitalisation requirement.
<b>Entitlement ratio of DWs and CBBCs for one share</b>	One, five, ten, 50, 100 or 500.	Allow additional ratios of two, eight, 20, 80, 200, 800, 1,000, and thereafter in multiples of 500.	To provide investors with a wider choice of product terms.
<b>Product terms requirements for Emulation Issues</b>	The expiry date of an Emulation Issue may be up to five business days before or after that of an existing issue. The Strike Price of an Emulation Issue may differ by no more than one spread in the underlying security from that of the existing issue or by no more than 0.5% in other cases where the underlying asset is not a listed security.	Require Emulation Issues to have identical product terms as those of the existing issues except for issue price and issue size.	To facilitate price comparisons where the Emulation Issue is required to have the same product terms (except for issue price and issue size) as the existing issue.
<b>Eligibility requirement for ETFs as underlying securities</b>	Public float capitalisation <sup>8</sup> is at least HK\$4 billion for the 60-day Qualifying Period.  Where the public float capitalisation exceeds HK\$10 billion, the Exchange may waive the 60-day Qualifying Period.	Determine the eligibility of ETFs as underlying securities based on AUM (rather than public float capitalisation)  Set minimum eligibility threshold over the 60-day Qualifying Period at AUM of HK\$1 billion.	To reflect the nature of ETFs as underlying assets.

<sup>8</sup> Shares which are subject to lock up arrangements will not be considered as being in the hands of the public until the lock up arrangements expire.

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
<b>Product terms requirements</b>	Prescriptive Product Terms <sup>9</sup> are set out in the Rules.	Delete the Prescriptive Product Terms from the Rules and require product issuance be subject to the product terms requirements to be published from time to time by the Exchange.	These terms are currently or will be set out in Product Sheets, which would allow them to be updated promptly to reflect market developments.
<b>Terms and conditions in respect of settlement by delivery</b>	Physical settlement of structured products must be:  (a) by way of physical delivery of documents of title; or  (b) electronic transfer through CCASS	Allow electronic transfer through other Exchange-approved platforms.	To give flexibility for product development.
<b>II. Market Quality and Investor Protection</b>			
<b>Issuer eligibility requirements<sup>10</sup></b>	Issuers must:  (a) have a minimum NAV of HK\$2 billion; and  (b) either:  (i) be a Regulated Entity; or  (ii) obtain one of the top three investment grades from any CRA	Issuers must:  (a) have a minimum NAV of HK\$5 billion;  (b) be a Regulated Entity; and  (c) obtain investment grade ratings awarded by all CRAs from which they have sought credit rating. This eligible rating can be obtained by issuers or guarantors or (in case both of them are not rated) any of their respective Holding Companies; and include the following additional disclosures:	To enhance the eligibility requirements for issuers.  To increase investors' risk awareness.

<sup>9</sup> Certain product terms requirements for DW, CBBC and IW are currently set out in Product Sheets published by the Exchange on its website.

<sup>10</sup> Applicable to non-collateralised structured products only and the requirement(s) may be satisfied by a guarantor in case an issuer fails to satisfy such requirement under current Rules.

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
		<p>(i) credit ratings are for investors' reference only; and</p> <p>(ii) identify the Holding Companies and describe their relationship with the issuer and the guarantor;</p> <p>(iii) investors shall have no recourse against the Holding Companies; and</p> <p>(iv) investors shall determine the relevance and significance of credit ratings of the Holding Companies.</p> <p>items (ii) to (iv) are applicable where the credit rating of Holding Companies is relied upon by the issuer or the guarantor for eligibility assessment.</p> <p>If an issuer is unable to meet any one of the above requirements, an issuer may issue guaranteed issues with the eligibility requirement being satisfied by a guarantor fulfilling all of the above eligibility requirements.</p>	
	N/A	An eligible issuer may also issue guaranteed issues provided that such guarantor also	To provide: (a) greater flexibility for issuers (b) another

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
		satisfies all proposed eligibility requirements. In such case, each of the issuer and the guarantor will be required to individually comply with the Rules.	layer of protection to investors.
<b>Continuing obligation to comply with issuer eligibility requirements<sup>11</sup></b>	Maintain minimum NAV.	Additional requirement to comply with the credit rating and the Regulated Entity requirement whilst any of the issuers' structured products are listed on the Exchange.  Allow a 12-month transitional period for existing issuers and/or guarantors to comply with the proposed new eligibility requirements <sup>12</sup> .	To maintain issuer and guarantor quality on an ongoing basis for investor protection.  To allow time for existing issuers and/or guarantors to implement arrangements to comply with the new eligibility requirements.
<b>Relationship between the issuer and the guarantor</b>	The guarantor will normally be the ultimate Holding Company of the issuer's group.	Issuer's other group companies (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) may act as the guarantor.	To allow better positioned group companies of the issuer to act as guarantor.
<b>Liquidity provision obligations</b>	Provide liquidity for at least 20 board lots of the structured product.  Specify: (a) the maximum spread between bid and ask prices; (b) the minimum quotation size; and (c) the time within which to respond to quote requests in listing documents.	Delete the requirement of providing liquidity for at least 20 board lots from the Rules.  Additional requirements to:  (a) mandate the minimum service levels for liquidity provision specified in the listing documents to comply with the minimum service levels as published by the Exchange	All minimum service levels for liquidity provision are currently set out in Product Sheets, which would allow them to be updated promptly to reflect market developments.  To clarify the Exchange's expectation on liquidity provision obligations.

<sup>11</sup> See footnote 10.

<sup>12</sup> To the extent our proposals on eligibility requirements in section A of Chapter 3 of this paper are adopted.

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
		<p>from time to time; and</p> <p>(b) comply with the minimum service levels for liquidity provision specified in listing documents.</p>	
<b>Publication timeframe of interim financial reports after relevant interim period end</b>	No later than four months.	No later than three months.	To facilitate timely access to financial information and align it with the requirement for listed equity issuers.
<b>Publication of consolidated financial statements</b>	Publish group accounts where they are prepared.	Mandatory requirement to publish consolidated financial statements for issuers and guarantors that have subsidiaries.	To provide a comprehensive view of financial conditions of the entire group for the assessment of creditworthiness.
<b>Continuing obligations to disclose and notify the Exchange</b>	<p>(a) Inform the Exchange of:</p> <p>(i) a change in liquidity provider; and</p> <p>(ii) the matters set out in paragraph 160 A - C; and</p> <p>(b) report dealings to the Exchange in a format suitable for publication on the Exchange's website.</p>	<p>(a) Additional requirement to announce these matters in addition to informing the Exchange; and</p> <p>(b) publish the trading reports.</p>	To impose obligations to announce matters that are relevant for investors.
	N/A	<p>Additional requirements to inform the Exchange and announce the following as soon as practicable:</p> <p>(a) downgrade in rating outlook of issuers and guarantors;</p>	To impose obligations to inform the Exchange and announce matters which are relevant to the Exchange and investors.

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
		<p>(b) a change in credit rating (including downgrade in rating outlook) of the Holding Companies where the credit rating of Holding Companies is relied upon by the issuer or the guarantor for eligibility assessment;</p> <p>(c) a change in regulatory status of non-collateralised structured product issuers and guarantors;</p> <p>(d) a change in the particulars of liquidity providers; and</p> <p>(e) the disruption and resumption of liquidity provision services.</p>	
<b>The Exchange's ongoing assessment and regulatory powers</b>	<p>The Exchange:</p> <p>(a) in assessing the suitability or capability of an issuer, will have regard to, inter alia, the considerations set out in paragraph 169 in respect of the issuer; and</p> <p>(b) may impose additional requirements, make listing subject to special conditions or allow waivers from or modifications to the requirements of Chapter 15A.</p>	<p>Additional clarifications that the Exchange:</p> <p>(a) in assessing the suitability or capability of an issuer, may also have regard to, inter alia, the same set of considerations in respect of the issuer's group members;</p> <p>(b) may impose restrictions and conditions on the issuance of structured products linked to any eligible underlying assets;</p> <p>(c) may require issuers to withdraw the listing of existing</p>	<p>To enhance transparency on the Exchange's ongoing assessment, the possible actions the Exchange may impose on issuance of structured products and issuers, and the circumstances for imposing additional requirements.</p>

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
		<p>products that are held entirely by the issuer or members of its group; and</p> <p>(d) may impose additional requirements or conditions on the issuance of structured products by issuers under the circumstances set out in paragraph 176(d), without limitation.</p>	
	The liquidity provider appointed by the issuer need not be a member of the issuer's group.	Additional clarification that the Exchange's approval is required for the appointment of a liquidity provider that is not a member of the issuer's group.	To enhance transparency on the circumstances for requiring approvals.
	N/A	<p>Additional clarification that the Exchange will assess: (a) an issuer's or guarantor's ongoing compliance with the eligibility requirements; and (b) an issuer's performance in issuing and managing structured products issues (including but not limited to liquidity provision).</p> <p>In the case of guaranteed issues issued by an eligible issuer, the Exchange will conduct the assessment described above individually on each of the issuer and the guarantor.</p>	To enhance transparency on the Exchange's ongoing assessment.
<b>III. Market Efficiency</b>			
<b>Documentation for each product issuance</b>	Publish a Launch Announcement and: (a) a stand alone listing	Remove the requirement to publish a Launch Announcement.	To eliminate the duplication of information in



	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
	document; or (b) an SLD.	Consolidate disclosure requirements of a Launch Announcement into requirements of: (a) a stand alone listing document; or (b) an SLD; and specify the publication deadline.	published documents.
<b>Further Issues</b>	<p>Publish a Launch Announcement and an SLD.</p> <p>The issuer and the guarantor shall apply for listing of Further Issues.</p>	<p>Publish a simplified version of an SLD in relation to a Further Issue where the existing issue is non-collateralised and issued pursuant to a base listing document.</p> <p>The issuer shall apply for listing for Further Issues.</p>	To reduce the administrative burden for issuers and guarantors and facilitate the issuance of Further Issues.
<b>Information relating to underlying indices</b>	Index Information may be omitted where the underlying index is HSI or such other index as may be prescribed by the Exchange from time to time.	<p>Permit the exemption of the disclosure of Index Information where: (a) the required information is publicly available in English and Chinese on the index compiler's website; and (b) a web link to such website is included in the listing documents.</p> <p>Remove the specific exemption of HSI from the Rule.</p>	<p>To reduce the administrative burden for issuers if Index Information is publicly available.</p> <p>Not necessary to specify HSI as a specific exemption as it is expected to meet the proposed requirements for Index Information disclosure exemption.</p>
<b>Offering of Incentives</b>	<p>An issuer shall not offer Incentives in respect of structured products that it has issued. A member of its group that is a securities dealer may offer Incentives provided that safeguards are implemented.</p> <p>The Exchange requires issuers to provide a periodic declaration of compliance with the above requirements by</p>	<p>Amendments made:</p> <p>(a) securities dealers in the same legal entity as the issuers may offer Incentives;</p> <p>(b) permitted Incentives are limited to fee discounts only in respect of Incentives schemes offered by securities dealers in promoting</p>	<p>To:</p> <p>(a) provide a level playing field for all issuers irrespective of their corporate structure;</p> <p>(b) align with requirements of the Code of Conduct;</p>

	EXISTING RULES	PROPOSED RULES	KEY RATIONALE
	the issuer and its close associates.	<p>specific structured products;</p> <p>(c) issuers are required to include disclosures in the relevant listing documents and publicity materials; and</p> <p>(d) the meaning of issuer's group is clarified and "close associates" is replaced with members of an issuer's group.</p>	<p>(c) increase investor awareness; and</p> <p>(d) specify the parties that should put in place the safeguards mentioned in the Rules.</p>

10. Other Rule changes are also proposed to: (a) reflect a Rule's intention; (b) clarify regulatory expectations; (c) align and consolidate Rule requirements; (d) streamline Rules by removing those that are outdated or redundant; or (e) make various housekeeping amendments to the Rules that do not involve any change in policy direction.

### Request for Comment

11. The Exchange conducted preliminary discussions with interested parties, comprising structured products issuers, securities brokers, an investor group and legal practitioners, on our Rule requirements and selected proposals. We thank them for sharing their views and suggestions with us for this exercise.
12. The Exchange now invites public comments on the proposals and the draft Rule changes to give effect to the proposals. Responses to this paper and any other comments on related matters that might have impact upon the changes proposed in this paper should be submitted to us by Tuesday, 11 November 2025. When providing your comments please give reasons for your views.

### Next Steps

13. The Exchange, after reviewing and taking into account all the responses and comments submitted by Tuesday, 11 November 2025, will develop a consultation conclusions paper setting out finalised amendments to the Rules. The Exchange may make revisions to the draft Rules to reflect the feedback to this paper.

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## CHAPTER 1: BACKGROUND

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### Structured products as a component of the securities market ecosystem

14. Structured products provide their holders with economic exposure to the underlying assets and hence derive their value by reference to the price of the underlying assets. All structured products currently listed on the Exchange are leveraged products. A small change in the price of the underlying asset can result in a much larger change (in percentage terms) in the price of the structured products.
15. The structured products market is an important component of the securities market ecosystem in Hong Kong:
  - (a) structured products provide an alternative to investing in underlying assets. The combination of the leveraging effect and a cap on loss to the investment amount makes it an attractive financial product to investors who seek to magnify their investment return;
  - (b) structured products can be used by investors as hedging instruments to reduce risk exposure arising from their holdings in the underlying assets; and
  - (c) the hedging activities of structured products issuers add market liquidity to the underlying assets (such as stocks and ETFs) and related futures and options that are traded on the Exchange.
16. The Hong Kong's structured products market has been ranked top globally in terms of annual turnover since 2007. In 2024, the Exchange accounted for approximately 65% of global total turnover in structured products with the other top four exchanges accounting for an aggregate of approximately 23%. The Exchange's leading position in the trading of structured products contributes strongly to Hong Kong's role as an international financial centre.

### Characteristics and size of the Hong Kong's structured products market

#### Product types

17. Structured products in the form of warrants were first listed on the Exchange in 1989 followed by ELIs in 2002. Product types expanded to include CBBCs in 2006 and IWs in 2019.
18. Currently, CBBCs and DWs are the two prevailing types of structured products in terms of turnover, which respectively accounted for around 56% and 44% of the total structured products turnover in 2024.

#### Market size

19. Currently, 16 issuers have structured products listed on the Exchange.
20. In 2024, the average number of daily new issuances was 129 products and the average daily turnover was around HK\$11.8 billion representing around 9% of the total cash market turnover.
21. As at end of 2024, there were over 8,800 products listed on the Exchange with an aggregate market value of around HK\$4 billion.

22. Around 45% of turnover was transacted by liquidity providers appointed by issuers, around 30% by individual investors and the remaining 25% by proprietary trading participants, fund houses and other entities<sup>13</sup>.
23. Appendix I sets out the: number; average daily issuances; average daily turnover; and market value of the structured products market for each of the past ten years.

### Underlying assets

24. The approved underlying assets for structured product issuances include both local and foreign assets, comprising over 300 locally listed equity stocks, 18 locally listed ETFs, three local indices, ten foreign-listed equity stocks and seven overseas indices. These underlying assets also include currency pairs and commodities.
25. In 2024, structured products linked to the HSI accounted for around 72% of total structured products turnover while those linked to the top three Exchange listed stocks<sup>14</sup> accounted for 14% of that turnover. The relative turnover of structured products linked to foreign underlying assets, currencies pairs and commodities was insignificant.

### **History of Hong Kong structured products listing regime**

26. The regime governing the listing of structured products has evolved through various Rule amendments and other initiatives. Please see below details of the key developments.

<b>Year</b>	<b>Key developments</b>	<b>Details</b>
2006	Major Rule amendments to Chapter 15A	<p>(a) Shortening the processing time and relaxing the maximum percentage of an existing issue that may be held by issuers to facilitate Further Issues;</p> <p>(b) introduction of Emulation Issues to encourage competition and reduce price anomalies by allowing the issue of structured products that are substantially identical<sup>15</sup> to those already listed, with a relaxation of minimum issue price from HK\$0.25 to HK\$0.15; and</p> <p>(c) banning Incentives offered by issuers to investors but allowing, subject to certain safeguards, such Incentives to be offered by the issuers' group companies which are securities dealers.</p>
2012	Enhancement of liquidity provision <sup>16</sup> standards	<p>(a) Publication of the Guide on Enhancing Regulation of the Listed Structured Products Market<sup>17</sup> to promote high industry standards;</p> <p>(b) introducing active quotation practice to increase liquidity and tightening the liquidity provision service</p>

<sup>13</sup> Based on information available to the Exchange and for the period covering Q4 2024. The turnover included the value of both buy trades and sell trades.

<sup>14</sup> This refers to the top three Exchange listed stocks in terms of structured products turnover.

<sup>15</sup> Emulation Issues are substantively identical to the emulated issue except that the expiry date of the Emulation Issue may be up to five business days before or after that of the emulated issue; the exercise or strike price of the Emulation Issue may differ by no more than one spread in the underlying security from that of the emulated issue or by no more than 0.5% in other cases where the underlying asset is not a listed security.

<sup>16</sup> This refers to market making provided by issuers or their appointed liquidity providers in relation to their structured products.

<sup>17</sup> This guide is obsolete, information therein (as updated) has been relocated to relevant sections of the FAQ.

		standards by introducing maximum bid-ask spreads, amongst other standards; and  (c) publication of the Industry Principles on Liquidity Provision <sup>18</sup> , by issuers as a collective group, setting out detailed service levels in respect of: (i) active quotations provided by liquidity providers on a voluntary basis; and (ii) requests for quotation by investors.
2018	Increasing transparency of new product approval process	(a) Publication of the New Product Guide to facilitate the launch of new product types and products linked to new underlying assets; and  (b) setting out the approval framework, timeframe and eligibility criteria for new product types and each type of underlying asset.
2020	Enhancement of market efficiency	Shortening the time between product launch and the listing of structured products from five days to three days to facilitate structured product issuances with product terms that better reflect prevailing market conditions and provide earlier product access by investors after product launch.

### **Investor education for Hong Kong structured products**

27. In 2025, the Exchange launched a dedicated investor education corner on the Exchange's website<sup>19</sup> with different resources to support learning and deepen the understanding of structured products. Four thematic videos were introduced covering: liquidity provision; pricing; overseas underlying assets; and the risks of investing in structured products. These videos help investors understand the nature and complexity of structured products. The presentation of investor frequently asked questions was upgraded to a navigable web format. The content is now systematically organized by topic, allowing for more intuitive navigation and streamlined access to relevant information.

### **Reasons for reviewing Hong Kong's structured products listing regime**

28. The Exchange considers it is important that the Rules can keep pace with market development and be conducive to the sustainable growth of the structured products market, and should balance investor protection and product choice for investors. We have also considered the rules of the Selected Overseas Exchanges during our review, to the extent applicable and appropriate.

### **Market competitiveness**

29. To foster the sustainable growth of the structured products market in the long term and to increase Hong Kong's competitiveness as an international financial centre, we believe it is necessary to have a wide variety of structured products providing investors with broader product choices that align with their risk appetite. Additional product choices may be in the form of a

<sup>18</sup> The Industry Principles on Liquidity Provision are intended to encourage improved market conduct and do not represent binding commitments of issuers. However, compliance with the Industry Principles on Liquidity Provision is relevant to the Exchange's continuing assessment of an issuer's suitability to list structured products. Please refer to paragraph 176(f) below.

<sup>19</sup> See ["Education and Resources" section under the "Structured Products" page](#) on the Exchange's website.

new product type, a new underlying asset, diversity in Strike Price or availability of structured products at a wider price range at issuance. The Rules should provide flexibility to support a listing platform capable of providing product diversity<sup>20</sup> in response to market feedback and investor behaviour. To complement the expansion of product choice, the Exchange will update investor education materials as appropriate, such as publishing product factsheets for any new product types.

#### Market quality and investor protection

30. The current issuer eligibility requirements for structured products were introduced in 1998 and have since remained unchanged. The Exchange considers that the listing eligibility requirements should be reviewed to enhance quality of issuers. Other requirements should also be reviewed to promote timely disclosure to investors of matters relevant to them. These measures are intended to enhance investors' confidence in the structured products market.

#### Market efficiency and transparency

31. The Exchange considers that there is room for streamlining the listing process to facilitate product issuance and listing, without compromising investor protection. We also aim to give issuers and investors greater transparency on our requirements, Rule intention and regulatory expectations.

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<sup>20</sup> Our goal to expand product choices accords with the recommendations of the paper titled "[Optimising Hong Kong's Listed Structured Products market](#)" published by the Financial Services Development Council in 2017 to expand structured products types and maintain Hong Kong's position as a global market leader in structured products.

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## CHAPTER 2: PROPOSALS TO INCREASE MARKET COMPETITIVENESS

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32. This Chapter discusses the proposals and the rationale for the proposed Rule amendments to increase market competitiveness.

### A. Minimum issue price for DW issuances

#### Current Rules

33. The minimum issue price of a structured product must not be less than HK\$0.25. Emulation Issues<sup>21</sup> are subject to a minimum issue price of HK\$0.15<sup>22</sup> as at the date of issue.

#### Issues

34. A minimum issue price of HK\$0.25 places constraints on the product terms of DWs. To launch DWs with a minimum issue price of HK\$0.25, issuers can only choose a certain range of Strike Prices for their DWs<sup>23</sup>. Such range limits product choice for investors who are interested in other Strike Prices that better match their risk appetite and investment objectives.

35. Requiring DWs to be issued at HK\$0.25 or above does not match investors' demand for low priced products as reflected by the turnover. The table below shows that 84% of DWs' turnover was transacted at prices below HK\$0.15 in 2024.

Trading Price – DWs (HK\$)	Turnover (2024)
Less than 0.05	19%
0.05 to <0.10	48%
0.10 to <0.15	17%
0.15 to <0.20	9%
0.20 to <0.25	4%
0.25 or more	3%

36. Issuers generally prefer to issue Emulation Issues to satisfy investors' demand for DWs trading at around HK\$0.15 instead of issuing new DWs. In 2024, the number of Emulation Issues accounted for 65% of total DW issuances and surpassed the number of issuances of new DW issues which require a minimum issue price of HK\$0.25. While Emulation Issues facilitate competition, they provide limited product term diversity as their product terms are substantially the same as DWs that are available in the market at the time of issuance.

#### Proposals

37. The Exchange proposes to lower the minimum issue price of DWs from HK\$0.25 to HK\$0.15.

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<sup>21</sup> The introduction of Emulation Issues in 2006 allowed issuance of near identical versions of existing products to facilitate competition and deter price anomalies caused by supply shortages. Given that the price of an existing issue may fall below HK\$0.25 at the time that an issuer is looking to launch an Emulation Issue, the Rules allow the issue price of the Emulation Issue to be set as low as HK\$0.15 so that an issuer is able to mimic the existing products.

<sup>22</sup> Rule 15A.43.

<sup>23</sup> For illustration purpose, assuming a call DW with an expiry period of six months with underlying Spot Price of HK\$325, the DW can be issued at the minimum issue price of HK\$0.25 while the permissible Strike Price can be set between HK\$0.01 and HK\$330. Assuming all other pricing factors remain the same, the same DW could be issued with a Strike Price of up to HK\$357 if the minimum issue price is lowered to HK\$0.15.

## Rationale

38. The rationale of having a minimum issue price is to provide a buffer for any subsequent decline in the price of the product before it reaches the minimum trading price of HK\$0.01 (below which securities could not be traded on the Exchange's system)<sup>24</sup>.
39. In setting a minimum issue price, the Exchange considers that HK\$0.15 would be most appropriate as it is currently adopted by Emulation Issues and after taking into consideration the following factors:
- (a) promoting diversification in Strike Prices and expiry periods for investors (see paragraphs 40 to 42);
  - (b) better alignment of product issue price with investors' demand (see paragraphs 43 to 44); and
  - (c) the impact on the number of products reaching the minimum trading price on the Exchange of HK\$0.01 (see paragraph 45).

### Promoting diversification in Strike Price and expiry periods

40. Lowering the minimum issue price allows for a wider range of possible Strike Prices and provides issuers with greater flexibility in choosing expiry periods to meet investors' trading needs.
41. For the purpose of issuing at the price range of HK\$0.15 for meeting investors' demand, issuers will no longer need to rely on Emulation Issues if the minimum issue price is lowered to HK\$0.15 for new issuances. This will in turn promote product terms diversity as issuers are not restricted to mimic product terms of existing products.
42. Product issuance is mainly driven by market demand. Issuers are not prohibited from issuing products with a price higher than the minimum issue price. The proposed minimum price of HK\$0.15 is only a minimum level and issuers may issue DWs at prices above such a minimum requirement depending on investors' demand<sup>25</sup>.

### Better alignment of product issue price with investors' demand

43. Investors choose products with a risk level that meets their investment objectives and risk appetite. Their product choices can be reflected in their trading behaviour. While DWs are issued at a minimum price of HK\$0.25, it is noted that trading picks up when their prices drop to around HK\$0.15 or below during their product life (see table in paragraph 35).
44. Therefore, DWs issued at HK\$0.15 or lower are better aligned with investors' demand as reflected by turnover (see further analysis in paragraph 46).

### Impact on number of products reaching minimum trading price of HK\$0.01

45. To ascertain the effect of lowering the DW issue price on the number of products reaching the minimum trading price of HK\$0.01, the Exchange analysed the price movements of DWs with prices of HK\$0.20, HK\$0.15 and HK\$0.10<sup>26</sup>, each as compared to the DWs with a price of

<sup>24</sup> See "[A Healthy Market for Informed Investors – A Report on the Derivative Warrants Market in Hong Kong](#)" published by the SFC in November 2005.

<sup>25</sup> Around 19% of total number of new issuances were issued at above the current minimum requirement of HK\$0.25 in 2024.

<sup>26</sup> The scope of the study covers DWs listed in a sampling period between 1 January 2021 and 31 December 2023 such that the samples cover DWs with (a) expiry date on or before 31 December 2024; and (b) remaining life of around six



HK\$0.25. The table below shows the percentage of these products reaching HK\$0.01 during the period to expiry for each price group during a three-year period.

Remaining life of products	% of number of products with price reaching HK\$0.01			
	DWs at HK\$0.25	DWs at HK\$0.20	DWs at HK\$0.15	DWs at HK\$0.10
At least three months	5%	6%	8%	10%
At least two months	14%	17%	20%	25%
At least one month	31%	34%	39%	47%
At expiry	52%	55%	59%	64%

46. While setting the minimum issue price at HK\$0.20 will lead to a small percentage point (i.e. 3 percentage point<sup>27</sup>) increase in products with a price reaching HK\$0.01 at expiry (as compared to DWs at HK\$0.25), this would not achieve the objective of product term diversification (as issuers may continue to issue Emulation Issues with a minimum issue price of HK\$0.15 to satisfy investors' demand). On the other hand, setting the minimum price at HK\$0.10 may result in a higher likelihood of prices reaching HK\$0.01 at expiry (an increase of 12 percentage points<sup>28</sup> as compared to DWs at HK\$0.25). As such, we considered a minimum issue price of HK\$0.15 to be the most appropriate option after balancing the potential increase of products reaching the minimum trading price against the benefits of product term diversification and alignment of product issue price with investors' demand.
47. By way of international comparison, four of the Selected Overseas Exchanges do not impose any minimum issue price requirement, while SET imposes HK\$0.23 for DW and SGX imposes HK\$1.14 for structured warrants. For details, please refer to "Product terms requirements" section of Appendix II.

**Question 1:** Do you agree that the minimum issue price for DWs should be lowered from HK\$0.25 to HK\$0.15?

Please provide reasons for your views and any alternative suggestions.

## B. Minimum issue price for CBBC issuances

### Current Rules

48. The minimum issue price of a structured product at the date of issue must not be less than HK\$0.25<sup>29</sup>.

months. The relevant DWs will fall into a price category (i.e. HK\$0.25, HK\$0.20, HK\$0.15 or HK\$0.10) when they first traded around such price during the period from 1 January 2021 to 31 December 2024. For example, if a DW was first traded at HK\$0.15 since its listing, it will fall within the "HK\$0.15" category for the rest of its remaining life for the purpose of our study, notwithstanding that its traded price may subsequently have increased to HK\$0.25.

<sup>27</sup> Represents the difference at expiry between the columns "DWs at HK\$0.25" and "DWs at HK\$0.20" set out in the table under paragraph 45.

<sup>28</sup> Represents the difference at expiry between the columns "DWs at HK\$0.25" and "DWs at HK\$0.10" set out in the table under paragraph 45.

<sup>29</sup> Rule 15A.43.

## Issues

49. The minimum issue price requirement for structured products was put in place before CBBCs were introduced. Such requirement has not taken into consideration the unique features of CBBCs, namely: (a) CBBCs prices are highly sensitive to underlying price movement (i.e. near delta one<sup>30</sup>); and (b) the MCE feature leading to early expiry. While the minimum issue price requirement is appropriate for DWs, it is not appropriate for CBBCs<sup>31</sup> (see paragraph 53 below).
50. The minimum issue price limits the Strike Price range of CBBCs available to investors. The higher the Intrinsic Value for meeting the minimum issue price requirement, the narrower the range of Strike Price that can be issued<sup>32</sup>.
51. Requiring CBBCs be issued at an issue price of HK\$0.25 or above does not match investors' demand as reflected by a low turnover of 2% (see table below). The table below shows that 94% of CBBCs' turnover was transacted at prices below HK\$0.15 in 2024 reflecting that investors generally prefer to trade CBBCs at lower prices.

Trading Price – CBBCs (HK\$)	Turnover (2024)
Less than 0.05	49%
0.05 to <0.10	38%
0.10 to <0.15	7%
0.15 to <0.20	3%
0.20 to <0.25	1%
0.25 or more	2%

## Proposals

52. The Exchange proposes to remove the current minimum issue price requirement for CBBCs<sup>33</sup>.

## Rationale

53. It is inappropriate to set a minimum issue price for a CBBC because:
- (a) in general, a CBBC's price movement closely mirrors the underlying price movement. As a near delta-one product with the MCE feature, a CBBC's trading price will approach the minimum trading price of HK\$0.01 at any time before its expiry date if the Spot Price moves close to its Call Price; and
  - (b) the Intrinsic Value of a CBBC may move significantly from the time of issuance (i.e. on Launch Date) to the listing date of a CBBC<sup>34</sup>, or thereafter, due to movements in underlying prices. The issue price set on Launch Date is not relevant for subsequent trading after listing.

<sup>30</sup> The price of a delta one product moves HK\$1 when the underlying price moves HK\$1 (assuming the entitlement ratio is one).

<sup>31</sup> DWs are generally less price sensitive to underlying price movements and have a fixed product life while CBBCs are generally much more price sensitive to underlying price movements due to its near delta one product feature. For illustration purpose, assuming a Spot Price of HK\$200 and a bull CBBC with an expiry period of six months, the bull CBBC can be issued at the minimum issue price of HK\$0.25 with Strike Price of HK\$178 and entitlement ratio of 100. Assuming the Spot Price drops to HK\$178.2, the value of bull CBBC may drop substantially to less than HK\$0.01.

<sup>32</sup> For illustration purpose, assuming a Spot Price of HK\$100 and a bull CBBC with an issue price of HK\$0.25 (with Intrinsic Value of HK\$0.2 and funding cost of HK\$0.05), the Strike Price can be set at a price from HK\$0.01 up to HK\$80. However, the same CBBCs could be issued with Strike Price of up to HK\$93 where the minimum issue price is allowed at a lower level, say, HK\$0.1.

<sup>33</sup> As the minimum trading price on the Exchange's systems is HK\$0.01, issuers cannot issue CBBCs below HK\$0.01.

<sup>34</sup> Currently, structured products (including CBBCs) follow a three-day listing cycle meaning that a structured product will be listed on the third trading day after its Launch Date.

54. It may not be feasible to set a minimum price applicable to all underlying assets and at the same time meet investors' demand given that:
- (a) the price movement of different underlying assets may vary widely due to different underlying prices and volatility; and
  - (b) CBBC investors demonstrate a preference for trading low-priced products and so setting an arbitrary minimum issue price may cause products to be issued with terms that meet Rule requirements but do not suit investors' demand. For example, if the minimum issue price for a bull CBBC is set at HK\$0.15 and the price of its underlying rises, the CBBC price will increase and soon reach a level that is of little interest to investors noting that only 6% of turnover were transacted at prices higher than HK\$0.15 (see paragraph 51).
55. In addition, the removal of a minimum issue price would allow a wider range of possible Strike Prices and provide issuers with greater flexibility in choosing expiry periods, thereby enabling investors to have a greater choice of product terms to meet their particular market views and risk appetite.
56. Selected Overseas Exchanges which have CBBCs as a product type do not have a minimum issue price requirement.

**Question 2:** Do you agree with the proposal to remove the minimum issue price requirement for CBBCs?

Please provide reasons for your views and any alternative suggestions.

### **C. Minimum market capitalisation for DWs and CBBCs**

#### Current Rules

57. The expected market capitalisation of a structured product at issuance must normally be at least HK\$10 million<sup>35</sup>.

#### Issues

58. Market capitalisation at issuance is calculated by multiplying the issue price (the price per unit) by the total number of units issued for the structured products. We propose to reduce (for DWs) and remove (for CBBCs) the minimum issue price requirement (see sections A and B of this Chapter 2 above). Under these proposed conditions, if the existing minimum HK\$10 million market capitalisation requirement is retained, issuers will need to increase the number of units of DWs or CBBCs (as the case may be) they issue to meet this requirement. The potential larger position sold to the market may cause hedging difficulties and create risk exposures beyond issuers' risk appetite, which may discourage or prevent issuers from issuing DWs or CBBCs (as the case may be).

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<sup>35</sup> Rule 15A.39.

### Proposal

59. The Exchange proposes to lower the minimum market capitalisation at issuance for DWs and CBBCs from HK\$10 million to HK\$6 million if our proposals on the minimum issue price on the respective product are adopted<sup>36</sup>.

### Rationale

60. If DWs are issued at the current minimum issue price of HK\$0.25, the minimum issuance size is 40 million units in order to meet the current minimum market capitalisation of HK\$10 million.
61. So, if our proposal to lower the minimum issue price of DWs to HK\$0.15 is adopted, we propose to reduce the minimum market capitalisation requirement for DWs to HK\$6 million. This is because the issuance of 40 million units at a minimum issue price of HK\$0.15 will equate to a market capitalisation of HK\$6 million at issuance. Consequently, reducing the minimum market capitalisation requirement to HK\$6 million will mean that issuers will not be required to increase the number of units of DWs they issue. This mitigates the risk of larger positions as mentioned above (see paragraph 58). The same rationale also applies to CBBCs as adopting the proposal to remove minimum issue price for CBBCs would make the minimum issue price for CBBCs no longer HK\$0.25.

**Question 3:** Do you agree with the proposal to lower the minimum market capitalisation at issuance for (a) DWs and (b) CBBCs from HK\$10 million to HK\$6 million if our proposals on the minimum issue price of the respective product are adopted?

Please provide reasons for your views.

## **D. Entitlement ratio of DWs and CBBCs for one share<sup>37</sup>**

### Current Rules

62. Structured products using shares (or other securities) as the underlying asset are issued in the entitlement ratio of: one, five, ten, 50, 100 or 500 unit(s) of structured products for one share (or other security)<sup>38</sup>.

### Issues

63. The existing entitlement ratios (in combination with the existing minimum issue price requirement) limit the range of possible Strike Prices<sup>39</sup> and expiry periods of DWs and CBBCs. This in turn limits product choice for investors who may be interested in other Strike Prices or expiry periods that are not permitted by the current Rules.

<sup>36</sup> If the proposal under section G of this Chapter (Product terms requirements) is adopted (see paragraphs 80 to 89), the minimum market capitalisation requirement discussed in this proposal will be reflected in the relevant Product Sheets.

<sup>37</sup> The entitlement ratio is the number of structured products required to be converted into a share of the underlying asset at the Strike Price upon expiry or one structured product to be converted into a number of shares.

<sup>38</sup> Rule 15A.40.

<sup>39</sup> For illustration purpose, assuming a call DW with an expiry period of six months with underlying Spot Price of HK\$30, the DW can be issued at the minimum issue price of HK\$0.25 while the possible Strike Price can be set between HK\$0.01 and HK\$35 with entitlement ratio of 10. Assuming all other pricing factors remain the same, the same DW could be issued with a Strike Price of up to HK\$37 if the entitlement ratio is 8.

### Proposal

64. For DWs and CBBCs<sup>40</sup>, the Exchange proposes to add additional entitlement ratios allowing the issuances of two, eight, 20, 80, 200, 800, 1,000, and thereafter in multiples of 500 units of structured products for one share (or other security)<sup>41</sup>.

### Rationale

65. These additional entitlement ratios give further flexibility for issuing products with different Strike Prices and expiry periods, which in turn provides investors with a wider choice of product terms.

**Question 4:** Do you agree with the proposal to add additional entitlement ratios allowing the issuances of two, eight, 20, 80, 200, 800, 1,000, and thereafter in multiples of 500 units of structured products for one share (or other security) in relation to DW and CBBC issuances?

Please provide reasons for your views.

## **E. Product terms requirements for Emulation Issues**

### Current Rules

66. The expiry date of an Emulation Issue may be set at up to five business days before or after that of the existing issue it emulates. The Strike Price of the Emulation Issue may differ by no more than one spread in the underlying security from that of the existing issue or by no more than 0.5% in other cases where the underlying asset is not a listed security<sup>42</sup>.

### Issues

67. Emulation Issues aim to facilitate competition with existing products issued and deter price anomalies caused by supply shortages. However, allowing Emulation Issues to be issued with even a minor variation in expiry periods and Strike Prices from existing issues makes a direct price comparison between them and the existing issues difficult.

### Proposal

68. The Exchange proposes to require Emulation Issues to have identical product terms as existing issues except for issue price and issue size.

### Rationale

69. Requiring Emulation Issues be issued on identical product terms as existing issues would make price comparison amongst them much easier for investors to conduct.

**Question 5:** Do you agree with the proposal to require Emulation Issues to have identical product terms as existing issues except for issue price and issue size?

Please provide reasons for your views.

<sup>40</sup> A ratio of one structured product for one share is adopted for IWs.

<sup>41</sup> If the proposal under section G of this Chapter (Product terms requirements) is adopted (see paragraphs 80 to 89), the entitlement ratios discussed in this proposal will be reflected in the relevant Product Sheets.

<sup>42</sup> Rule 15A.36(2).

## **F. Eligibility requirement for ETFs as underlying securities**

### Current Rules

70. Stocks listed on the Exchange which are eligible to be the single stock underlying for structured product issuance must maintain a public float capitalisation of at least HK\$4 billion for the 60-day Qualifying Period<sup>43</sup>.
71. Where the public float capitalisation of a stock exceeds HK\$10 billion, the Exchange may waive compliance with the 60-day Qualifying Period so that such shares are eligible to be the underlying for structured product issuances as soon as its shares are listed on the Exchange<sup>44</sup>.
72. The Exchange applies the above same eligibility criteria to determine if ETFs listed on the Exchange are eligible as single ETF underlying for structured product issuances.

### Issues

73. The public float capitalisation requirement that is applicable to a single stock underlying may not be appropriate for ETFs because: (a) ETFs are professionally managed collective investment funds whose units are distributed broadly to a wide number of holders; and (b) the liquidity of ETFs are supported by market makers and the creation and redemption of units by participating dealers.

### Proposal

74. The Exchange proposes to determine the eligibility of ETFs<sup>45</sup> as underlying securities (for structured products linked to single ETF) based on the AUM<sup>46</sup> (rather than “public float capitalisation”) of ETFs.
75. With the above proposed change of reference to AUM for assessing eligibility of ETFs, we also propose to change the eligibility threshold for an ETF as an underlying security for structured product issuances linked to a single ETF to at least HK\$1 billion (instead of HK\$4 billion) over the 60-day Qualifying Period.

### Rationale

76. AUM is a well-accepted benchmark to indicate the market value or size of an ETF. The Exchange considers the use of AUM as an eligibility criterion for ETFs to be more appropriate.
77. An ETF generally requires a certain level of fund size to maintain its sustainability, failing which the ETF manager may consider winding down the fund and applying for voluntary delisting. The purpose of setting the AUM threshold as an eligibility criterion is to reduce the risk that the underlying ETF will be delisted. Delisting of underlying ETFs (as a result of the termination of such ETFs) will result in the early termination of relevant structured products, which will in turn cause investors to suffer investment loss due to a loss of time value. There is no requirement

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<sup>43</sup> Notes (3) and (4) to Rule 15A.35.

<sup>44</sup> Note to Rule 15A.30(2).

<sup>45</sup> As at the time of publication of this paper, ETFs that are considered complex products, or very likely to be considered complex, such as synthetic ETFs, futures-based ETFs and virtual asset related ETFs (see (a) [the non-exhaustive list of complex products](#) posted on the SFC website and (b) the [Joint Circular on intermediaries' virtual asset-related activities](#) issued by the SFC and the HKMA on 22 December 2023) are generally not eligible as underlying securities. In addition, leveraged and inverse products are not eligible as underlying securities. The Exchange will continue to monitor market developments and review the suitability of underlying securities from time to time.

<sup>46</sup> Refers to AUM of Hong Kong listed class. For cross-listed ETFs, the Exchange intends to refer to their Hong Kong AUM instead of global AUM when calculating whether such ETFs meet the proposed AUM eligibility requirement. This is because there is no certainty that the Hong Kong ETF holdings will be transferred to the overseas counter upon delisting in Hong Kong. Under such circumstances, structured products linked to HK listed counter will be delisted.

for a minimum AUM to maintain the listing of ETFs under the Rules. However, the Exchange noted that in the past three years, the AUM of ETFs delisted from the Exchange was generally lower than HK\$0.3 billion<sup>47</sup>.

78. Considering that the AUM of delisted ETFs was lower than HK\$0.3 billion, the Exchange proposes setting the minimum AUM at HK\$1 billion to maintain a prudent buffer to reduce the risk of an ETF being voluntarily delisted. The proposal would expand the list of ETFs eligible for DW issuances<sup>48</sup> from 18 under the existing requirement to 30 (20% of total ETFs)<sup>49</sup>. The hedging activities of the DWs add liquidity to the underlying ETFs, which in turn promotes the growth of ETFs market in Hong Kong.
79. SET allows ETFs which track: (a) stocks of SET 50 index; (b) stocks of SET 100 index; and (c) specified SET indices as underlying securities for DW issuances. SGX applies the same eligibility criteria to ETFs as it does to single stocks as underlying asset for DW issuances. Other Selected Overseas Exchanges do not have specific requirements for ETFs as underlying securities. For details, see item “ETFs as underlying” in “Underlying requirements” section of Appendix II.

**Question 6:** Do you agree with the proposal to determine the eligibility of ETFs as underlying securities (for structured products linked to single ETF) based on the AUM<sup>50</sup> (rather than “public float capitalisation”) of ETFs?

Please provide reasons for your views.

**Question 7:** With the above proposed change of reference to AUM for assessing eligibility of ETFs, do you agree with the proposal to change the eligibility threshold for an ETF as an underlying security for structured product issuances linked to a single ETF to at least HK\$1 billion (instead of HK\$4 billion) over the 60-day Qualifying Period?

Please provide reasons for your views.

## **G. Product terms requirements**

### Current Rules

80. Structured products listed on the Exchange are subject to terms and conditions approved by the Exchange<sup>51</sup>.
81. In addition, the Rules currently provide for the following Prescriptive Product Terms:

<sup>47</sup> From 2022 to 2024, 31 ETFs with AUM lower than HK\$0.3 billion were delisted. There were other termination of ETFs caused by specific events such as changing from a listed ETF to an unlisted fund with an offer for investors to convert their position into another listed ETF.

<sup>48</sup> The proposal described in paragraph 75 above will not have any impact on CBBCs or IWs as the eligible underlying stocks for both CBBCs and IWs are subject to more stringent requirements which are set out in their respective Product Sheets. In addition, in respect of a new type of structured product, ETF's eligibility as underlying security will be subject to specific requirements of that new product type, which may be more stringent than the current proposal.

<sup>49</sup> Based on AUM of ETFs in Q4 of 2024.

<sup>50</sup> See footnote 46.

<sup>51</sup> Rule 15A.36(1).

Prescriptive Product Terms	
Expiry period from date of listing	<p><u>Minimum period</u><sup>52</sup>            DWs – six months.            ELIs – 28 days.            Other structured products – as agreed by the Exchange.</p> <p><u>Maximum period</u><sup>53</sup>            ELIs – two years.            Other structured products – five years.</p> <p><u>Further Issue</u><sup>54</sup>            The requirement of expiry period does not apply to Further Issues.</p>
Entitlement ratio <sup>55</sup>	<p>One, five, ten, 50, 100 or 500 units of structured products for one underlying share<sup>56</sup> or one unit of structured product for one, ten or 100 shares.</p> <p>For structured products other than DWs – the number of structured products for one share or number of shares for one structured product is an integral power of ten.</p>
Board lot <sup>57</sup>	<p>Structured products linked to securities – the trading board lot of structured products should entitle holders to a whole number of board lots of the underlying securities.</p> <p>Structured products that provide for settlement wholly in cash may be issued such that one board lot of the structured product on exercise or maturity entitles the holder to one tenth of a board lot of the underlying security.</p> <p>Structured products linked to index, currency or a basket of shares – 10,000.</p>
Settlement	<p>Investors should receive cash amount in relation to any number of underlying shares which is less than one board lot<sup>58</sup>.</p> <p>Holder of an ELI does not have an option to elect for settlement in either shares or cash on maturity<sup>59</sup>.</p>

<sup>52</sup> Rule 15A.38.

<sup>53</sup> See footnote 52.

<sup>54</sup> Rule 15A.38(4).

<sup>55</sup> Rule 15A.40.

<sup>56</sup> The Exchange proposes to add additional entitlement ratios in relation to DW and CBBC issuances. Please refer to paragraphs 62 to 65 above.

<sup>57</sup> Rules 15A.41 to 15A.42.

<sup>58</sup> Note to Rule 15A.44.

<sup>59</sup> Rule 15A.44(3).



<b>Prescriptive Product Terms</b>	
Settlement currency and method	<p>Where the structured products are traded on the Exchange in Hong Kong dollars, settlement shall be in Hong Kong dollars<sup>60</sup>.</p> <p>A structured product relating to securities not listed on the Exchange must be settled wholly in cash<sup>61</sup>.</p>
Issue price <sup>62</sup>	<p>Minimum issue price of a structured product must be not less than HK\$0.25. This requirement does not apply to Further Issues<sup>63</sup>.</p> <p>Emulation Issue is subject to a minimum issue price of HK\$0.15.</p>
Valuation method <sup>64</sup>	<p><u>One valuation point</u> DWs – average of closing prices of underlying for five business days prior to the expiry date.</p> <p>Other structured products – as permitted by the Exchange.</p> <p><u>Two or more valuation points</u> As permitted by the Exchange.</p> <p><u>Exercise prior to expiry</u> Locally listed securities as underlying – use closing price of the underlying on the day of exercise if the exercise occurs prior to commencement of morning trading session, otherwise use closing price on the day following the exercise date.</p> <p>Other structured products – as permitted by the Exchange.</p>
Underlying assets <sup>65</sup>	<p><u>Single stocks</u> DWs, ELIs or other structured products specified by the Exchange - a stock that is a member of the Hang Seng Index<sup>66</sup>.</p> <p><u>Baskets</u> For a basket relating to shares listed on the Exchange – i) each class of shares in the basket must be a member of the Hang Seng Index or a single scheduled stock or a basket scheduled stock; and ii) each constituent share in a basket is required to comply with the minimum weighting requirement<sup>67</sup>.</p> <p>For a basket comprising of shares which are not listed on the Exchange – i) each share must meet the public float capitalisation or market capitalisation requirements; ii) the basket must</p>

<sup>60</sup> Rule 15A.45.

<sup>61</sup> Rule 15A.45.

<sup>62</sup> Rule 15A.43.

<sup>63</sup> The Exchange proposes to lower the minimum issue price of DWs from HK\$0.25 to HK\$0.15 and remove the minimum issue price requirement of CBBCs. Please refer to paragraphs 33 to 56 above.

<sup>64</sup> Rules 15A.47(1) to (3).

<sup>65</sup> Rules 15A.32, 15A.33, 15A.34 and 15A.35.

<sup>66</sup> Rule 15A.30(1).

<sup>67</sup> Rule 15A.32.

<b>Prescriptive Product Terms</b>	
	<p>comprise no more than ten shares; and iii) weighting requirements shall not apply<sup>68</sup>.</p> <p>For a basket comprising of other securities, indices or assets – the weighting of each of the securities, indices or assets in the basket must first be approved by the Exchange.<sup>69</sup></p> <p>The underlying shares of a basket must be such that it allows the holders to gain exposure to a sector, industry, market or other theme recognizable by investors.<sup>70</sup></p> <p>Basket scheduled stocks are classified into three categories according to their public float capitalisation as follows<sup>71</sup>:  Category 1 – HK\$1 billion to and including HK\$2 billion  Category 2 – above HK\$2 billion to and including HK\$3 billion  Category 3 – above HK\$3 billion but less than HK\$4 billion</p>
Expected market capitalisation	The expected market capitalisation must normally be at least HK\$10 million <sup>72</sup> .
Form (ELI)	ELIs may only be represented by a global document of title, in registered form <sup>73</sup> .

### Issues

82. Prescriptive Product Terms currently in the Rules are related to DWs and ELIs<sup>74</sup>. Product terms requirements such as valuation method of CBBCs and issue price of IWs have never been included in the Rules<sup>75</sup>.
83. Product terms are subject to change to reflect market developments and may vary substantially among different product types. Prescribing the Prescriptive Product Terms in the Rules may not keep pace with the need for new product development.

### Proposal

84. The Exchange proposes to delete the Prescriptive Product Terms from the Rules and require product issuance be subject to the product terms requirements to be published from time to time by the Exchange.

<sup>68</sup> Rule 15A.33(1)

<sup>69</sup> Rule 15A.33(2)

<sup>70</sup> Rule 15A.34.

<sup>71</sup> Note (5) to Rule 15A.35.

<sup>72</sup> Rule 15A.39. The Exchange proposes to lower the minimum market capitalisation for DWs and CBBCs from HK\$10 million to HK\$6 million. Please refer to paragraphs 57 to 61.

<sup>73</sup> Rule 15A.77.

<sup>74</sup> Currently, no ELI is listed on the Exchange.

<sup>75</sup> The incorporation of product type requirements in the Rules is not necessary as the current Rules provide flexibility to accept product terms for new product types under the provisions for “other structured products” as agreed by the Exchange. See Rules 15A.38(3), 15A.40 and 15A.47.

## Rationale

85. All product terms requirements (including the Prescriptive Product Terms where applicable) are currently or will be<sup>76</sup> set out in Product Sheets published on the Exchange's website for DWs, CBBs and IWs<sup>77</sup>. Issuers will continue to issue relevant products based on these Product Sheets.
86. Certain current Prescriptive Product Terms (such as minimum issue price) may not be suitable for new product types. Product innovation may therefore be restricted if Prescriptive Product Terms remain in the Rules. If this proposal is adopted, all Prescriptive Product Terms for structured products will be removed from the Rules. Product term requirements for a new product type will be product specific and be determined on a case-by-case basis as part of the new product approval process. Any terms specific to a new product type, as imposed during the new product approval process, will be stated in the Product Sheet relevant to such product type. To assist issuers in applying for listing of a new product type, they may refer to the New Product Guide for guidance on factors that the Exchange may consider. The Exchange will also update the New Product Guide from time to time to keep pace with market development.
87. Setting out the Prescriptive Product Terms in the relevant Product Sheets would allow them to be updated promptly to reflect market developments while maintaining regulatory oversight on product issuance:
- (a) all structured products listed on the Exchange will continue to be subject to terms and conditions approved by the Exchange<sup>78</sup>, including but not limited to issue price, expiry period, entitlement ratio, market capitalisation, settlement and valuation method<sup>79</sup>. The Exchange may reject product issuance if the product terms deviate from those parameters set out in the Product Sheets; and
  - (b) the existing process of new product approval<sup>80</sup> will remain unchanged.
88. Requirements for investor protection such as issuer eligibility, continuing obligations and information disclosure will remain in the Rules. In addition, a set of investors frequently asked questions is currently published on the Exchange's website to promote investor education by providing accessible answers to questions about structured products<sup>81</sup>. For any new product type, these frequently asked questions will be updated and product factsheets will be published to support investors.
89. In respect of product terms requirements, SGX states all the requirements in their rules. As for the other Selected Overseas Exchanges, some of their requirements are stated in their rules while some are placed outside of the rules, such as in guidance materials. Our Rules are the most prescriptive among the Selected Overseas Exchanges (see "Product terms requirements" section of Appendix II).

**Question 8:** Do you agree with the proposal to delete the Prescriptive Product Terms requirements from the Rules and require product issuance be subject to the permitted product terms to be published from time to time by the Exchange?

<sup>76</sup> The Product Sheets will be expanded to include: (a) valuation method of (i) two or more valuation points and (ii) exercise prior to expiry; (b) reference for "in the hands of the public" in calculation of public float capitalisation for underlying asset; and (c) the underlying asset of baskets, to track the current Rule requirements.

<sup>77</sup> Product Sheet of ELI and any new products will be published on the Exchange's website prior to the launch of the relevant product.

<sup>78</sup> Rule 15A.36(1).

<sup>79</sup> For new product applications, issuers will need to provide sufficient justification where the terms and conditions deviate from those of existing products.

<sup>80</sup> See New Product Guide published by the Exchange in July 2018. Please refer to paragraph 26 of this paper.

<sup>81</sup> See "[Frequently asked questions](#)" under "[Education and Resources](#)" section of the "[Structured Products](#)" page on the Exchange's website.

Please provide reasons for your views.

## **H. Terms and conditions in respect of settlement by delivery**

### **Current Rules**

90. In relation to structured products that are, or which may be, settled by delivery of the underlying securities or assets, the terms and conditions must provide for either settlement by physical delivery of documents of title (including certificates in the name of the holder or its nominee) to the holder (or its nominee) or settlement by way of electronic transfer through CCASS within such period following a valid exercise as shall be agreed to by the Exchange<sup>82</sup>.

### **Issues**

91. The electronic transfer for settlement by delivery of underlying securities or assets is currently restricted to execution through CCASS. This condition limits the listing of structured products that involve a settlement by delivery of underlying securities or assets supported by platforms other than CCASS.

### **Proposal**

92. The Exchange proposes to, in relation to structured products which are, or which may be, settled by delivery of the underlying securities or assets, also allow the relevant terms and conditions to provide for electronic transfer for settlement of underlying securities or assets through other settlement platforms as approved by the Exchange.

### **Rationale**

93. The proposal promotes flexibility for product development by accommodating physical settlement for securities that are not settled through CCASS, for example, where the relevant structured products are linked to overseas stocks.

**Question 9:** Do you agree with the proposal to, in relation to structured products which are, or which may be, settled by delivery of the underlying securities or assets, also allow the relevant terms and conditions to provide for electronic transfer for settlement of underlying securities or assets through other settlement platforms as approved by the Exchange?

Please provide reasons for your views.

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<sup>82</sup> Rule 15A.46(3).

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## CHAPTER 3: PROPOSALS TO ENHANCE MARKET QUALITY AND INVESTOR PROTECTION

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94. This Chapter discusses the proposals and the rationale for the proposed Rule amendments to enhance market quality and investor protection. All existing structured products are non-collateralised and the matters covered in sections A and B of this Chapter refer to requirements applicable to non-collateralised structured products only.

### A. Issuer eligibility requirements

#### Current Rules

95. An issuer of structured products must have a NAV (i.e. the aggregate of share capital and reserves<sup>83</sup>) of at least HK\$2 billion<sup>84</sup> as set out in the issuer's latest published audited financial statements and interim financial reports. In addition, an issuer<sup>85</sup> of structured products must either:

- (a) be a Regulated Entity<sup>86</sup>; or
- (b) obtain one of the top three investment grades<sup>87</sup> awarded by a CRA<sup>88</sup>.

96. The requirements above may be satisfied by a guarantor<sup>89</sup> of the relevant structured products in case an issuer fails to satisfy any of the eligibility requirements<sup>90</sup>.

#### Issues

97. For structured products that are non-collateralised, investors would solely rely on the creditworthiness, financial standing and internal controls of the issuers or guarantors to fulfill payment or other obligations under such products.

98. The current issuer eligibility requirements have been in place and remained unchanged for over 20 years and the Exchange believes that these standards should be updated to take account of the development in the structured products market over that time and the increase in notional value of issuances<sup>91</sup>.

#### Proposals

99. In respect of issuer eligibility requirements, the Exchange proposes the following:

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<sup>83</sup> Refers to total shareholders' equity. To improve clarity, the Exchange proposes to replace the term "net asset value" with "total shareholders' equity" under housekeeping Rule amendments set out in paragraph 338(h).

<sup>84</sup> Rule 15A.12.

<sup>85</sup> Excludes government or state, or a body which is backed by the full faith and credit of a government or state.

<sup>86</sup> Rule 15A.13(2) and (3).

<sup>87</sup> The top three investment grades awarded by Moody's are Aaa, Aa and A and the top three investment grades awarded by S&P are AAA, AA and A.

<sup>88</sup> Rule 15A.13(1). As stated in the page headed "[Issuer contact and credit rating](#)" on the Exchange's website, ratings from either Moody's or S&P are currently acceptable.

<sup>89</sup> Under the current Rules, the guarantor will normally be the ultimate Holding Company of the group to which the issuer belongs. The Exchange proposes that it may accept other group company (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) to be the guarantor. Please refer to paragraphs 126 to 129 for the relevant proposal.

<sup>90</sup> Rule 15A.14.

<sup>91</sup> Notional value refers to the value of structured products in issue for which listing has been approved and represents the maximum value available for sale to investors. In practice, issuers may not sell all issued products to investors but to hold them as inventory for future sale to satisfy market demand.

- (a) NAV requirement – to raise the minimum NAV requirement from HK\$2 billion to HK\$5 billion<sup>92</sup>;
- (b) Regulated Entity requirement – to impose a mandatory requirement that issuers must be Regulated Entities; and
- (c) Credit rating requirement – to mandate investment grade ratings<sup>93</sup> awarded by all CRAs<sup>94</sup> from which it has sought a credit rating and additional disclosure requirements in listing documents, where:

the requisite credit ratings should be obtained by:

- (i) the issuer (or, in case the issuer is not rated, the issuer's Holding Companies<sup>95</sup>); or
- (ii) in case of guaranteed issues, the guarantor, or (in case the guarantor is not rated) the issuer, or (in case neither the guarantor nor the issuer is rated) any of the guarantor's Holding Companies<sup>96</sup>, or (in case none of the guarantor, the issuer or the guarantor's Holding Companies is rated) any of the issuer's Holding Companies.

and

the following disclosures should be included in the listing documents:

- (iii) the credit ratings are for investors' reference only;
- (iv) where the credit rating of Holding Companies is relied upon by the issuer or the guarantor for eligibility assessment,
  - (1) identify the Holding Companies and describe their relationship with the issuer, and (in case of guaranteed issues) the guarantor; and
  - (2) investors (A) shall have no recourse against the Holding Companies and (B) shall determine the relevance and significance of credit ratings of the Holding Companies.

100. The Exchange also proposes that, where an issuer fails to fulfil any of the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement, the issuer may issue guaranteed issues with the eligibility requirement being satisfied by a guarantor fulfilling all of the proposed NAV requirement, the Regulated Entity requirement<sup>97</sup> and the credit rating requirement (see paragraph 99(c)(ii)).

<sup>92</sup> Where the issuers, or (in case of guaranteed issues) the guarantors have subsidiaries, the NAV shall mean the total shareholders' equity (see footnote 83) as set out in their latest published audited consolidated financial statements and consolidated interim financial statements if our proposal regarding publication of consolidated financial statements is adopted (see paragraph 149).

<sup>93</sup> Investment grades awarded by Moody's are Aaa, Aa, A and Baa. Investment grades awarded by Fitch and S&P are AAA, AA, A and BBB.

<sup>94</sup> Apart from Moody's and S&P, the Exchange intends to accept ratings obtained from Fitch upon the Rule amendments becoming effective.

<sup>95</sup> Holding Companies include any of the immediate Holding Company, intermediate Holding Companies or the ultimate Holding Company. Credit ratings of Holding Companies would not be taken into consideration if issuers or guarantors themselves are rated. This would mean that an issuer or (in case of guaranteed issues) a guarantor holding a non-investment grade rating would not be eligible notwithstanding that any of their Holding Companies is awarded an investment grade rating. Conversely, a guarantor holding an investment grade rating would be eligible notwithstanding that the issuer or any of its Holding Company is awarded with a non-investment grade rating.

<sup>96</sup> See footnote 95.

<sup>97</sup> Issuers relying on a guarantor to fulfil the proposed NAV requirement and the Regulated Entity requirement can only issue structured products that are guaranteed by such guarantor.

101. The Exchange also proposes that: (a) an eligible issuer<sup>98</sup> may issue guaranteed issues provided that such guarantor also satisfies the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement (see paragraph 99(c)(ii)); and (b) in such cases, each of the issuer and the guarantor will be required to individually comply with the Rules.

### Rationale

102. The proposals enhance the eligibility requirements for issuers by setting a minimum standard in respect of their quality.

### NAV requirement

103. The Exchange considers it appropriate to raise the NAV requirement commensurate with the growth in notional value of structured products since the last major Rule changes in 2006, so that issuers or, in the case of guaranteed issues, guarantors have sufficient assets to support the issuance level.

104. When considering an appropriate increase in the NAV threshold, the Exchange has noted that:

- (a) there has been an increase in the aggregated notional value of structured products by around 1.2 times since 2006; and
- (b) the notional value<sup>99</sup> of structured products in issuance by individual issuers was generally larger than HK\$5 billion<sup>100</sup> in the past three years.

105. Selected Overseas Exchanges impose the following minimum requirements: Boerse Frankfurt requires equity capital of HK\$2 billion for issuing structured products in specific currencies; SET requires shareholders' equity of HK\$0.23 billion; and SGX requires shareholder's funds of HK\$3.9 billion. For details, see "Issuer eligibility requirements" section of Appendix II. The Exchange considers it would be prudent to set a higher issuer eligibility requirement than those of the Selected Overseas Exchanges with comparable requirements given that the Hong Kong structured products market is characterised by high trading volumes and retail participation.

### Regulated Entity requirement

106. There are international standards on the principles for effective supervision of entities regulated by banking and securities regulatory bodies<sup>101</sup>. These standards include prudent and appropriate capital adequacy and liquidity requirements that reflect the risk undertaken by regulated entities, such that regulated entities have to maintain adequate financial resources to meet business commitments. Regulated entities are also required to have effective risk management policies and processes to identify and, monitor risks, and to report all material risks to the firms' management on a timely basis for proper risk mitigation.

107. Requiring issuers and, if applicable, in the case of guaranteed issues, guarantors to be subject to prudential requirements of monetary or securities regulators promotes issuer or guarantor quality.

108. Boerse Frankfurt requires issuers issuing structured products in specific currencies to either fulfill the regulatory requirement or the credit rating requirement. All other Selected Overseas

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<sup>98</sup> An eligible issuer means an issuer fulfilling the NAV requirement, the Regulated Entity requirement and the credit rating requirement as set out in paragraph 99(c)(i).

<sup>99</sup> The notional value is calculated based on units of all structured products issued.

<sup>100</sup> The data excludes issuers which are inactive in the market or in their initial phase of operation after obtaining eligibility status.

<sup>101</sup> See the "[Core Principles for Effective Banking Supervision](#)" published by Basel Committee on Banking Supervision and the "[Methodology for Assessment Implementation of the IOSCO Objectives and Principles of Securities Regulation](#)" published by the International Organization of Securities Commissions.

Exchanges require structured products issuers to be regulated by monetary or securities regulators. For details, see “Issuer eligibility requirements” section of Appendix II.

#### Credit rating requirement

109. It is appropriate to include credit rating as an additional mandatory eligibility requirement to set a minimum standard for eligibility assessment.
110. We also acknowledge that institutions may identify entities that do not have funding needs (hence are not rated), to run their structured product business based on commercial considerations. Where both issuers and, if applicable, guarantors are not rated<sup>102</sup>, imposing a credit rating requirement on them may unintentionally limit market access of these types of issuers and reduce issuer diversity. In such cases, allowing a company within the issuers’ and if applicable, guarantors’ groups (i.e. their Holding Companies that have control over them) to fulfill this requirement can maintain market access for these types of issuers.
111. Having balanced the need for setting a minimum standard while maintaining diversified issuer types for the Hong Kong structured products market, we propose to also accept the credit rating of issuers’ or guarantors’ Holding Companies for compliance with such new mandatory credit rating requirement.
112. In case of guaranteed issues, the Exchange would first look to guarantors’ credit rating or, in case the guarantors are not rated, the issuers to assess compliance of the credit rating requirement as they are the entities having contractual obligations to fulfill obligations under the structured products. Where the credit rating requirement is to be satisfied by Holding Companies, we shall similarly refer to credit ratings of any of the guarantors’ Holding Companies first or, in case the guarantors’ Holding Companies are not rated, credit ratings of any of the issuers’ Holding Companies.
113. The additional disclosures in the listing documents aim to increase investors’ awareness of the reference nature of credit ratings, who should determine the relevance and significance of credit ratings as disclosed in the listing documents, particularly those of the Holding Companies.
114. We propose to accept investment grades for fulfilling the credit rating requirement after considering that:
- (a) the Regulated Entity requirement will become a mandatory requirement and that issuers and, in the case of guaranteed issues, guarantors are subject to the prudential requirements of monetary or securities regulators;
  - (b) the credit rating requirement will also become a mandatory requirement rather than an alternative way to meet eligibility requirement; and
  - (c) investment grade ratings are accepted in other structured products markets. In respect of the three Selected Overseas Exchanges which impose credit rating requirements, two exchanges accept an investment grade rating as an eligible rating. While the remaining exchange requires one of the top three investment grades to be eligible, such requirement is an alternative eligibility requirement and only applicable to structured products issued in specific currencies.

The proposal balances issuer quality while maintaining Hong Kong’s competitiveness as an international financial centre.

115. In light that we will accept investment grades as eligible ratings, we propose to tighten the requirement that investment grade ratings should be awarded by all CRAs from which the issuer,

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<sup>102</sup> Five existing issuers which are securities brokerage firms are not rated (these five issuers do not have guarantors).



the guarantor or their Holding Company (as the case may be), has sought a credit rating (instead of any CRA)<sup>103</sup>.

116. Where investment products<sup>104</sup> are introduced in future, we may consider imposing a higher credit rating requirement (such as one of the top three investment grades) for issuing such products (see paragraph 176(d)).

117. Selected Overseas Exchanges impose the following credit rating requirement: Boerse Frankfurt requires either one of the top three investment grades or being a regulated entity for issuing structured products in five specific currencies; SET requires investment grades; SGX requires that issuers either obtain investment grades or have minimum shareholders' funds of HK\$3.9 billion. For details, see "Issuer eligibility requirements" section of Appendix II.

#### Guaranteed issues

118. Our proposal to accept a guarantor to fulfil the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement (should an issuer be unable to meet them) is in line with the current Rules.

#### Guaranteed issues by eligible issuers

119. The proposal to also allow eligible issuers to issue guaranteed issues with a guarantor that also satisfies the proposed eligibility requirements offers greater flexibility for issuers while requiring both the issuer and the guarantor to individually comply with the Rules. This provides another layer of protection to investors.

**Question 10:** Do you agree that the minimum NAV requirement should be increased from HK\$2 billion to HK\$5 billion?

Please provide reasons for your views and any alternative suggestions.

**Question 11:** Do you agree with the proposal to impose a mandatory requirement that issuers must be Regulated Entities?

Please provide reasons for your views.

**Question 12:** Do you agree with the proposal to mandate investment grade ratings awarded by all CRAs from which it has sought a credit rating and additional disclosure requirements in listing documents, where

the requisite credit ratings should be obtained by:

- (a) the issuer (or, in case the issuer is not rated, the issuer's Holding Companies); or
  - (b) in case of guaranteed issues, the guarantor, or (in case the guarantor is not rated) the issuer, or (in case neither the guarantor nor the issuer is rated) any of the guarantor's Holding Companies, or (in case none of the guarantor, the issuer or the guarantor's Holding Companies is rated) any of the issuer's Holding Companies?
- and

<sup>103</sup> Under our proposals, this would mean that an issuer would not be eligible if it has been awarded a credit rating of investment grade by one CRA and a credit rating below investment grade by another CRA. Instead, the credit ratings awarded by all CRAs must be of investment grade for the issuer to be eligible to list structured products.

<sup>104</sup> Investment products are generally non-leveraged and involve a higher investment amount for each product.

the following disclosures should be included in the listing documents:

- (c) the credit ratings are for investors' reference only,
- (d) where the credit rating of the Holding Companies is relied upon by the issuer or the guarantor for eligibility assessment,
  - (i) identify the Holding Companies and describe their relationship with the issuer, and (in case of guaranteed issues) the guarantor; and
  - (ii) investors (1) shall have no recourse against the Holding Companies and (2) shall determine the relevance and significance of credit ratings of the Holding Companies?

Please provide reasons for your views.

**Question 13:** Do you agree with the proposal that, where an issuer fails to fulfil any of the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement, the issuer may issue guaranteed issues with the eligibility requirement being satisfied by a guarantor fulfilling all of the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement (see paragraph 99(c)(ii))?

Please provide reasons for your views.

**Question 14:** Do you agree with the proposal that: (a) an eligible issuer may issue guaranteed issues provided that such guarantor also satisfies the proposed NAV requirement, the Regulated Entity requirement and the credit rating requirement (see paragraph 99(c)(ii)); and (b) in such cases, each of the issuer and the guarantor will be required to individually comply with the Rules?

Please provide reasons for your views.

## **B. Continuing obligation to comply with issuer eligibility requirements**

### Current Rules

120. An issuer is required to maintain the minimum NAV requirement of HK\$2 billion whilst its structured products are listed on the Exchange<sup>105</sup>. This requirement may be satisfied by a guarantor of the relevant structured products in case an issuer fails to satisfy the requirement<sup>106</sup>.

### Issues

121. Issuers are only required by the Rules to maintain a minimum NAV on an ongoing basis but not the other eligibility requirement that was fulfilled by the issuers when the Exchange approved their application as structured product issuers (i.e. the credit rating requirement<sup>107</sup> or the Regulated Entity requirement<sup>108</sup>).

<sup>105</sup> Rule 15A.12. The [FAQ on issuer eligibility](#) states that existing issuers failing to meet eligibility requirements will cease new product issuances and withdraw existing products with no outstanding market position to reduce market exposure to their products. Issuers are expected to make necessary arrangements such as funding injection or take such other actions as required to enable re-compliance with the eligibility requirements as soon as practicable.

<sup>106</sup> Rule 15A.14.

<sup>107</sup> Rule 15A.13(1).

<sup>108</sup> Rules 15A.13(2) and (3).

## Proposal

122. The Exchange proposes to impose the following requirements<sup>109</sup> on an ongoing basis whilst any of the issuers' structured products are listed on the Exchange, in addition to NAV requirement:

- (a) issuers or (in the case of guaranteed issues) the guarantors shall, or (where credit ratings of Holding Companies are relied upon for eligibility assessment) shall ensure that the Holding Companies will, comply with the credit rating requirement; and
- (b) issuers or (in the case of guaranteed issues) the guarantors shall comply with the Regulated Entity requirement.

123. To the extent our proposals on eligibility requirements (as discussed in section A of this Chapter) are adopted, the Exchange proposes to allow a transitional period of 12 months, from the effective date of the Rule amendments, for existing issuers and/or guarantors to comply with the proposed new eligibility requirements.

## Rationale

124. The Exchange considers that issuers or (in the case of guaranteed issues) guarantors should continue to fulfil all eligibility requirements on an ongoing basis to maintain issuer or guarantor quality for investor protection, which is in line with current practice<sup>110</sup>.

125. The transitional period of 12 months from the effective date of the Rule amendments allows time for existing issuers and/or guarantors to implement arrangements to comply with the new eligibility requirements<sup>111</sup>.

**Question 15:** Do you agree with the proposal to impose the following requirements on an ongoing basis whilst any of the issuers' structured products are listed on the Exchange, in addition to NAV requirement:

- (a) issuers or (in the case of guaranteed issues) the guarantors shall, or (where credit ratings of Holding Companies are relied upon for eligibility assessment) shall ensure that the Holding Companies will, comply with the credit rating requirement; and
- (b) issuers or (in the case of guaranteed issues) the guarantors shall comply with the Regulated Entity requirement?

Please provide reasons for your views.

**Question 16:** Do you agree with the proposal to allow a transitional period of 12 months from the effective date of the Rule amendments for existing issuers and/or guarantors to comply with the new eligibility requirements?

Please provide reasons for your views.

<sup>109</sup> These requirements (including the NAV requirement) shall also include those proposed new eligibility requirements discussed in section A of this Chapter to the extent they are adopted. In the case of guaranteed issues issued by an eligible issuer, it is proposed that each of the issuer and the guarantor should individually comply with the Rules (see paragraph 101).

<sup>110</sup> Following the current practice, where issuers or (in the case of guaranteed issues) the guarantors fail to meet eligibility requirements, issuers will cease new product issuances and withdraw existing products with no outstanding market position to reduce market exposure to their products. Issuers and the guarantors should continue to perform their obligations under their structured products (see [FAQ on issuer eligibility](#)).

<sup>111</sup> See footnote 110.

## C. Relationship between the issuer and the guarantor

### Current Rules

126. A guarantor will normally be required to be the ultimate Holding Company of the group to which the issuer belongs<sup>112</sup>.

### Issues

127. Currently, the Rules do not define the scope of entities, other than the ultimate Holding Company of the issuer's group, that may act as guarantor. This may lead to different interpretations as to the entities that may be eligible. Furthermore, the ultimate Holding Company of the issuer's group may not necessarily be in the best position to act as guarantor in terms of financial position, regulatory status or other conditions.

### Proposal

128. The Exchange proposes to clarify that it may accept other group companies (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) to be the guarantor<sup>113</sup>, taking into account the circumstances of the issuer and/or the guarantor as the Exchange may, in its discretion, consider appropriate.

### Rationale

129. Depending on individual circumstances, other group companies may be in a better position (in terms of financial position, regulatory status or other conditions) than the ultimate Holding Company to act as guarantors (for example where such group company is the cash generating entity within the issuer group). The proposal clarifies the Exchange's regulatory expectation that guarantors are not limited to ultimate Holding Companies.

**Question 17:** Do you agree with the proposal to clarify that the Exchange may accept other group companies (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) to be the guarantor, taking into account the circumstances of the issuer and/or the guarantor as the Exchange may, in its discretion, consider appropriate?

Please provide reasons for your views.

## D. Liquidity provision obligations

### Current Rules

130. An issuer must provide liquidity for at least 20 board lots of the structured product<sup>114</sup>.

131. In their listing documents, issuers must specify: the maximum spread between bid and ask prices; the minimum quotation size; and the time within which they will respond to quote requests, in relation to liquidity provision for their structured products<sup>115</sup>.

### Issues

<sup>112</sup> Rule 15A.16(2).

<sup>113</sup> Subject to its compliance with all the eligibility requirements discussed in section A of this Chapter.

<sup>114</sup> Note 4 to Rule 15A.22 and paragraph 17(15) of Appendix D1D to the Rules.

<sup>115</sup> Notes 4 and 5 to Rule 15A.22, paragraphs 17(13), 17(15) and 17(16) of Appendix D1D to the Rules.

132. The Rules only prescribe the minimum service level for quotation size (i.e. 20 board lots)<sup>116</sup> but not other minimum service levels for liquidity provision, such as bid-ask spreads and time to respond to quote requests, which are currently set out in Product Sheets published on the Exchange's website. These minimum service levels are subject to change to reflect market developments and may vary substantially among different product types. Placing these minimum service levels in the Rules may not keep pace with new product development.
133. The Rules require issuers to specify their minimum service levels for liquidity provision in the listing documents. Although minimum service levels for liquidity provision are set out in the Product Sheets, there is no requirement for the minimum service levels specified by issuers in their listing documents to comply with those set out in the Product Sheets.
134. Further, the Rules do not expressly require issuers to comply with those minimum service levels as set out in the listing documents.

### Proposal

135. The Exchange proposes to:

- (a) delete the minimum service level for quotation size (i.e. 20 board lots) from the Rules;
- (b) mandate the minimum service levels for liquidity provision specified in the listing documents to comply with the minimum service levels as published by the Exchange from time to time; and
- (c) add a specific obligation in the Rules for issuers to comply with the minimum service levels for liquidity provision specified in the listing documents.

### Rationale

136. All minimum service levels for liquidity provision (including quotation size) are currently set out in Product Sheets published on the Exchange's website<sup>117</sup>. Setting out the minimum service level for quotation size in Product Sheets would allow it to be updated promptly to reflect market developments while maintaining regulatory oversight on liquidity provision. The minimum service level for quotation size will continue to be required to be set out in listing documents, and in accordance with the minimum service level set out in the relevant Product Sheets as published by the Exchange from time to time.
137. The proposal to mandate the minimum service levels for liquidity provision specified in the listing documents to be in accordance with those set out in the relevant Products Sheets enhances transparency to the investors as to where the minimum service levels are set out.
138. In practice, the Exchange expects issuers to meet the minimum service levels for liquidity provision as specified in their listing documents at all times during the tenure of the relevant products. The proposal to add liquidity provision obligation in the Rules clarifies the Exchange's expectation and provides certainty as to issuers' regulatory obligations. Separately, the Exchange will publish further guidance on liquidity provision to delineate regulatory expectations in respect of liquidity provision.
139. In respect of liquidity provision requirements, Boerse Frankfurt states some of the requirements in the rules and some are placed outside of the rules, such as the trading venue's website. Boerse Stuttgart states its requirements in terms and conditions for trading. The rest of the Selected Overseas Exchanges state their requirements in other documentation separately from

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<sup>116</sup> Note 4 to Rule 15A.22 and paragraph 17(15) of Appendix D1D to the Rules.

<sup>117</sup> The Exchange may publish minimum service levels by other means in the future.

their rules, such as in guidance materials. (see “Liquidity provision requirements” section of Appendix II).

**Question 18:** Do you agree with the following proposals to:

- (a) delete the minimum service level for quotation size (i.e. 20 board lots) from the Rules;
- (b) mandate the minimum service levels for liquidity provision specified in the listing documents to comply with the minimum service levels as published by the Exchange from time to time and
- (c) add a specific obligation in the Rules on issuers to comply with the minimum service levels for liquidity provision specified in the listing documents?

Please provide reasons for your views.

## **E. Publication timeframe of interim financial reports after relevant interim period end**

### Current Rules

140. Issuers and where applicable, guarantors in relation to guaranteed issues, shall deliver to the Exchange their interim financial reports in respect of the first six months of the financial year by no later than four months after the relevant interim period end<sup>118</sup>.

### Issues

141. The current four months deadline for interim financials publication may not be timely for investors’ assessment.

### Proposal

142. The Exchange proposes to shorten the publication deadline of interim financial reports from four months to three months after the relevant interim period end.

### Rationale

143. Publication of interim financial reports within three months after interim period end allows investors to have timely access to issuers and guarantors’ financial information.

144. Our proposal brings the relevant requirement in line with those adopted by the Hong Kong listed equity market<sup>119</sup>.

145. Korea Exchange and SGX require issuers to publish interim financial statements within 45 days after interim period end while SET requires issuers to publish such statements within two months after interim period end. Other Selected Overseas Exchanges do not have requirements for publication of interim financial statements. For details, see item “Publication timeframe” in “Financial statements” section of Appendix II.

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<sup>118</sup> Rule 15A.21(1)(c).

<sup>119</sup> According to Rule 13.48(1), an equity issuer is generally required to publish its interim report not later than three months after the end of the first six months of the issuer’s financial year.

**Question 19:** Do you agree with the proposal to shorten the publication deadline of interim financial reports from four months to three months after the relevant interim period end?

Please provide reasons for your views.

## **F. Publication of consolidated financial statements**

### Current Rules

146. An issuer shall publish its and, where appropriate, the guarantor's annual report including its annuals accounts and, where group accounts are prepared, its group accounts, together with the auditor's report<sup>120</sup>.

### Issues

147. Issuers and guarantors are not obligated to publish consolidated financial statements<sup>121</sup> if such statements are not prepared, for example, due to exemptions available in their home jurisdictions. Investors may not be able to assess the complete financial conditions of the issuer, guarantor (if applicable) and their respective subsidiaries in the absence of consolidated financial statements.

148. The Rules do not require issuers and guarantors to publish consolidated financial statements for their interim reports in respect of the first six months of its financial year.

### Proposal

149. The Exchange proposes to impose a mandatory requirement for issuers, and (in case of guaranteed issues) guarantors that have subsidiaries, to publish consolidated financial statements in their annual reports and interim reports in respect of the first six months of its financial year. We also propose to require the inclusion of such information in listing documents.

### Rationale

150. The availability of consolidated financial statements in annual reports and interim reports in respect of the first six months of a financial year facilitates investors in making informed investment decisions by obtaining a comprehensive view of financial conditions of the issuer, guarantor (if applicable) and their respective subsidiaries for assessment of creditworthiness. The proposal is applicable to both issuers and guarantors given that both of them have payment obligations to investors.

151. Our proposal brings the relevant requirement in line with those adopted by the Hong Kong listed equity market and the Selected Overseas Exchanges. For details, see item "Publication of consolidated financial statements" in "Financial statements" section of Appendix II.

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<sup>120</sup> Rules 15A.21(1)(a).

<sup>121</sup> "Consolidated financial statements" has the same meaning as "group accounts". The Exchange proposes to replace the use of "accounts" in the Rules with "financial statements". Please refer to paragraph 338(i).

**Question 20:** Do you agree with the proposal to impose a mandatory requirement for issuers and (in case of guaranteed issues) guarantors that have subsidiaries to publish consolidated financial statements in their annual and interim reports in respect of the first six months of its financial year, and include such information in listing documents?

Please provide reasons for your views.

## **G. Continuing obligations to disclose and notify the Exchange**

### **(a) Change in regulatory status**

#### Current Rules

152. There is no requirement for issuers and (in case of guaranteed issues) guarantors to inform the Exchange or publish announcements when there is a change in their regulatory status<sup>122</sup>.

#### Issues

153. The absence of such information may affect investors in making informed investment decisions.

#### Proposal

154. The Exchange proposes to introduce a requirement for issuers and guarantors of non-collateralised structured products to inform the Exchange and announce any change in their regulatory status as disclosed in the listing documents as soon as practicable.

#### Rationale

155. A change in regulatory status may include, but is not limited to, the suspension or revocation of licenses, or the imposition of restrictions and additional conditions on licenses or operations. The proposal facilitates investors in obtaining such information that is relevant to their investment decisions. This also enables the Exchange to assess whether the issuers and guarantors comply with their continuing obligations to maintain their regulatory status under the Rules (see paragraph 122).

**Question 21:** Do you agree with the proposal to introduce a requirement for issuers and guarantors of non-collateralised products to inform the Exchange and announce any change in their regulatory status as soon as practicable?

Please provide reasons for your views.

### **(b) Change in liquidity providers and disruption and resumption of liquidity provision services**

#### Current Rules

156. Issuers must notify the Exchange if there is a change in their liquidity providers<sup>123</sup>.

#### Issues

<sup>122</sup> Refers to the status maintained with the regulatory authority for the purposes of compliance with the Regulated Entity requirement under paragraph 99(b).

<sup>123</sup> Note (1) to Rule 15A.22.



157. Notwithstanding that it is market practice, there are no Rule requirements for issuers to: (a) announce a change in liquidity providers or their particulars (such as broker ID number or contact information); and (b) inform the Exchange and announce the disruption and resumption of liquidity provision services.

#### Proposal

158. The Exchange proposes to require issuers: (a) to announce any change of liquidity providers or their particulars (such as broker ID number or contact information) before implementing such a change (in addition to notifying the Exchange); and (b) to inform the Exchange and announce as soon as practicable upon any disruption to, or resumption of, liquidity provision services.

#### Rationale

159. Investors should be informed, on a timely basis, of the identity of the liquidity provider and its broker ID number used in liquidity provision. This enables them to distinguish the price quotes provided by such liquidity provider from those of other market participants. The contact information of liquidity providers is necessary for investors to request for price quotes. Investors should also be informed upon the occurrence of disruption and resumption of liquidity provision services so that they can make appropriate arrangements under those circumstances. Our proposal also provides issuers with certainty as to their regulatory obligations.

**Question 22:** Do you agree with the proposal to require issuers: (a) to announce change of liquidity providers or their particulars (such as broker ID number or contact information) before implementing such a change (in addition to notifying the Exchange); and (b) to inform the Exchange and announce as soon as practicable upon any disruption to, or resumption of, liquidity provision services?

Please provide reasons for your views.

### **(c) Corporate and trading matters**

#### Current Rules & Proposal

160. The following table sets out the current requirements and our proposals:

	<b>Current requirements</b>	<b>Proposed requirements</b>
<b>A. Occurrence of following events concerning issuers or guarantors or their structured products:</b>  (a) proposed alteration of memorandum or articles of association which would affect the rights of holders <sup>124</sup> ;  (b) change in rights attaching to structured products <sup>125</sup> ;	Inform the Exchange:  (a) immediately in respect of events (a) to (d); and  (b) as soon as practicable in respect of events (e) to (f).	Inform the Exchange and announce the relevant information as soon as practicable.

<sup>124</sup> Paragraph 8(1) of Appendix E5 to the Rules.

<sup>125</sup> Paragraph 8(2) of Appendix E5 to the Rules.

	Current requirements	Proposed requirements
(c) change in auditors, registered address or registered place of business in Hong Kong <sup>126</sup> ; (d) change in NAV falling below the level required for meeting issuer eligibility requirement <sup>127</sup> ; (e) proposed change in the capital structure <sup>128</sup> ; or (f) change in general character or nature of the business <sup>129</sup> .		
<b>B. Change in credit rating<sup>130</sup></b>	Inform the Exchange of change in credit rating of the issuers or guarantors.	Inform the Exchange and announce the change in credit rating as disclosed in the listing documents including any downgrade in rating outlook of: (a) the issuers; (b) the guarantors; or (c) the Holding Companies (where such ratings of Holding Companies are relied upon by the issuers or guarantors for eligibility assessment) if our proposal on credit rating requirement under issuer eligibility assessment is adopted (see paragraph 99(c)), as soon as practicable.
<b>C. Winding up and liquidation</b> (a) appointment of receiver or manager <sup>131</sup> ;	Inform the Exchange as soon as the following events come to the attention of the issuer:	Inform the Exchange and announce as soon as practicable after the occurrence of events (a) to (e) concerning issuers, guarantors or

<sup>126</sup> Paragraph 8(3) of Appendix E5 to the Rules.

<sup>127</sup> Rule 15A.12 and paragraph 1(3) of Appendix E5 to the Rules.

<sup>128</sup> Paragraph 6(1) of Appendix E5 to the Rules.

<sup>129</sup> Paragraph 6(2) of Appendix E5 to the Rules.

<sup>130</sup> Paragraph 1(4) of Appendix E5 to the Rules.

<sup>131</sup> Paragraph 11(1)(a) of Appendix E5 to the Rules.

	Current requirements	Proposed requirements
(b) presentation of winding-up petition, making of winding-up order or appointment of a provisional liquidator <sup>132</sup> ; (c) passing of resolution of winding-up <sup>133</sup> ; (d) entry into possession or sale of assets <sup>134</sup> ; and (e) making of final judgment, declaration or order by courts or tribunals <sup>135</sup> .	(a) (concerning issuers or guarantors) – events (a) to (e); and (b) (concerning Holding Companies) – events (b) and (c)	their respective Holding Companies <sup>136</sup> .
<b>D. Trading reports<sup>137</sup></b> (a) Pre-listing dealings; (b) previous day's dealings in structured products	Report to the Exchange in a format suitable for publication on the Exchange's website.	Publish the trading reports on the Exchange's website.

### Issues

161. Issuers and/or guarantors have no obligations to announce the above matters, or publish trading reports on the Exchange's website even though it is current market practice to do so.
162. Issuers and/or guarantors have no obligations to announce downgrade in credit rating outlook, notwithstanding that it is announced in practice.
163. There are no requirements for issuers and/or guarantors to announce credit rating changes of their Holding Companies.
164. In addition, in relation to the events regarding winding up and liquidation, issuers and guarantors are only required to inform the Exchange of some (as opposed to all) of these events concerning their Holding Companies.

### Rationale

165. As the matters set out in paragraph 160 are relevant for investors' continuous assessment of:  
 (a) issuers' and/or guarantors' ability to perform their obligations under the structured products;  
 (b) their rights under the relevant structured products; and (c) the trading activities of the structured products for making informed investment decisions, the issuers and/or guarantors should have the obligation to announce such relevant information.

<sup>132</sup> Paragraph 11(1)(b) of Appendix E5 to the Rules.

<sup>133</sup> Paragraph 11(1)(c) of Appendix E5 to the Rules.

<sup>134</sup> Paragraph 11(1)(d) of Appendix E5 to the Rules.

<sup>135</sup> Paragraph 11(1)(e) of Appendix E5 to the Rules.

<sup>136</sup> Although corporate restructuring may not fall under the events specified in paragraph 11 of Appendix E5 to the Rules, issuers should consider whether they are required to disclose such information of the issuers, guarantors or their respective Holding Companies under the Rules, such as inside information or information which may have a material effect on their ability to meet the obligations under the structured products.

<sup>137</sup> Rules 15A.23 and 15A.24, paragraph 10 of Appendix E5 to the Rules.

166. A downgrade in rating outlook generally provides an indication of potential deterioration in credit rating and should be relevant for investors.
167. Where credit ratings of the issuers'/guarantors' Holding Companies are relied upon by the issuers or the guarantors for eligibility assessment, we consider it necessary to extend the disclosure requirement on credit rating changes (including any downgrade in credit rating outlook) to include these Holding Companies.
168. Disclosure of the following events related to winding up and liquidation concerning the Holding Companies of an issuer and, where applicable, of the guarantor should also be announced, as these events may have adverse impact on issuers and the guarantors' ability to meet the obligations under the structured products:
- (a) appointment of receiver or manager;
  - (b) presentation of winding-up petition, making of winding-up order or appointment of a provisional liquidator;
  - (c) passing of resolution of winding-up;
  - (d) entry into possession or sale of assets; or
  - (e) making of final judgment, declaration or order by courts or tribunals.

The proposal also aligns the ongoing disclosure requirements concerning issuers, guarantors and their Holding Companies.

**Question 23:** Do you agree with the proposal to require issuers and/or guarantors to announce the matters as set out in item (A) of paragraph 160 in addition to informing the Exchange as soon as practicable?

Please provide reasons for your views.

**Question 24:** Do you agree with the proposal to require issuers and/or guarantors to announce a change in their credit rating as disclosed in the listing documents in addition to informing the Exchange as soon as practicable?

Please provide reasons for your views.

**Question 25:** Do you agree with the proposal to require issuers and/or guarantors to announce matters relating to their winding up and liquidation as set out in item (C) of paragraph 160 in addition to informing the Exchange as soon as practicable?

Please provide reasons for your views.

**Question 26:** Do you agree with the proposal to require issuers to publish the trading reports on the Exchange's website instead of reporting to the Exchange?

Please provide reasons for your views.

**Question 27:** Do you agree with the proposal to require issuers and/or guarantors to inform the Exchange and announce any downgrade in their rating outlook as soon as practicable?

Please provide reasons for your views.

**Question 28:** Do you agree with the proposal, where credit ratings of Holding Companies are relied upon by the issuers or the guarantors for eligibility assessment, to require issuers and/or guarantors to inform the Exchange and announce credit rating changes as disclosed in the listing documents (including any downgrade in rating outlook) of these Holding Companies as soon as practicable if our proposal on credit rating requirement under issuer eligibility assessment is adopted?

Please provide reasons for your views.

**Question 29:** Do you agree with the proposal to require issuers and/or guarantors to inform the Exchange and announce the winding up and liquidation events concerning their respective Holding Companies as set out in item (C) of paragraph 160 as soon as practicable after the occurrence of such events?

Please provide reasons for your views.

## **H. The Exchange's ongoing assessment and regulatory powers**

### **Current Rules**

169. In assessing the suitability or capability of an issuer the Exchange will have regard to, inter alia, its previous experience in issuing and managing the issue of other similar instruments and whether it has satisfactory experience to manage the potential obligations under the structured product issue. Where listing of non-collateralised structured products is sought, the Exchange will consider the issuer's risk management systems and procedures<sup>138</sup>.

170. The Exchange retains an absolute discretion to accept or reject applications for listing. The Exchange may, whenever it considers it appropriate, impose additional requirements, make listing subject to special conditions or allow waivers from or modifications to the requirements of Chapter 15A<sup>139</sup>.

171. The issuer is required to appoint a liquidity provider to provide liquidity in each structured products issue. The liquidity provider need not be a member of the issuer's group<sup>140</sup>.

### **Issues**

172. Where an issuer intends to leverage the previous experience and risk management systems and procedures of its group members for issuing or managing its structured products issue and obligations thereunder, it is not clear in the Rules whether the Exchange may consider those of the issuer's group members in assessing the suitability or capability of an issuer.

173. There is currently limited guidance on the possible additional requirements and conditions that the Exchange may impose and the circumstances for imposing them.

174. It is also not apparent in the Rules that, procedurally, approval from the Exchange is required before any issuer may appoint a liquidity provider that is not a member of the issuer's group.

175. The Rules do not explicitly state that, when discharging its regulatory duty to provide a fair, orderly and efficient market for trading of securities, the Exchange will assess the issuer's or guarantor's ongoing compliance with eligibility requirements and issuer's performance of issuing and managing structured products (including but not limited to liquidity provision).

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<sup>138</sup> Rule 15A.11. The Exchange proposes to also consider an issuer's risk management systems and procedures for collateralised issues. Please refer to paragraphs 315 to 317.

<sup>139</sup> Rule 15A.02.

<sup>140</sup> Note 1 to Rule 15A.22.

## Proposal

176. The Exchange proposes to clarify in the Rules that:

- (a) in assessing the suitability or capability of an issuer, in addition to the considerations mentioned in paragraph 169, where appropriate, the Exchange may have regard to, inter alia, the issuer's group (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries and any associated companies of any of them) members': (i) previous experience in issuing and managing the issue of other similar instruments; (ii) risk management systems and procedures; and (iii) whether they have satisfactory experience in managing the potential obligations under the structured product issue;
- (b) it may impose restrictions and conditions on the issuance of structured products linked to any eligible underlying assets<sup>141</sup>;
- (c) it may require an issuer to withdraw the listing of existing products that are held entirely by the issuer or members of its group (including any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries and any associated company of any of them);
- (d) without prejudice to the Exchange's powers under the Rules, the circumstances under which the Exchange may impose additional requirements or conditions on issuance of structured products by issuers include, without limitation where: (i) in the Exchange's opinion, there has been an adverse change in the financial circumstances of the issuer or (in the case of a guaranteed issue) guarantor or (in case where credit ratings of Holding Companies are used to satisfy the credit rating requirement) their Holding Companies<sup>142</sup>; (ii) in the Exchange's opinion, the issuer fails to properly issue and manage structured products issue; or (iii) the issuer is applying to list a new type of structured products<sup>143</sup>;
- (e) the appointment of a liquidity provider that is not a member of the issuer's group requires the Exchange's prior approval; and
- (f) it will assess an issuer's or guarantor's ongoing compliance with eligibility requirements as well as an issuer's performance in issuing and managing structured products issues (including but not limited to liquidity provision, the requirements of which will be published from time to time by the Exchange) whilst its structured products are listed on the Exchange. Where an eligible issuer issues guaranteed issues, the Exchange will conduct the assessment described above individually on each of the issuer and the guarantor.

## Rationale

177. The proposal enhances transparency regarding: the Exchange's ongoing assessments; the possible actions it may impose on the issuance of structured products and issuers; and the circumstances when it may require its approval or impose additional requirements.

178. In particular, the proposal clarifies that, when assessing the suitability and capability of an issuer, the Exchange may also consider the issuer's group members' experience, risk management systems and procedures where appropriate (for example when the issuer is able to demonstrate the experiences, risk management systems and procedures of its group members can be extended to support its structured product business).

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<sup>141</sup> For example, issuers may only issue call or put DWs linked to certain underlying assets.

<sup>142</sup> The scenarios under which the Exchange will impose conditions on issuance of structured products relating to adverse change in the financial circumstances are set out in the [FAQ on issuer eligibility](#).

<sup>143</sup> Structured products other than DWs, CBBCs or IWs.

**Question 30:** The Exchange proposes to clarify in the Rules that:

- (a) in assessing the suitability or capability of an issuer, in addition to the considerations mentioned in paragraph 169, where appropriate, the Exchange may have regard to, inter alia, the issuer's group (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries and any associated companies of any of them) members': (i) previous experience in issuing and managing the issue of other similar instruments; (ii) risk management systems and procedures; and (iii) whether they have satisfactory experience in managing the potential obligations under the structured product issue;
- (b) it may impose restrictions and conditions on the issuance of structured products linked to any eligible underlying assets;
- (c) it may require an issuer to withdraw the listing of existing products that are held entirely by the issuer or members of its group (including any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries and any associated company of any of them);
- (d) without prejudice to the Exchange's powers under the Rules, the circumstances under which the Exchange may impose additional requirements or conditions on issuance of structured products by issuers include, without limitation where: (i) in the Exchange's opinion, there has been an adverse change in the financial circumstances of the issuer or (in the case of a guaranteed issue) guarantor or (in case where credit ratings of Holding Companies are used to satisfy the credit rating requirement) their Holding Companies; (ii) in the Exchange's opinion, the issuer fails to properly issue and manage structured products issue; or (iii) the issuer is applying to list a new type of structured products;
- (e) the appointment of a liquidity provider that is not a member of the issuer's group requires the Exchange's prior approval; and
- (f) it will assess an issuer's or guarantor's ongoing compliance with eligibility requirements as well as an issuer's performance in issuing and managing structured products issues (including but not limited to liquidity provision, the requirements of which will be published from time to time by the Exchange) whilst its structured products are listed on the Exchange. Where an eligible issuer issues guaranteed issues, the Exchange will conduct the assessment described above individually on each of the issuer and the guarantor.

Please provide comments on whether the drafting of the proposed amendments will give rise to any ambiguities or unintended consequences.

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## CHAPTER 4: PROPOSALS TO INCREASE MARKET EFFICIENCY

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179. This Chapter discusses the proposals and the rationale for the proposed Rule amendments to increase market efficiency.

### A. Documentation for each product issuance

#### Current Rules

180. In respect of each product listing, issuers are required to: (a) publish a Launch Announcement as soon as possible once the Exchange has confirmed it has no comments and no later than the first business day following the Launch Date of the product<sup>144</sup>; and (b) publish a stand alone listing document or an SLD after the Exchange has confirmed that it has no comments thereon<sup>145</sup>.

#### Issues

181. Information disclosed in a Launch Announcement (such as product terms and information of the issuer) largely overlaps with that in a stand alone listing document and an SLD. Such repetition of information adds limited additional value for investors' assessment of the product, and places an undue administrative burden on issuers.

182. A Launch Announcement must include the prescribed disclosure set out in Chapter 15A<sup>146</sup>. The disclosure requirements for a stand alone listing document and an SLD are set out in Appendix D1D to the Rules.

183. The Rules do not specify the deadline for publication of a stand alone listing document and an SLD.

#### Proposal

184. The Exchange proposes to amend the Rules such that:

- (a) the requirement to publish a Launch Announcement will be removed;
- (b) the prescribed particulars that are currently required to appear in a Launch Announcement will be consolidated into the disclosure requirements for a stand alone listing document and an SLD and will be set out in Appendix D1D to the Rules<sup>147</sup>; and
- (c) a stand alone listing document or an SLD will be published as soon as practicable after the Launch Date once the Exchange confirmed that it has no comments and no later than the first business day following the Launch Date.

#### Rationale

185. Our proposal eliminates duplication of information in published documents and reduces issuers' administrative burden without compromising the amount of information available to investors. The timeline for investors to access the information remains unchanged (i.e. from the first business day following Launch Date).

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<sup>144</sup> Rule 15A.58.

<sup>145</sup> Rule 15A.73.

<sup>146</sup> Rule 15A.59.

<sup>147</sup> The parameters set out in paragraph 291 will not be included in the SLD if our proposal to remove such parameters in the Launch Announcement is adopted (see paragraph 292).



**Question 31:** Do you agree with the proposal to amend the Rules such that:

- (a) the requirement to publish a Launch Announcement will be removed;
- (b) the prescribed particulars that are currently required to appear in a Launch Announcement will be consolidated into disclosure requirements for a stand alone listing document and an SLD and will be set out in Appendix D1D to the Rules; and
- (c) a stand alone listing document or an SLD will be published as soon as practicable after the Launch Date once the Exchange confirmed that it has no comments and no later than the first business day following the Launch Date?

Please provide reasons for your views.

## **B. Further Issues**

### Current Rules

186. An issuer may issue Further Issues of structured products. The listing application procedures for Further Issues are the same as those for the initial listing of structured products, including for the publication of SLDs<sup>148</sup>.

187. The issuer and the guarantor shall apply for the listing of any further securities which are of the same class (i.e. the same maturity carrying the same rights) as the listed securities, prior to their issue, and shall not issue such securities unless it has applied for the listing of those securities<sup>149</sup>.

### Issues

188. The content of SLDs of Further Issues is largely the same as that of existing issues. At the launch of Further Issues, the SLDs of existing issues are already available on the Exchange's website. Publication of SLDs for Further Issues repeating the same information adds limited value to investors, and places an undue administrative burden on issuers.

189. Noting that, for an existing issue, only the issuer is required to submit a listing application<sup>150</sup>, the requirement to involve the guarantor in the listing application of Further Issues imposes an additional step that causes the listing application process to be unnecessarily onerous.

### Proposal

190. The Exchange proposes, in relation to the listing of Further Issues where the existing issues are non-collateralised and issued pursuant to a base listing document, to accept simplified versions of SLDs, such that, to the extent that the information contained in SLDs for existing issues remains the same, issuers would not be required to reproduce such information in the SLDs for Further Issues, except for the information required by the "General Information"<sup>151</sup> and "Other information"<sup>152</sup> sections of Appendix D1D to the Rules.

<sup>148</sup> Rules 15A.52(7) and 15A.56.

<sup>149</sup> Paragraph 22 of Appendix E5 to the Rules.

<sup>150</sup> Rule 15A.64(1) does not require application forms to be signed by guarantors for listing of structured products in general.

<sup>151</sup> This includes but is not limited to the standard disclosures required for listing documents; the names and addresses of the registrars (if any), trustee (if any), warrant agent (if any) and the transfer office; the date on which dealings in the structured product will commence (if known).

<sup>152</sup> This includes the date of listing document, the web sites at which the listing document will be available and any other information as the Exchange shall require.

191. Accordingly, the SLDs of Further Issues may contain only the following information:

- (a) the disclosure specified by the “General Information” and “Other information” sections of Appendix D1D to the Rules;
- (b) any update to the information as set out in the listing documents for the existing issues;
- (c) the number of units of the Further Issues to be issued;
- (d) the closing price of the existing issues on either the day on which the Further Issues are launched or, if the Further Issues are launched before trading on the Exchange has ceased for the day, the day preceding the day on which the Further Issues are launched<sup>153</sup>;
- (e) the date of publication of, and a web link to, each of the base listing document, any supplementary listing document and SLD for the existing issues;
- (f) a statement that the Further Issues form a single series with the existing issues;
- (g) a statement that the SLD for the Further Issues shall be read in conjunction with the base listing document, any supplementary listing document and SLD for the existing issues; and
- (h) a declaration by the issuer that the information contained in the base listing document (as supplemented by any supplementary listing document and the SLDs for both the existing issues and Further Issues) is, as at the date of the SLD for the Further Issues, up-to-date, true, accurate and complete in all material respects and there are no other matters the omission of which would make the SLD or any statement therein misleading .

192. The Exchange also proposes not to require the guarantor to apply for listing of Further Issues.

### Rationale

193. In relation to listing of Further Issues, the Exchange considers that streamlining the documentation required reduces the administrative burden for issuers and facilitates the issuance of Further Issues without compromising the amount of information available to investors. Investors will be able to access the base listing document, SLD and supplementary listing documents for existing issues (which will be read together with the SLD for Further Issues) through the web links provided.

194. The role of guarantors is to unconditionally and irrevocably guarantee the issuer’s obligations under structured products. Noting that guarantors are not involved in the listing application of the existing issue, removing the requirement to involve a guarantor in the listing application of the Further Issues will reduce the administrative burden for guarantors. The proposal will not affect the obligation of the guarantors to comply with the Rules as the guarantors are required to undertake compliance with the Rules at the time when the issuers are approved as eligible issuers, or upon each approval of a new issuance of structured products.

**Question 32:** Do you agree with the proposal, in relation to the listing of Further Issues where the existing issues are non-collateralised and issued pursuant to a base listing document, to accept simplified versions of SLDs, such that, to the extent that the information contained in SLDs for existing issues remains the same, issuers would not be required to reproduce such information in the SLDs for Further Issues, except for information

<sup>153</sup> Same requirements as Rule 15A.59(19)(c).

required by the “General Information” and “Other information” sections of Appendix D1D to the Rules?

Please provide reasons for your views.

**Question 33:** Do you agree with the proposal that the SLDs for Further Issues may contain only the following information:

- (a) the disclosure specified by the “General Information” and “Other information” sections of Appendix D1D to the Rules;
- (b) any update to the information as set out in the listing documents for the existing issues;
- (c) the number of units of the Further Issues to be issued;
- (d) the closing price of the existing issues on either the day on which the Further Issues are launched or, if the Further Issues are launched before trading on the Exchange has ceased for the day, the day preceding the day on which the Further Issues are launched<sup>154</sup>;
- (e) the date of publication of, and a web link to, each of the base listing document, any supplementary listing document and SLD for the existing issues;
- (f) a statement that the Further Issues form a single series with the existing issues;
- (g) a statement that the SLD for the Further Issues shall be read in conjunction with the base listing document, any supplementary listing document and SLD for the existing issues; and
- (h) a declaration by the issuer that the information contained in the base listing document (as supplemented by any supplementary listing document and the SLDs for both the existing issues and Further Issues) is, as at the date of the SLD for the Further Issues, up-to-date and is true, accurate and complete in all material respects and there are no other matters the omission of which would make the SLD or any statement therein misleading.

Please provide reasons for your views.

**Question 34:** Do you agree with the proposal to not require the guarantor to apply for listing of Further Issues?

Please provide reasons for your views.

## **C. Information relating to underlying indices**

### Current Rules

195. Listing documents must contain the Index Information in respect of the listing of structured products linked to indices. The Index Information may be omitted where the underlying index is HSI or such other index as may be prescribed by the Exchange from time to time<sup>155</sup>.

### Issues

196. Setting out Index Information in listing documents is an administrative burden for issuers but of limited additional value to investors where such information is publicly available on the index compiler’s website.

### Proposal

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<sup>154</sup> See footnote 153.

<sup>155</sup> Rule 15A.69 and Paragraph 23 of Appendix D1D to the Rules. Currently, HSI is the only index where Index Information may be omitted from the listing documents.

197. The Exchange proposes to exempt the disclosure of Index Information in listing documents where: (a) the Index Information is publicly available in English and Chinese on the index compiler's website; and (b) a web link to such website is included in the listing documents.

198. With the above proposal, the Exchange proposes to remove the specific exemption for HSI from the Rule.

#### Rationale

199. The proposal streamlines documentation and reduces administrative burden for issuers where information is publicly available.

200. We expect that HSI will meet the proposed requirements to qualify for exemption from disclosure of Index Information in listing documents. Therefore, it is not necessary to specify HSI, in particular, in the Rule as a specific exemption.

**Question 35:** Do you agree with the proposal to exempt the disclosure of Index Information in listing documents where: (a) the Index Information is publicly available in English and Chinese on the index compiler's website; and (b) a web link to such website is included in the listing documents?

Please provide reasons for your views.

**Question 36:** With the above proposal, do you agree with the proposal to remove the specific exemption for HSI from the Rule?

Please provide reasons for your views.

## **D. Offering of Incentives**

### Current Rules

201. An issuer shall not (either directly or indirectly) offer Incentives in respect of structured products that it has issued.

202. A member of an issuer's group<sup>156</sup> that is a securities dealer may offer Incentives to its customers provided that:

- (a) the Incentives are not limited solely and exclusively to structured products issued by the issuer;
- (b) the terms of Incentives applicable to structured products issued by the issuer are identical to those applicable to structured products issued by other issuers; and
- (c) the Incentives will not be recovered directly or indirectly by or on behalf of the securities dealer from the issuer.

203. The Exchange requires issuers to provide a periodic declaration of compliance with the above requirements by the issuer and its close associates<sup>157</sup>.

<sup>156</sup> A "group" is defined as "the issuer or guarantor and its subsidiaries, if any" in Chapter 1 of the Rules.

<sup>157</sup> See "Note" to Rule 15A.24A. Currently, issuers are required to confirm their compliance by completing an annual assessment form to be signed by either (a) their senior compliance officer acting as the authorized representative or (b) its executive officer (as defined in the SFO) supervising the listed structured products business.

## Issues

204. An issuer's products may participate in the Incentives scheme offered by a securities dealer only where this securities dealer is a separate legal entity from the issuer within the issuer's group structure. As such, an issuer with a securities dealing function under the same legal entity cannot offer Incentives even if it implements the safeguards set out in Rule 15A.24A.
205. The inconsistent use of the terms "member of an issuer's group" (in the body of Rule 15A.24A) and "close associates" (in the "Note" to Rule 15A.24A) may create uncertainty on the scope of entities that are required to put in place safeguards mentioned in Rule 15A.24A.
206. In 2010, the SFC updated its Code of Conduct, limiting the gifts that securities dealers could offer to discount of fees and charges in promoting a specific investment product to a client<sup>158</sup>. The current Rules have not taken this subsequent development into consideration.

## Proposals

207. The Exchange proposes the following:

- (a) to allow securities dealers that are also issuers to offer Incentives subject to the safeguards mentioned in paragraph 202. In respect of safeguard (c), the Incentives will not be recovered by the issuers' securities dealing units from their structured product issuance units<sup>159</sup>;
- (b) where the Incentives relate to specific structured products, such Incentives shall be in the form of fee discounts;
- (c) to require disclosures in the relevant listing documents and publicity materials alerting investors to the fact that an issuer or its group company intends to offer Incentives and that investors should make investment decisions with respect to structured products without regard to the benefit of such Incentives; and
- (d) to clarify the issuer's group to mean any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries; and replace "close associates" with members of an issuer's group.

## Rationale

### Level playing field

208. Incentives such as the discount of fees and charges are commonly offered by securities dealers in their ordinary course of business. The Exchange considers that all securities dealers within the issuer's group should be able to offer Incentives irrespective of whether they are separate legal entities from the issuer, so long as the same safeguards set out in paragraphs 202 and 207 are put in place. In addition, allowing securities dealers that are also issuers to offer Incentives within the confines of the safeguards promotes fair competition, which may lead to lower cost for investors and ultimately enhance market efficiency.

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<sup>158</sup> See "[Consultation Conclusions on Proposal to Enhance Protection for the Investing Public](#)" in May 2010.

<sup>159</sup> Issuers are expected to have internal controls in place to prohibit any recovery of Incentives by the securities dealing unit from the structured products issuance unit. They should be able to provide details of policies and operating procedures in respect of the internal controls (such as policies governing transfer of funds between the structured products issuance unit and the securities dealing unit) upon the Exchange's request.

### Additional safeguards

209. Our proposal to limit the permitted Incentives offered by securities dealers to fee discounts in promoting specific structured products aims to align with the requirements of the Code of Conduct. The relatively insignificant amount of fee discounts coupled with the proposed disclosure requirement to increase investor awareness (see paragraph 207) would further mitigate concerns that investors' investment decisions may be influenced by the Incentives.
210. Clarifying the meaning of issuer's group and replacing the term "close associates" with the proposed wording help specify the parties that should put in place the safeguards mentioned in this Rule.
211. The Korea Exchange prohibits compensation of commission fees. Other Selected Overseas Exchanges do not have specific rules to prohibit offering of Incentives by issuers (see "Offering of Incentives requirements" section of Appendix II).

**Question 37:** Do you agree with the following proposals:

- (a) to allow securities dealers (that are also issuers) to offer Incentives subject to safeguards mentioned in paragraph 202. In respect of safeguard (c), the Incentives will not be recovered by the issuers' securities dealing units from their structured product issuance units;
- (b) where the Incentives relate to specific structured products, such Incentives shall be in the form of fee discounts;
- (c) to require disclosures in the relevant listing documents and publicity materials alerting investors to the fact that an issuer or its group company intends to offer Incentives and that investors should make investment decisions with respect to structured products without regard to the benefit of such Incentives; and
- (d) to clarify the issuer's group to mean any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries; and replace "close associates" with members of an issuer's group?

Please provide reasons for your views.

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## CHAPTER 5: OTHER RULE CHANGES

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212. Proposals grouped under this chapter are other Rule changes that serve to: (a) reflect a Rule's intention; (b) clarify regulatory expectations; (c) align and consolidate Rule requirements; (d) streamline the Rules by removing those that are outdated or redundant; or (e) make various housekeeping amendments, which do not involve any change in policy direction, to the Rules. There is no sub-section of "Issues" in this chapter as the matter is relatively straightforward and is apparent in the sub-section of "Rationale".

### A. Definition of structured product

#### Current Rules

213. The Rules contain generic descriptions of structured products and underlying assets<sup>160</sup>.

#### Proposal

214. The Exchange proposes to define structured product in the Rules as having the meaning defined in the SFO as amended from time to time, and to remove the generic descriptions of structured products and underlying assets in the Rules.

#### Rationale

215. In the absence of a definition of structured product in the Rules, the scope of Chapter 15A is not clearly defined. The alignment of definition of structured product between the Rules and the SFO helps to define the scope of Chapter 15A (including types of underlying asset of structured products) and provides certainty that structured products listed on the Exchange are subject to the SFO for law enforcement and investor protection. With the proposed definition added, it is no longer necessary to retain the generic descriptions of structured products in the Rules.

216. Notwithstanding that the scope of structured products may be broad under such definition, the Exchange intends that the platform of Chapter 15A remains solely for the purpose of issuing products appropriate for retail participation. As discussed in section G of Chapter 2, all structured products listed on the Exchange will continue to be subject to the terms and conditions approved by the Exchange and the current approval approach for new types of structured products remains the same (see paragraph 87). The Exchange will assess whether the structured products are suitable for retail investors as part of the approval process, including but not limited to, the level of complexity<sup>161</sup> of the structured products and whether it is likely for retail investors to understand. The approval process also involves the SFC's consideration of the Exchange's assessment of the structured products.

**Question 38:** Do you agree with the proposal to define structured product in the Rules as having the meaning defined in the SFO as amended from time to time, and to remove the generic descriptions of structured products and underlying assets in the Rules?

Please provide reasons for your views.

### B. Authorised representatives

#### Current Rules

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<sup>160</sup> Rules 15A.05 and 15A.05(1).

<sup>161</sup> The level of complexity may include without limitation the mechanics of the products, how the products are priced and the risks and returns of the products under various market conditions. See Appendix 2 of the New Product Guide.

217. Every listed issuer shall appoint two authorised representatives who shall act at all times as the principal channel of communication with the Exchange<sup>162</sup>.

218. In respect of a structured products issuer, one authorised representative must be a director and the other authorised representative must be a senior officer of the compliance department of the issuer or the guarantor<sup>163</sup>.

#### Proposal

219. The Exchange proposes to replace the requirement that one of the authorised representatives must be a director with the requirement that such authorised representative must be a senior officer of the issuer or the guarantor.

#### Rationale

220. Structured products issuers are generally regional or international financial institutions with multiple business lines. This means that the issuer's board of directors may be located overseas and have no direct involvement in the Hong Kong structured products business. Under these circumstances, directors may not be the most appropriate persons to serve as the principal communication channel with the Exchange. The Exchange expects the proposed senior officer to be closely involved in the Hong Kong structured products business such that his/her proximity to the business will be more effective in serving its communication needs.

**Question 39:** Do you agree with the proposal to replace the requirement that one of the authorised representatives must be a director with the requirement that such authorised representative must be a senior officer of the issuer or the guarantor instead?

Please provide reasons for your views.

### **C. Legal opinions**

#### **(a) In respect of guarantors**

##### Current Rules

221. Legal opinions confirming that the guarantee or other security constitutes legal, valid and binding obligations of the guarantor<sup>164</sup> in accordance with its terms must be submitted to the Exchange. These legal opinions must also confirm that such guarantee or other security, and the guarantor's liability for the due and punctual performance of the obligations of the issuer will not be affected in the event of liquidation of the issuer<sup>165</sup>.

222. The guarantee or other security must be issued in conformity with the laws of the place in which the guarantor is incorporated or otherwise established and in conformity with the guarantor's memorandum and articles of association or equivalent documents; and all authorisations needed for its issue under such laws or documents must have been duly given<sup>166</sup>.

##### Proposal

223. The Exchange proposes to require the legal opinions to also confirm that:

<sup>162</sup> Rule 3.05.

<sup>163</sup> Rule 15A.89.

<sup>164</sup> Rule 15A.18(1).

<sup>165</sup> Rule 15A.18(3).

<sup>166</sup> Rule 15A.17.



- (a) the guarantee or other security is enforceable in accordance with its terms;
- (b) the matters as described in paragraph 222 above;
- (c) the guarantee or other security, and the guarantor's liability for the due and punctual performance of the obligations of the issuer, will also not be affected in case of administration or analogous action of the issuer; and
- (d) the guarantor is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established.

### Rationale

224. Requiring legal opinions to cover the proposed matters provides additional comfort by way of legal confirmations.

**Question 40:** Do you agree with the proposal that legal opinions of guaranteed issues should also confirm that:

- (a) the guarantee or other security is enforceable in accordance with its terms;
- (b) the guarantee or other security is issued in conformity with the laws of the place in which the guarantor is incorporated or otherwise established and in conformity with the guarantor's memorandum and articles of association or equivalent documents; and all authorisations needed for its issue under such laws or documents have been duly given;
- (c) the guarantee or other security, and the guarantor's liability for the due and punctual performance of the obligations of the issuer, will also not be affected in case of administration or analogous action of the issuer; and
- (d) the guarantor is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established?

Please provide reasons for your views.

### **(b) In respect of issuers**

#### Current Rules

225. Structured products must be issued in conformity with the laws of the place in which they are issued and in which the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents. All authorisations needed for their creation and issue under such laws or documents must have been duly given<sup>167</sup>.

#### Proposal

226. The Exchange proposes to require issuers to submit to the Exchange legal opinions to confirm:

- (a) the obligations of the issuer under the structured products are legal, valid, binding and are enforceable in accordance with the terms of the structured products;

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<sup>167</sup> Rule 15A.27.

- (b) (i) the structured products are issued in conformity with the laws of the place in which the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents; and (ii) all authorisations needed for their creation and issue under such laws or documents have been duly given;
- (c) the issuer is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established; and
- (d) such other matters as the Exchange shall require depending on the circumstances of the issuer.

### Rationale

227. Requiring legal opinions to cover the proposed matters provides additional comfort by way of legal confirmations.

**Question 41:** Do you agree with the proposal to require issuers to submit to the Exchange legal opinions confirming the following:

- (a) the obligations of the issuer under the structured products are legal, valid, binding and enforceable in accordance with the terms of the structured products;
- (b) (i) the structured products are issued in conformity with the laws of the place in which the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents; and (ii) all authorisations needed for their creation and issue under such laws or documents have been duly given;
- (c) the issuer is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established; and
- (d) such other matters as the Exchange shall require depending on the circumstances of the issuer?

Please provide reasons for your views.

### **(c) In respect of collateralised issues**

#### Current Rules

228. An issuer must submit to the Exchange legal opinions covering the legally binding effect and enforceability of the proposed trust or other security arrangements<sup>168</sup>.

#### Proposal

229. The Exchange proposes to require the legal opinions for collateralised issues to also confirm:

- (a) the validity of the proposed trust or other security arrangements and that they are enforceable in accordance with their terms;

<sup>168</sup> Rule 15A.50.

- (b) all authorisations needed for the proposed trust or other security arrangements under the laws of the place in which the security provider is incorporated or otherwise established and the security provider's memorandum and articles of association or equivalent documents have been duly given; and
- (c) such other matters as the Exchange shall require depending on the circumstances of the issuer and/or the security provider.

### Rationale

230. Requiring legal opinions to cover the proposed matters provides additional comfort by way of legal confirmations.

**Question 42:** Do you agree with the proposal that legal opinions of collateralised issues should also confirm the following:

- (a) the validity of the proposed trust or other security arrangements and that they are enforceable in accordance with their terms;
- (b) all authorisations needed for the proposed trust or other security arrangements under the laws of the place in which the security provider is incorporated or otherwise established and the security provider's memorandum and articles of association or equivalent documents have been duly given; and
- (c) such other matters as the Exchange shall require depending on the circumstances of the issuer and/or the security provider?

Please provide reasons for your views.

### **(d) In respect of timing for submission of legal opinions**

#### Current Rules

231. For guaranteed issues, a copy of the legal opinions in their final form must be submitted to the Exchange at the closing of the issue or where the guarantee covers more than one issue of structured products, the closing of the first structured product issue under the guarantee <sup>169</sup>.

232. Legal opinions must be supplied to the Exchange as soon as practicable after the launch but before the listing of the structured product, in the case of:

- (a) a stand alone listing document in respect of a guaranteed or collateralised issue; and
- (b) an SLD supporting a base document in respect of a collateralised issue<sup>170</sup>.

233. There is no timing requirement for submission of draft legal opinions in respect of a collateralised issue.

234. There is no requirement for a legal opinion in respect of issuers.

<sup>169</sup> Rules 15A.19 and 15A.20.

<sup>170</sup> Rule 15A.64(5).

### Proposal

235. The Exchange proposes to require legal opinions in respect of issuers, guaranteed issues and collateralised issues to be submitted:

- (a) in draft form at the time of submission of their respective first draft of the base listing document or stand alone listing document; and
- (b) in final form on the date of publication of their respective base listing document or stand alone listing document.

### Rationale

236. The proposal aligns the timing requirement for submission of legal opinions in respect of issuers, guaranteed issues and collateralised issues.

**Question 43:** Do you agree with the proposal to require legal opinions in respect of issuers, guaranteed issues and collateralised issues to be submitted:

- (a) in draft form at the time of submission of their respective first draft of the base listing document or stand alone listing document; and
- (b) in final form on the date of publication of their respective base listing document or stand alone listing document?

Please provide reasons for your views.

## **D. Consolidation of Rules**

### Current Rules

237. Appendix E5 to the Rules sets out the continuing obligations relating to structured products. Separately, Chapter 15A also sets out certain other continuing obligations<sup>171</sup>.

### Proposal

238. The Exchange proposes to delete all requirements on continuing obligations in Chapter 15A and move them to Appendix E5 to the Rules.

### Rationale

239. Consolidating the continuing obligations in the same place makes it easier for stakeholders to obtain full knowledge and understanding of these continuing obligations. The consolidation is expected to facilitate Rule compliance.

**Question 44:** Do you agree with the proposal to delete all requirements on continuing obligations in Chapter 15A and move them to Appendix E5 to the Rules?

Please provide reasons for your views.

<sup>171</sup> Rules 15A.12, 15A.21, 15A.22, 15A.23, 15A.24, 15A.24A, 15A.82, 15A.85 and 15A.86.

## **E. Factors for considering suitability of overseas stocks or ETFs and other assets**

### Current Rules

240. The Rules contains a non-exhaustive list of general factors that the Exchange will consider when assessing the suitability of structured products linked to overseas stocks (i.e. shares listed or dealt in on another regulated, regularly operating, open stock market)<sup>172</sup>.

### Proposal

241. The Exchange proposes to:

- (a) delete the list of general factors for considering suitability of structured products linked to overseas stocks in the Rules and move them to the New Product Guide which sets out, among other matters, specific information to be submitted by an issuer to the Exchange, as well as additional factors to consider, in its suitability assessment; and
- (b) state in the Rules that the Exchange will specify from time to time the factors that it will consider in determining the suitability of structured products that relate to overseas stocks or ETFs and other assets.

### Rationale

242. Consolidating these factors for overseas stocks with other underlying assets together in the New Product Guide would facilitate ease of reference by market participants and allow them to be updated promptly to reflect market developments. The Exchange's approach regarding assessment of suitability of underlying assets will remain the same and the market will continue to be guided by the New Product Guide in this regard.

**Question 45:** Do you agree with the proposal to:

- (a) delete the list of general factors for considering suitability of structured products linked to overseas stocks in the Rules and move them to the New Product Guide which sets out, among other matters, specific information to be submitted by an issuer to the Exchange, as well as additional factors to consider, in its suitability assessment; and
- (b) state in the Rules that the Exchange will specify from time to time the factors that it will consider in determining the suitability of structured products that relate to overseas stocks or ETFs and other assets?

Please provide reasons for your views.

## **F. Publication of announcements and listing documents**

### **(a) Announcements regarding trading arrangement**

#### Current Rules

243. Issuers shall submit draft advertisements or announcements to the Exchange containing trading arrangements of their products for review before publication<sup>173</sup>.

<sup>172</sup> Rules 15A.30(3)(a), 15A.30(3)(b) and 15A.31.

<sup>173</sup> Paragraph 13(1) of Appendix E5 to the Rules.

### Proposal

244. The Exchange proposes to: (a) remove the references to “advertisements” from the Rules and (b) require issuers to agree trading arrangements (such as trading halts and resumptions) in advance with the Exchange. If the Exchange has given its agreement, we propose that issuers no longer be required to submit draft trading arrangements announcements to us for clearance before publication.

### Rationale

245. It is not necessary to retain the references to “advertisements” in the Rules as the Exchange expects issuers to publish an announcement (rather than an advertisement) in relation to trading arrangements of their products. The proposal to remove the pre-clearance requirement facilitates the publication of announcements at the earliest possible time. This approach is also adopted by equity issuers<sup>174</sup>.

**Question 46:** Do you agree with the proposal to: (a) remove the references to “advertisements” from the Rules; and (b) require issuers to agree the trading arrangements of their products with the Exchange in advance and remove the requirement for them to submit draft trading arrangements announcements to the Exchange for clearance before publication?

Please provide reasons for your views.

## **(b) Announcements published during trading hours**

### Current Rules

246. Announcements regarding the disruption and resumption of liquidity provision services, and the expiry of CBBCs must be published outside trading hours<sup>175</sup>.

### Proposal

247. The Exchange proposes to allow publication of announcements during trading hours regarding disruption and resumption of liquidity provision services, and the expiry of CBBCs due to occurrence of an MCE.

### Rationale

248. Interruptions of liquidity provision services by liquidity providers may affect investors’ trading plans. Investors should be notified of such interruption as soon as practicable during trading hours so that they are aware of the reasons for the absence of price quotes or alternative broker numbers for liquidity provision under temporary arrangements. Where appropriate, investors may make alternative arrangements with issuers for the trading of the affected structured products.

249. Where an MCE occurs, the relevant CBBCs would have been suspended from trading. Allowing publication of announcements regarding the expiry of CBBCs due to occurrence of an MCE<sup>176</sup> during trading hours enables issuers to inform investors as soon as practicable.

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<sup>174</sup> Rules 13.52 and 13.52B.

<sup>175</sup> Rule 2.07C (4)(a).

<sup>176</sup> Information regarding expiry of CBBCs due to occurrence of an MCE includes suspension of trading of CBBCs and payment of residual value.

250. Allowing publication of the above announcements during trading hours should not negatively affect an orderly market as: (a) the interruption (or resumption, as the case may be) in liquidity provision services should have become public by the time such announcements are published (as investors would have noticed that there are no prices provided by liquidity providers on the order books (or, in the case of resumption of liquidity provision services, there are such prices provided)); and (b) trading in the CBBCs would have already been suspended due to occurrence of an MCE.

**Question 47:** Do you agree with the proposal to allow publication of announcements during trading hours regarding disruption and resumption of liquidity provision services, and expiry of CBBCs due to occurrence of an MCE?

Please provide reasons for your views.

### **(c) Announcements relating to the expiry of structured products due to MCE**

#### Current Rules

251. An announcement in respect of the expiry of a structured product due to occurrence of an MCE shall be published on the day the MCE occurs<sup>177</sup>.

#### Proposal

252. The Exchange proposes to: (a) clarify that an MCE announcement should include both the time when the MCE occurred and the residual value, where applicable; and (b) require such an announcement to be published as soon as practicable after occurrence of an MCE<sup>178</sup>.

#### Rationale

253. Upon the occurrence of an MCE for “R” types of CBBCs, while there is no current Rule requirement to announce residual value payable to investors, in practice, such announcement has been published (in addition to the announcement on when the MCE occurred) by the issuers. Currently, where an MCE occurs during the morning trading session, this residual value announcement is published on the same day. Where an MCE occurs during the afternoon trading session, the announcement is published after the end of the morning trading session on the following trading day<sup>179</sup>.

254. The proposal promotes operational efficiency by dispensing with the need to publish two announcements after the occurrence of an MCE by clarifying the current scope of the announcements to include both the time when the MCE occurred and the residual value. While we note that our proposal will in turn allow the notification of an MCE to be published on the day following occurrence of an MCE in the case the MCE occurs during the afternoon trading session (instead of the day on which an MCE occurs as the Rules currently require), it should not negatively affect the orderliness of the market as trading in the relevant CBBCs would have been suspended.

<sup>177</sup> Rule 15A.82(3). In practice, such announcement indicates when the MCE occurs.

<sup>178</sup> Where an MCE occurs during the morning trading session, issuers are required to publish the announcement containing both the MCE time and residual value as soon as practicable after the end of the afternoon trading session on the same day. Where an MCE occurs during the afternoon trading session, issuers are required to publish this information as soon as practicable after the end of the morning trading session on the following trading day.

<sup>179</sup> The residual value announcement may only be published after the MCE valuation period has lapsed. Such period commences from the time at which an MCE occurs in a trading session and concludes at the end of the following trading session.

**Question 48:** Do you agree with the proposal to: (a) clarify that an MCE announcement should include both the time when the MCE occurred and the residual value, where applicable; and (b) require such an announcement to be published as soon as practicable after occurrence of an MCE?

Please provide reasons for your views.

**(d) Announcements relating to exercise of rights of holders of structured products**

Current Rules

255. Issuers shall give notice in the form of an announcement published on the web site of the Exchange prior to the commencement of any suspension period which will affect the exercise rights of the holders of listed securities<sup>180</sup>.

Proposal

256. The Exchange proposes to require such an announcement to contain information about, including but not limited to the commencement of the suspension period, (if known) the end of the suspension period and how the suspension period will affect the exercise rights under the structured products.

Rationale

257. The proposal clarifies the Exchange's regulatory expectation on the content requirements for the announcement concerning exercise of rights of holders of structured products.

**Question 49:** Do you agree with the proposal to require an announcement mentioned in paragraph 256 to contain information about, including but not limited to, the commencement of the suspension period, (if known) the end of the suspension period and how the suspension period will affect the exercise rights under the structured products?

Please provide reasons for your views.

**(e) Publication time of listing documents**

Current Rules

258. Listing documents shall not be issued until the Exchange has confirmed it has no comments thereon<sup>181</sup>.

Proposal

259. The Exchange proposes to also require publication of listing documents as soon as practicable after the Exchange has confirmed it has no comments.

Rationale

260. Listing documents should be published on a timely basis. The proposal provides certainty on issuers' regulatory obligations.

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<sup>180</sup> Paragraph 25(2) of Appendix E5 to the Rules.

<sup>181</sup> Rule 15A.73.



**Question 50:** Do you agree with the proposal to require publication of listing documents as soon as practicable after the Exchange has confirmed it has no comments?

Please provide reasons for your views.

## **G. Alignment of Rule requirements with respect to issuers and guarantors**

### **(a) Due incorporation and acceptance of responsibility for listing document disclosures**

#### Current Rules

261. An issuer must be duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established and must be in conformity with those laws and its memorandum and articles association or equivalent documents<sup>182</sup>.

262. Every issuer is required to accept responsibility for the information contained in the listing document<sup>183</sup>.

#### Proposal

263. The Exchange proposes to also require guarantors:

- (a) to be duly incorporated or otherwise established under the laws of the place in which they are incorporated or otherwise established and must be in conformity with those laws and their memorandum and articles association or equivalent documents; and
- (b) to accept responsibility for information in relation to the guarantors contained in the listing document.

#### Rationale

264. The proposals align the Rule requirements with respect to issuers and guarantors.

**Question 51:** Do you agree with the proposals to require guarantors:

- (a) to be duly incorporated or otherwise established under the laws of the place in which they are incorporated or otherwise established and must be in conformity with those laws and their memorandum and articles association or equivalent documents; and
- (b) to accept responsibility for information in relation to the guarantors contained in the listing document?

Please provide reasons for your views.

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<sup>182</sup> Rule 15A.09.

<sup>183</sup> Rule 15A.74.

## **(b) Other financial information and standard of interim financial reports**

### **Current Rules**

265. Issuers are required to deliver to the Exchange full details of any other financial information which issuers may provide to any other exchange or market<sup>184</sup>.

266. Issuers shall prepare the interim financial reports and statement referred to in the Rules in accordance with issuers' usual accounting policies and procedures<sup>185</sup>.

### **Proposal**

267. The Exchange proposes to also require guarantors to: (a) publish full details of any other financial information which guarantors may provide to any other exchange or market; and (b) prepare the interim financial reports and statement referred to in the Rules in accordance with guarantors' usual accounting policies and procedures.

### **Rationale**

268. The proposals align the Rule requirements with respect to issuers and guarantors.

**Question 52:** Do you agree with the proposals to require guarantors to: (a) publish full details of any other financial information which guarantors may provide to any other exchange or market; and (b) prepare the interim financial reports and statement referred to in the Rules in accordance with guarantors' usual accounting policies and procedures?

Please provide reasons for your views.

## **H. Changes in terms of structured products**

### **Current Rules**

269. Issuers shall announce any changes in the terms of conversion or in the terms of the exercise of any of the issuers' structured products prior to the effective date of such change wherever practicable, and if not so practicable, as soon as possible thereafter<sup>186</sup>.

### **Proposal**

270. The Exchange proposes to require issuers to notify the Exchange of any proposed changes in the terms of conversion or in the terms of the exercise of any of the issuers' structured products, the effective date and the effect of any such changes. An issuer must not proceed with any proposed changes until the Exchange has confirmed to the issuer that it has no comments. The Exchange also proposes to require issuers to publish an announcement on any such proposed changes and the effective date of such changes prior to the effective date of such change.

### **Rationale**

271. The proposed amendment will allow the Exchange to review and, where appropriate, comment on any proposed changes where there are regulatory concerns, in each case prior to the publication of the announcement before the effective date of such changes.

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<sup>184</sup> Rule 15A.21(1)(e).

<sup>185</sup> Rule 15A.21(3).

<sup>186</sup> Paragraph 3 of Appendix E5 to the Rules.

**Question 53:** Do you agree with the proposal to require issuers to: (a) notify the Exchange of any proposed changes in the terms of conversion or in the terms of the exercise of any of the issuers' structured products, the effective date and the effect of any such changes; and that issuers must not proceed with such changes until the Exchange has confirmed that it has no comments; and (b) publish an announcement on any such proposed changes and the effective date of such changes prior to the effective date of such change?

Please provide reasons for your views.

## **I. Eligible underlying assets for structured product issuances**

### Current Rules

272. The underlying asset may be a security, index, currency, commodity or other asset or combination of such assets<sup>187</sup>.

### Proposal

273. The Exchange proposes to state in the Rules that issuers: (a) may only issue structured products relating to underlying assets that are approved and specified as such from time to time by the Exchange; and (b) should seek approval from the Exchange before issuing structured products relating to other assets that have not been approved or specified as such by the Exchange.

### Rationale

274. Requiring issuance of structured products based on the approved list of underlying assets and requiring prior approval by the Exchange for issuance relating to underlying assets outside the approved list clarify the Exchange's expectation.

**Question 54:** Do you agree with the proposal to state in the Rules that issuers: (a) may only issue structured products relating to underlying assets that are approved and specified as such from time to time by the Exchange; and (b) should seek approval from the Exchange before issuing structured products relating to other assets that have not been approved or specified as such by the Exchange?

Please provide reasons for your views.

## **J. Marketing of structured products**

### Current Rules

275. An issuer may, prior to or during launch of an issue of structured products and subject to compliance with all relevant laws, regulations and rules, release publicity material in relation to such structured products<sup>188</sup>.

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<sup>187</sup> Rule 15A.05(1).

<sup>188</sup> Rule 15A.53.

### Proposal

276. The Exchange proposes to require issuers to also comply with guidelines<sup>189</sup> published by regulatory bodies relating to the marketing of structured products in addition to the relevant laws, regulations and rules. We also propose to require issuers to comply with such laws, regulations, rules and guidelines at all times.

### Rationale

277. The proposals clarify the Exchange's expectations and provide certainty as to issuers' regulatory obligations.

**Question 55:** Do you agree with the proposal to require issuers to also comply with guidelines published by regulatory bodies relating to the marketing of structured products?

Please provide reasons for your views.

**Question 56:** Do you agree with the proposal to require issuers to comply with such relevant laws, regulations, rules and guidelines at all times?

Please provide reasons for your views.

## **K. Issuance of structured products linked to issuer's own securities or securities of its group companies**

### Current Rules

278. Structured products will not normally be considered suitable for listing if they are issued directly or indirectly by a controlling shareholder or a person who has effective management control of the underlying securities. An issuer that is a financial institution may be permitted to list structured products linked to its or its group companies' securities<sup>190</sup>.

### Proposal

279. The Exchange proposes to prohibit the issuance of structured products linked to an issuer's own securities or the securities of its group companies (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) or a company of which the issuer is a controlling shareholder or has effective management control.

### Rationale

280. The proposal helps safeguard the interests of investors by reducing potential conflict of interests.

**Question 57:** Do you agree with the proposal to prohibit the issuance of structured products linked to issuer's own securities or securities of its group companies (meaning any of the issuer's Holding Companies, subsidiaries and fellow subsidiaries) or a company of which the issuer is a controlling shareholder or has effective management control?

<sup>189</sup> Including but not limited to "[Guidelines on Marketing Materials for Listed Structured Products](#)" published by the SFC in September 2006.

<sup>190</sup> Rule 15A.28. In practice, the Exchange is not aware of any currently listed structured products that are linked to issuers' own securities, or securities of their group companies or a company of which the issuer is a controlling shareholder or has effective management control.

Please provide reasons for your views.

## **L. Eligibility of government or government-backed entities**

### Current Rules

281. An issuer of non-collateralised structured products that is a government or state, or a body backed by the full faith and credit of a government or state is not required to fulfill the eligibility requirements in respect of Regulated Entity or credit rating<sup>191</sup>.

### Proposal

282. The Exchange proposes to remove government or government-backed entities as a type of issuer of non-collateralised structured products that does not need to comply with the eligibility requirements on Regulated Entity and credit rating.

### Rationale

283. The Exchange expects that all issuers of non-collateralised structured products should fulfill the same issuer eligibility requirements. Where a government or government-backed entity intends to become an issuer of non-collateralised structured products, it should do so via a body corporate that meets the eligibility requirements.

**Question 58:** Do you agree with the proposal to remove government or government-backed entities as a type of issuer of non-collateralised structured products that does not need to comply with the eligibility requirements on Regulated Entity and credit rating?

Please provide reasons for your views.

## **M. Eligibility of issuers regulated by the HKMA**

### Current Rules

284. An issuer regulated by the SFC is required to notify the Intermediaries Supervision Department<sup>192</sup> of the SFC as soon as possible of its intention to issue any structured products and to give to the SFC as much detail of the proposed issue as is available at the time of notification. A copy of such notification must be given to the Exchange before the Exchange will consider any application for listing structured products<sup>193</sup>.

### Proposal

285. The Exchange proposes to require an applicant regulated by the HKMA to: (a) notify the HKMA as soon as possible of its intention to become an issuer of structured products listed on the Exchange and to give to the HKMA as much detail of any proposed issue of structured products as is available at the time of notification; and (b) give a copy of such notification to the Exchange before the Exchange will consider any application for listing structured products.

<sup>191</sup> Rule 15A.13(4).

<sup>192</sup> This in fact refers to "Intermediaries Division" of the SFC. We propose to update such reference in the Rules by way of housekeeping amendments to improve clarity (see paragraph 338(a)).

<sup>193</sup> Note to Rule 15A.13(3).

### Rationale

286. The proposal aligns the notification requirements with respect to issuers regulated by Hong Kong regulatory authorities.

**Question 59:** Do you agree with the proposal to require an applicant regulated by the HKMA to: (a) notify the HKMA as soon as possible of its intention to become an issuer of structured products listed on the Exchange and to give to the HKMA as much detail of any proposed issue of structured products as is available at the time of notification; and (b) give a copy of such notification to the Exchange before the Exchange will consider any application for listing structured products?

Please provide reasons for your views.

## **N. Publication of eligible underlying assets**

### Current Rules

287. The Exchange will publish a list of eligible underlying stocks (which include ETFs) that are listed on the Exchange at approximately quarterly intervals<sup>194</sup>.

### Proposal

288. The Exchange proposes to clarify in the Rule that the list that is currently published at approximately quarterly intervals may also be published at shorter intervals as the Exchange may determine.

289. In addition to the list that the Exchange currently publishes at approximately quarterly intervals, the Exchange also proposes to publish from time to time: (a) a list of additional stocks or ETFs that are listed on the Exchange and become eligible underlying assets between two scheduled publications; and (b) a list of additional eligible underlying assets other than stocks or ETFs that are listed on the Exchange.

### Rationale

290. The proposal allows further lists of eligible underlying assets to be published at a shorter interval where considered appropriate by the Exchange.

**Question 60:** The Exchange proposes to clarify in the Rule that the list that is currently published at approximately quarterly intervals may also be published at shorter intervals as the Exchange may determine.

Please provide comments on whether the drafting of the proposed amendments will give rise to any ambiguities or unintended consequences.

**Question 61:** In addition to the list that the Exchange currently publishes at approximately quarterly intervals, the Exchange also proposes to publish from time to time: (a) a list of additional stocks or ETFs that are listed on the Exchange and become eligible underlying assets between two scheduled publications; and (b) a list of additional eligible underlying assets other than stocks or ETFs that are listed on the Exchange.

<sup>194</sup> Rule 15A.35(1).

Please provide comments on whether the drafting of the proposed amendments will give rise to any ambiguities or unintended consequences.

## **O. Content requirement for Launch Announcements**

### Current Rules

291. Launch Announcements of new issuances must include parameters covering implied volatility, gearing, effective gearing, premium and yield<sup>195</sup>.

### Proposal

292. The Exchange proposes to repeal the requirement to include the parameters as set out in paragraph 291 in Launch Announcements<sup>196</sup>.

### Rationale

293. Implied volatility, gearing, effective gearing, premium and yield are calculated based on market conditions on the Launch Date and may have changed on the listing date in line with market movements. Inclusion of these parameters in listing documents is misleading to investors as they should not rely on such outdated information when making investment decisions.

**Question 62:** Do you agree with the proposal to repeal the requirement to include the parameters as set out in paragraph 291 in Launch Announcements?

Please provide reasons for your views.

## **P. Content and display requirement for listing documents**

### **(a) Credit rating**

#### Current Rules

294. The issuer and (in the case of guaranteed issues) the guarantor should disclose the credit rating, the credit rating agency and the date such rating was awarded in all listing documents if it has been rated by a credit rating agency<sup>197</sup>.

#### Proposal

295. The Exchange proposes to: (a) remove the awarding date of credit rating from the disclosure requirements; and (b) extend the disclosure requirement relating to the credit rating and credit rating agency to include (where credit ratings of issuers'/guarantors' Holding Companies are used for eligibility assessment) issuers'/guarantors' Holding Companies in all listing documents if our proposal on credit rating requirement under issuer eligibility requirements is adopted (see paragraph 99(c)).

<sup>195</sup> Rule 15A.59(8).

<sup>196</sup> The Exchange proposes to remove the requirement to publish Launch Announcement and consolidate the prescribed particulars that are currently required to appear in a Launch Announcement into the disclosure requirements for a stand alone listing document and an SLD (see paragraph 184).

<sup>197</sup> Paragraph 16(2) in Appendix D1D to the Rules.

### Rationale

296. The date when a credit rating was awarded has limited value for investors' assessment. Instead, the current credit rating of an issuer or (in the case of guaranteed issues) a guarantor (as of the date of the listing document) is relevant for investors to assess their creditworthiness. Where credit ratings of the issuers'/guarantors' Holding Companies are used for eligibility assessment, such information should also be published in listing documents to provide additional credit information for investors' reference.

**Question 63:** Do you agree with the proposal to: (a) remove the awarding date of credit rating from the disclosure requirements; and (b) extend the disclosure requirement of the credit rating and credit rating agency to include (where credit ratings of issuers'/guarantors' Holding Companies are used for eligibility assessment) issuers'/guarantors' Holding Companies in all listing documents if our proposal on credit rating requirement under issuer eligibility requirements is adopted?

Please provide reasons for your views.

### **(b) Rights of the holders of structured products**

#### Current Rules

297. The listing documents in relation to a structured product issue should contain the following:

- (a) the rights of the holders of the structured product on the liquidation of the issuer and (in the case of guaranteed issues) the guarantor<sup>198</sup>;
- (b) the rights of the holders of the structured product on the liquidation of the company whose securities underlie the structured product<sup>199</sup>.

#### Proposal

298. The Exchange proposes to also require disclosure in the listing documents, the rights of holders of structured products in the case of administration or an analogous action of the issuer and (in the case of guaranteed issues) the guarantor, and the company whose securities underlie the structured product.

### Rationale

299. Enhancing the disclosure of the rights of the holders of structured products helps investors' understanding and awareness of their entitlements and of potential risks. This serves better investor protection and facilitates investors to make informed decisions.

**Question 64:** Do you agree with the proposal to also require disclosure in the listing documents, the rights of holders of structured products in the case of administration or an analogous action of the issuer and (in the case of guaranteed issues) the guarantor, and the company whose securities underlie the structured product?

Please provide reasons for your views.

<sup>198</sup> Paragraph 17(8) in Appendix D1D to the Rules.

<sup>199</sup> Paragraph 20(10) in Appendix D1D to the Rules.



### **(c) Declaration regarding the information in base listing documents**

#### Current Rules

300. The SLD must contain a declaration by the issuer that the information contained in the base listing document is up-to-date and is true and accurate as at the date of the SLD or include details of any changes to the information contained in the base listing document<sup>200</sup>.

#### Proposal

301. The Exchange proposes to:

- (a) in addition to including details of any changes to the information contained in the base listing document, mandate a declaration by the issuer in the SLD that the information contained in the base listing document (as supplemented by the SLD and any supplementary listing document) is, as at the date of the SLD, up-to-date and is true, accurate and complete in all material respects and there are no other matters the omission of which would make the SLD or any statement therein misleading; and
- (b) also require a supplementary listing document to include: (i) details of any changes to the information contained in the base listing document; and (ii) a declaration by the issuer that the information contained in the base listing document (as supplemented by the SLD and the supplementary listing document) is, as at the date of the supplementary listing document, up-to-date and is true, accurate and complete in all material respects and there are no other matters the omission of which would make the supplementary listing document or any statement therein misleading.

#### Rationale

302. Information contained in a base listing document can be updated by an SLD or a supplementary listing document from time to time. Mandating a declaration regarding information contained in listing documents provides certainty to investors in respect of the truthfulness, accuracy and completeness of information contained in listing documents as at the date of the SLD or the supplementary listing document (as the case may be). The proposal also aligns the content requirements of SLD and supplementary listing documents under the Rules.

**Question 65:** Do you agree with the proposal to:

- (a) in addition to including details of any changes to the information contained in the base listing document, mandate a declaration by the issuer in the SLD that the information contained in the base listing document (as supplemented by the SLD and any supplementary listing document) is, as at the date of the SLD, up-to-date and is true, accurate and complete in all material respects and there are no other matters the omission of which would make the SLD or any statement therein misleading; and
- (b) also require a supplementary listing document to include: (i) details of any changes to the information contained in the base listing document; and (ii) a declaration by the issuer that the information contained in the base listing document (as supplemented by the SLD and the supplementary listing document) is, as at the date of the supplementary listing document, up-to-date and is true, accurate and complete in all material respects and there are no

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<sup>200</sup> Rule 15A.69.

other matters the omission of which would make the supplementary listing document or any statement therein misleading?

Please provide reasons for your views.

#### **(d) Financial statements**

##### **Current Rules**

303. The listing documents should contain the following information in respect of the issuer or, in the case of a guaranteed issue, the guarantor:

- (a) published audited consolidated financial statements and the auditor's report for the last two financial years<sup>201</sup>;
- (b) where published, an interim financial report in respect of the first six months of its financial year<sup>202</sup>;
- (c) where published, the latest quarterly interim financial report<sup>203</sup>; and
- (d) a statement that the interim financial report in respect of the first six months of its financial year is prepared in accordance with the issuer's or guarantor's usual accounting policies and procedures<sup>204</sup>.

##### **Proposal**

304. In the case of a guaranteed issue, the Exchange proposes to require disclosure of financial information set out in paragraph 303 in respect of both the issuer and the guarantor.

##### **Rationale**

305. In the case of a guaranteed issue, investors should have access to the financial statements of both the issuer and the guarantor, as both parties have payment obligations under the structured products. The proposal also reflects the Exchange's current practice and enhances investor protection.

**Question 66:** Do you agree with the proposal that, in the case of a guaranteed issue, the financial information set out in paragraph 303 should be disclosed in respect of both the issuer and the guarantor?

Please provide reasons for your views.

<sup>201</sup> Paragraph 10 of Appendix D1D to the Rules.

<sup>202</sup> Paragraph 11(1)(a) of Appendix D1D to the Rules.

<sup>203</sup> Paragraph 11(2) of Appendix D1D to the Rules.

<sup>204</sup> Paragraph 11(1)(c) of Appendix D1D to the Rules.

## **(e) Display of listing documents**

### **Current Rules**

306. Base listing documents, SLDs and subsequent amendments to the listing documents are required to be displayed on the Exchange's website for so long as any structured products issued under a listing document are listed on the Exchange<sup>205</sup>.

### **Proposal**

307. The Exchange proposes to also require stand alone listing documents to be displayed on the Exchange's website for so long as any structured products issued under such stand alone listing document are listed on the Exchange.

### **Rationale**

308. The proposal aligns the display requirements of all types of listing documents under the Rules.

**Question 67:** Do you agree with the proposal to also require stand alone listing documents to be displayed on the Exchange's website for so long as any structured products issued under such stand alone listing document are listed on the Exchange?

Please provide reasons for your views.

## **Q. Language requirement for documents**

### **Current Rules**

309. The following documents are exempted from publication in both English and Chinese language<sup>206</sup> :

- (a) directors' report;
- (b) annual accounts;
- (c) interim report;
- (d) quarterly financial report;
- (e) circulars to holders;
- (f) base listing documents;
- (g) SLDs;
- (h) subsequent amendments to listing documents.

### **Proposal**

310. The Exchange proposes to require issuers to publish the documents (as set out in paragraph 309) in both English and Chinese language.

### **Rationale**

311. Publication of documents as set out in paragraph 309 in both English and Chinese would facilitate access to information by all investors. The proposal also reflects current practice.

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<sup>205</sup> Paragraph 27(2) of Appendix D1D to the Rules.

<sup>206</sup> Note to Rule 2.07C(4)(b), paragraphs 12 and 27 of Appendix D1D to the Rules, and paragraphs 5 and 15 of Appendix E5 to the Rules.

**Question 68:** Do you agree with the proposal to require issuers to publish the documents as set out in paragraph 309 in both English and Chinese language?

Please provide reasons for your views.

## **R. Documentary requirement for launching stand alone issuance**

### Current Rules

312. An issuer using a stand alone listing document (which shall be dated and signed by a duly authorised officer of the issuer) may be restricted from launching the structured products to which that listing document relates until the Exchange has reviewed a draft of the listing document in a reasonably advanced form<sup>207</sup>.

### Proposal

313. The Exchange proposes to replace the existing requirement that the draft of the stand alone listing document be in a reasonably advanced form with the requirement that such draft be substantially complete except in relation to commercial or other information that by its nature can only be finalised and incorporated at a later date.

### Rationale

314. The proposal clarifies the Exchange's expectation and provides certainty as to issuers' regulatory obligations.

**Question 69:** Do you agree with the proposal to replace the existing requirement that the draft of the stand alone listing document be in a reasonably advanced form with the requirement that such draft be substantially complete except in relation to commercial or other information that by its nature can only be finalised and incorporated at a later date?

Please provide reasons for your views.

## **S. Requirement for collateralised issues**

### **(a) In respect of issuers' eligibility**

#### Current Rules

315. Where the listing of collateralised structured products is sought, the Exchange will consider, among other matters, an issuer's previous experience in issuing and managing the issue of other similar instruments and whether it has satisfactory experience to manage the potential obligations under the structured products<sup>208</sup>.

#### Proposal

316. The Exchange proposes, where the listing of collateralised structured products is sought to: (a) also consider an issuer's risk management systems and procedures (and such other factors as the Exchange may, in its discretion, consider appropriate); and (b) require issuers to contact

<sup>207</sup> Rule 15A.56(2).

<sup>208</sup> Rule 15A.11.

the Exchange to seek informal and confidential guidance as to their eligibility and suitability for listing at the earliest possible opportunity.

### Rationale

317. The proposal (a) clarifies that the Exchange will consider an issuer's risk management systems and procedures (and such other factors as the Exchange may, in its discretion, consider appropriate) regardless of whether the issues are collateralised or non-collateralised; and (b) ensures more time for discussion between the Exchange and issuers in relation to listing of collateralised issues.

**Question 70:** Do you agree with the proposal, where the listing of collateralised structured products is sought to: (a) also consider an issuer's risk management systems and procedures (and such other factors as the Exchange may, in its discretion, consider appropriate); and (b) require issuers to contact the Exchange to seek informal and confidential guidance as to their eligibility and suitability for listing at the earliest possible opportunity?

Please provide reasons for your views.

### **(b) In respect of collateral**

#### Current Rules

318. The Rules set out prescriptive modes of security arrangements with respect to collateral and imposes obligations on the issuers of collateralised structured products to demonstrate and carry out these arrangements. The Rule also requires that the collateral must normally be held by an independent trustee, custodian or depositary for the benefit of holders of the collateralised structured product<sup>209</sup>.

#### Proposal

319. The Exchange proposes to:

- (a) replace the prescriptive modes of security arrangements with respect to the collateral with generic requirements to require the collateral to be clearly identified, properly segregated and ring-fenced for the benefit of the holders in respect of each series or tranche of the relevant structured product from all other series or tranches issued by the same issuer;
- (b) apply all the generic collateral requirements referred to in (a) above to all collateralised structured products (rather than imposing a specific obligation on issuers to demonstrate or carry out these security arrangements); and
- (c) (i) replace the specific reference to "custodian" and "depositary" as eligible holders of collaterals with a generic reference to "such other party as agreed by the Exchange" and (ii) define such party or independent trustee as "collateral holder".

### Rationale

320. The proposals in paragraph 319(a) and (b) set the right focus as the scrutiny should be on the collateral for the products (rather than imposing a specific obligation on issuers). It also allows flexibility on the collateral arrangement for future development of collateralised issues, as the same issuer may have different collateral arrangements for different collateralised products.

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<sup>209</sup> Rule 15A.48.

321. The proposal in paragraph 319(c) emphasises the expectation for collaterals to be held by an independent trustee, which generally offers higher degree of fiduciary responsibilities, while maintaining the flexibility to having other acceptable arrangements without being constrained by prescriptive labels of eligible holders of collateral.

**Question 71:** Do you agree with the proposal to:

- (a) amend the Rule such that the focus will be on the collateral and replace the prescriptive modes of security arrangements with respect to the collateral with generic requirements to require the collateral to be clearly identified, properly segregated and ring-fenced for the benefit of the holders in respect of each series or tranche of the relevant structured product from all other series or tranches issued by the same issuer;
- (b) apply all the generic collateral requirements referred to in (a) above to all collateralised structured products (rather than imposing a specific obligation on issuers to demonstrate or carry out these security arrangements); and
- (c) (i) replace the specific reference to “custodian” and “depository” as eligible holders of collaterals with a generic reference to “such other party as agreed by the Exchange” and (ii) define such party or independent trustee as “collateral holder”?

Please provide reasons for your views.

**(c) In respect of trustee, custodian or depository**

**Current Rules**

322. The Exchange will normally require the trustee, custodian or depository to be:

- (a) a bank licensed under section 16 of the Banking Ordinance (Cap. 155);
- (b) a trust company which is a subsidiary of such a bank;
- (c) a trust company registered under Part VIII of the Trustee Ordinance (Cap. 29)<sup>210</sup>; or
- (d) a banking institution or trust company incorporated outside Hong Kong which is acceptable to the Exchange.

However, the Exchange may in exceptional cases accept an alternative person to be trustee, custodian or depository<sup>211</sup>.

**Proposal**

323. The Exchange proposes to remove trust companies registered under Part VIII of the Trustee Ordinance from the list of eligible trustee, custodian or depository for collateralised structured products.

**Rationale**

324. The proposal clarifies the Exchange’s regulatory expectation that an institution fulfilling the minimum eligibility criteria for a trust company under the Trustee Ordinance may not be

<sup>210</sup> See section 77(2) of the Trustee Ordinance for the eligibility requirements of trust companies registered under the Trustee Ordinance, which includes a minimum issued share capital requirement of HK\$3 million.

<sup>211</sup> Rule 15A.49.

considered as sizeable enough to be a trustee or a party agreed by the Exchange as collateral holder for collateralised structured products.

**Question 72:** Do you agree with the proposal to remove trust companies registered under Part VIII of the Trustee Ordinance from the list of eligible trustee, custodian or depositary for collateralised structured products?

Please provide reasons for your views.

**(d) In respect of change in collateral arrangements**

Current Rules

325. There is no requirement, in the Rules, for an issuer issuing collateralised structured products to inform the Exchange or publish announcements when there is a change in collateral arrangements.

Proposal

326. The Exchange proposes to require an issuer to, whilst any of its collateralised structured products are listed on the Exchange, to inform the Exchange and announce as soon as practicable where there is any proposed change in the collateral arrangements, trusts or other security arrangements. An issuer must not proceed with any proposed changes until the Exchange has confirmed to the issuer that it has no comments.

Rationale

327. The proposal clarifies the Exchange's regulatory expectation on issuers in respect of changes in collateral arrangements for collateralised structured products.

**Question 73:** Do you agree with the proposal to require an issuer to, whilst any of its collateralised structured products are listed on the Exchange, to inform the Exchange and announce as soon as practicable where there is any proposed change in the collateral arrangements, trusts or other security arrangements; and that an issuer must not proceed with any proposed changes until the Exchange has confirmed to the issuer that it has no comments?

Please provide reasons for your views.

**(e) In respect of listing documents**

Current Rules

328. There is no specific content requirement, in the Rules, for listing documents concerning collateralised structured products.

Proposal

329. The Exchange proposes to require that, in the case of an issue of collateralised structured products, the listing document must contain such information on collateral, collateral holders and collateral arrangements, trusts or other security arrangements necessary to enable an investor to make an informed assessment of the collateralised structured products.

### Rationale

330. The proposal clarifies the Exchange's regulatory expectation on the content requirements for listing documents concerning collateralised structured products.

**Question 74:** Do you agree with the proposal to require that in the case of an issue of collateralised structured products, the listing document must contain such information on the collateral, collateral holders and collateral arrangements, trusts or other security arrangements necessary to enable an investor to make an informed assessment of the collateralised structured products?

Please provide reasons for your views.

## **T. Requirement for withdrawal of listing**

### Current Rules

331. An issuer may apply to withdraw the listing of a structured product prior to its expiry or maturity if the structured product is held entirely by the issuer or members of the issuer's group<sup>212</sup>.

### Proposal

332. The Exchange proposes to amend the Rules to clarify that "members of the issuer's group" includes any of its Holding Companies, subsidiaries and fellow subsidiaries and any associated company of any of them.

### Rationale

333. The proposal clarifies the Exchange's expectation on the legal entities covered by an issuer's group for the purpose of the withdrawal of listing of a structured product.

**Question 75:** In respect of the withdrawal of listing of a structured product, do you agree with the proposal to amend the Rules to clarify that "members of the issuer's group" includes any of its Holding Companies, subsidiaries and fellow subsidiaries and any associated company of any of them?

Please provide reasons for your views.

## **U. Requirement for liquidity provider**

### Current Rules

334. An issuer regulated by the SFC is required to notify the Intermediaries Supervision Department<sup>213</sup> of the SFC as soon as possible of its intention to issue any structured products and to give to the SFC as much detail of the proposed issue as is available at the time of notification. A copy of such notification must be given to the Exchange before the Exchange will consider any application for listing structured products<sup>214</sup>. The issuer must appoint an exchange participant to provide liquidity in each structured product issue<sup>215</sup>.

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<sup>212</sup> Rule 15A.83.

<sup>213</sup> See footnote 192.

<sup>214</sup> Note to Rule 15A.13(3).

<sup>215</sup> Note 1 to Rules 15A.22.



### Proposal

335. The Exchange proposes to require an applicant, as soon as it intends to become an issuer of structured products listed on the Exchange, to: (a) procure the exchange participant proposed to be appointed by such applicant as liquidity provider to notify the Intermediaries Division of the SFC as soon as possible of its intention to act as the liquidity provider; and (b) give a copy of such notification to the Exchange.

### Rationale

336. The proposal aligns the notification requirement between issuers and liquidity providers that are regulated by the SFC.

**Question 76:** Do you agree with the proposal to require an applicant, as soon as it intends to become an issuer of structured products listed on the Exchange, to: (a) procure the exchange participant proposed to be appointed by such applicant as liquidity provider to notify the Intermediaries Division of the SFC as soon as possible of its intention to act as the liquidity provider; and (b) give a copy of such notification to the Exchange?

Please provide reasons for your views.

## **V. Remove Rules and requirements which are outdated or redundant**

337. The Exchange proposes to streamline the Rules by removing those Rules and requirements that are outdated or redundant as described below:

Current Rules	Rationale
(a) The Rules describe the general features of structured products and how DWs and ELIs work <sup>216</sup> .	These Rules are not necessary as they are general descriptions of structured products but not regulatory requirements.
(b) Announcements relating to the launch of structured products may be made before close of trading on that day <sup>217</sup> .	The option to publish Launch Announcements (which are proposed to be replaced by stand alone listing documents and SLDs) before close of trading on launch day is not necessary as stand alone listing documents and SLDs are required to be published no later than the first business day following launch.
(c) An issuer shall ensure that: (i) all necessary arrangements are made such that its structured products are eligible securities for clearing and settlement in the system operated by Hong Kong Securities Clearing Company Limited; and (ii) its	These Rules are not necessary as Rule 15A.78 requires that structured products must be eligible securities <sup>219</sup> from commencement of listing.

<sup>216</sup> Rules 15A.05(2) to (9), 15A.06 to 15A.08.

<sup>217</sup> Rule 15A.57.

<sup>219</sup> "Eligible securities" is defined in Rule 1.01 as "securities which is from time to time accepted as eligible by HKSCC for deposit, clearance and settlement in CCASS, in accordance with the General Rules of HKSCC, and where the context so requires shall include any particular security or securities of such an issue."

Current Rules	Rationale
structured products remain eligible securities <sup>218</sup> .	
(d) Issuers shall have regard to prevailing market conditions and the interests of the holders of the existing issue when determining the issue price of Further Issues <sup>220</sup> .	This Rule is not necessary as the issuer does not need to determine the issue price of Further Issues at launch as Further Issues are fungible with existing issues trading in the market. The issue price of Further Issues at launch and the market price of the existing issues at that time should be identical.
(e) Listing approval of a Further Issue may be granted by the Executive Director – Listing and that the Executive Director – Listing may delegate this power within the Listing Division <sup>221</sup> .	This Rule is not necessary. It will be consolidated into Rule 15A.04.
(f) The following documents must be submitted to the Exchange after a structured product is launched:  (i) a completed checklist <sup>222</sup> ; (ii) marking in the margin to indicate compliance with Rule requirements; and (iii) reasonably advanced form of a listing document (with full details of terms and conditions of the structured product) <sup>223</sup> .	It is not necessary to state detailed operational arrangements in the Rules. As all the commercial terms will have been approved after launch on Launch Date, a final draft listing document in compliance with the requirements under Appendix D1D to the Rules (rather than a draft listing document in reasonably advanced form) should be submitted to the Exchange.
(g) An issuer is not required to submit a listing application form in accordance with Rule 9.03 <sup>224</sup> .	This Rule is not necessary as Chapter 9 applies to listing applications of equity securities.
(h) The following information may be included in an interim financial report or a separate statement:  (i) profits/losses before taxation; (ii) taxation on profits; (iii) profit/losses attributable to shareholders and non-controlling interests; (iv) share capital and reserve at end of period; and	The option to include the specified information <sup>226</sup> in a separate statement is not necessary as such information is already included in interim financial reports in practice.

<sup>218</sup> Rules 15A.79 and 15A.80.

<sup>220</sup> Rule 15A.52(4).

<sup>221</sup> Rule 15A.52(6).

<sup>222</sup> Rule 15A.63(2).

<sup>223</sup> Rule 15A.63(1).

<sup>224</sup> Rule 15A.62.

<sup>226</sup> This information is specified in paragraph 11(1)(a) of Appendix D1D to the Rules.

Current Rules	Rationale
(v) comparative figures <sup>225</sup> .	
(i) Where a structured product is to be settled wholly in cash, the net cash settlement amount paid to holders shall be agreed to by the Exchange <sup>227</sup> .	This Rule is not necessary as the basis for calculating net cash settlement amount (as required by Rule 15A.59(6) and set out in the listing documents) has been reviewed by the Exchange.
(j) Details of the listing fee are set out in Fees Rules <sup>228</sup> .	This Rule is not necessary as Rule 15A.64(2) has made reference to the Fees Rules.
(k) Documents for display include balance sheets <sup>229</sup> .	This Rule is not necessary as balance sheets are included in the listing documents as required by paragraph 27(2) of Appendix D1D to the Rules.
(l) Issuers are reminded that legislation may apply to the marketing of some structured products to the public in Hong Kong <sup>230</sup> .	This Rule is not necessary as it is duplicated under Rule 15A.53.
(m) The issuer shall forward to the Exchange: (a) the directors' report and its annual accounts; (b) the interim report; and any quarterly interim financial report in accordance with the time prescribed in the Rules <sup>231</sup> .	This Rule is not necessary as the documents are required to be published on the Exchange's website under paragraph 5 of Appendix E5 to the Rules.
(n) Each of the English language version and Chinese language version of the publication version of the SLD or stand alone listing document must be supplied to the Exchange <sup>232</sup> .	This requirement is not necessary as issuers will publish these listing documents on the Exchange's website after launching the products.
(o) Issuers must submit drafts of the supplemental agreements amending the instrument, the registrar's agreement or other documents relating to the existing issue to the Exchange for review <sup>233</sup> .	This Rule is not necessary as it is the issuer's responsibility to ensure the terms of the structured products approved by the Exchange <sup>234</sup> are reflected in the instrument. The Exchange should not be required to review any supplemental agreements amending the

<sup>225</sup> Rule 15A.21(2) and paragraph 11(1)(b) of Appendix D1D to the Rules.

<sup>227</sup> Rule 15A.47(4).

<sup>228</sup> Rule 15A.88.

<sup>229</sup> Paragraph 27(1) of Appendix D1D to the Rules.

<sup>230</sup> Rule 15A.54.

<sup>231</sup> Paragraph 15(2) of Appendix E5 to the Rules.

<sup>232</sup> Rule 15A.64(3).

<sup>233</sup> Rule 15A.52(3).

<sup>234</sup> Rules 15A.36(1) requires that modifications to terms and conditions must be approved by the Exchange.

Current Rules	Rationale
	commercial arrangements between the issuer and the registrar.
(p) Issuers are required to deliver their financial reports to the Exchange in electronic form <sup>235</sup> .	This Rule is not necessary as their financial reports are published on the Exchange's website under Rule 15A.21(4) <sup>236</sup> .
(q) A Launch Announcement must include a statement that it appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the structured products <sup>237</sup> .	This Rule is not necessary if the proposal to remove Launch Announcement is adopted (see paragraph 184). In addition, this statement is not relevant for listing documents.
(r) A Launch Announcement may contain the prescribed information in respect of more than one structured product issue provided that all the structured product issues were launched on the same day <sup>238</sup> .	It is not necessary to include operational arrangements in the Rules.
(s) The references to "as defined in the terms and conditions of the listed securities" and "as so defined" in relation to a suspension period <sup>239</sup> .	It is not necessary to include the references as the announcement shall contain all the details of the suspension period.

**Question 77:** Do you agree with the proposal to remove the Rules and requirements as set out in items (a) to (s) in paragraph 337?

Please provide reasons for your views.

## W. Housekeeping Rule amendments

338. We propose to make various housekeeping amendments, which do not involve any change in policy direction, to the Rules. The amendments are essentially to:

	Reference(s) to proposed Rule amendments in Appendix III (unless otherwise specified)
(a) Improve clarity	<b>Rules:</b> 15A.04, 15A.12 <sup>240</sup> , 15A.13(1), 15A.13(3), note to 15A.13(3), 15A.14, 15A.18, 15A.18(3A), 15A.18(4),

<sup>235</sup> Rule 15A.21(1).

<sup>236</sup> Rule 15A.21(4) will be moved to Appendix E5 to the Rules under the Exchange's proposal to consolidate all continuing obligations in Appendix E5 to the Rules (see paragraph 238).

<sup>237</sup> Rule 15A.59(4).

<sup>238</sup> Note to Rule 15A.59.

<sup>239</sup> Paragraph 25(2) of Appendix E5 to the Rules.

<sup>240</sup> The addition of "attributable to the equity holders of the issuer" further clarifies that the aggregate of share capital and reserves does not include "non-controlling interests", which reflects the original intention of the Rule. There is no change in policy direction (see further details in footnote 241).

	Reference(s) to proposed Rule amendments in Appendix III (unless otherwise specified)
	15A.20A, 15A.30(2), 15A.30(3), 15A.31, 15A.36(1), 15A.36(1A), 15A.36(1B), 15A.36(2), 15A.48, 15A.49, 15A.50, 15A.51, 15A.52(1), 15A.53, 15A.56, 15A.58, 15A.64(1), 15A.64(2), 15A.66, 15A.67, 15A.68, 15A.69, 15A.71, 15A.72, 15A.73, 15A.74, 15A.81, 15A.83, 15A.89, note to Appendix D1D, paragraphs 1, 1(c), 1(d), 10, 11(1)(a), 11(1)(c), 11(2), 12, 13, 14, 15, 16, and 17(4) of Appendix D1D, paragraphs 4, 4.1, 5, 5A, 5B, 6(2), 6.1, 10, 10A, 13.1, 25(2) and 27B of Appendix E5
(b) Improve clarity (changes applicable to the English version of the Rules only)	<b>Rules:</b> 15A.47(5), 15A.52, 15A.56(1), 15A.56(2), 15A.63(1), 15A.70, paragraphs 5(a), 17(15) of Appendix D1D, paragraphs 1(2), 3, 13(3) and 21, note 3 to paragraph 26 of Appendix E5
(c) Improve clarity (changes applicable to the Chinese version of the Rules only)	<b>Rules:</b> Note to 2.07C(4)(b), 15A.13, 15A.26, note to paragraph 1(b), note to paragraph 1(c), note to paragraph 1(d), note to paragraph 17(14), paragraphs 19, 20 and 27 of Appendix D1D, note to paragraph 1(1)(a), note to paragraph 26(2), note to paragraph 27(3), paragraphs 6, 11, 12, 12A, 18 and 26(2) of Appendix E5
(d) Add “(if any)” after reference to guarantor	<b>Rules:</b> 15A.02, 15A.03, 15A.26, 15A.66, 15A.69, paragraphs 16(1), 17(18), 27(3) of Appendix D1D, paragraphs 1, 3, 6, 7, 8, 8A, 8B, 10, 10A, 11, 12, 13, 19, 20, 21, 23, 24, 25, 26 and 27 of Appendix E5
(e) Remove quotation mark	<b>Rules:</b> 15A.47(5) and 15A.67
(f) Remove quotation mark (changes applicable to the English version of the Rules only)	<b>Rules:</b> 15A.56 and 15A.68
(g) (i) Replace “an issuer and the guarantor” with “each of the issuer and the guarantor”; and  (ii) Replace “securities” and “listed securities” with “structured products”	<b>Rules:</b> Appendix E5
(h) Replace “net asset value” <sup>241</sup> with “total shareholders’ equity”	<b>Rules:</b> 15A.12 and paragraph 8B of Appendix E5

<sup>241</sup> In Chapter 15A, “net asset value” is specified to mean the aggregate of share capital and reserves (see Rule 15A.12) which does not include “non-controlling interests”. However, as accounting standards and terminology have developed over time in the market, net asset value is currently interpreted as total equity including non-controlling interests. The

	Reference(s) to proposed Rule amendments in Appendix III (unless otherwise specified)																																				
(i) Replace “accounts” with “financial statements”	<b>Rules:</b> 15A.70 and Appendix E5																																				
(j) Relocate content to more appropriate paragraphs	<table border="1"> <thead> <tr> <th>Reference(s) to current Rules</th><th>New location of reference(s) to proposed Rule amendments</th></tr> </thead> <tbody> <tr> <td>15A.13</td><td>15A.13(1) and 15A.13(3)</td></tr> <tr> <td>15A.13(2)</td><td>15A.13(3)</td></tr> <tr> <td>15A.19</td><td>15A.20</td></tr> <tr> <td>15A.20</td><td>15A.18(3A)</td></tr> <tr> <td>Note 1 of 15A.22</td><td>15A.20A</td></tr> <tr> <td>15A.35</td><td>15A.36(1B)</td></tr> <tr> <td>Notes 1, 2 and 3 of 15A.35</td><td>15A.30(2)</td></tr> <tr> <td>15A.37</td><td>15A.36(1)</td></tr> <tr> <td>15A.30 to 35 and note of 15A.38</td><td>15A.36(1A)</td></tr> <tr> <td>15A.44(2)</td><td>15A.44(1)</td></tr> <tr> <td>15A.69</td><td>Paragraph 26 of Appendix D1D</td></tr> <tr> <td>15A.81<sup>242</sup></td><td>15A.77</td></tr> <tr> <td>Paragraph 26 of Appendix D1D</td><td>Paragraph 28 of Appendix D1D</td></tr> <tr> <td>Paragraphs 1(3) and 1(4) of Appendix E5</td><td>Paragraph 8B of Appendix E5</td></tr> <tr> <td>Paragraph 8(3) of Appendix E5</td><td>Paragraph 8A of Appendix E5</td></tr> <tr> <td>Paragraphs 13(1) and 13.3 of Appendix E5</td><td>Paragraph 27C of Appendix E5</td></tr> <tr> <td>Paragraph 22 of Appendix E5</td><td>15A.52</td></tr> </tbody> </table>	Reference(s) to current Rules	New location of reference(s) to proposed Rule amendments	15A.13	15A.13(1) and 15A.13(3)	15A.13(2)	15A.13(3)	15A.19	15A.20	15A.20	15A.18(3A)	Note 1 of 15A.22	15A.20A	15A.35	15A.36(1B)	Notes 1, 2 and 3 of 15A.35	15A.30(2)	15A.37	15A.36(1)	15A.30 to 35 and note of 15A.38	15A.36(1A)	15A.44(2)	15A.44(1)	15A.69	Paragraph 26 of Appendix D1D	15A.81 <sup>242</sup>	15A.77	Paragraph 26 of Appendix D1D	Paragraph 28 of Appendix D1D	Paragraphs 1(3) and 1(4) of Appendix E5	Paragraph 8B of Appendix E5	Paragraph 8(3) of Appendix E5	Paragraph 8A of Appendix E5	Paragraphs 13(1) and 13.3 of Appendix E5	Paragraph 27C of Appendix E5	Paragraph 22 of Appendix E5	15A.52
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Paragraph 22 of Appendix E5	15A.52																																				
(k) Make consequential amendments following the adoption of the proposals	<b>Rules:</b> 15A.10, 15A.12, 15A.30(2), 15A.49, 15A.52(7), 15A.52(9), 15A.70, 15A.77, 15A.78, paragraph 1(b), heading above paragraph 7, paragraphs 11(1)(a), 11(1)(c), 12, 16, 28 of Appendix D1D, note 3 to paragraph 1(1)(a), paragraph 5 of Appendix E5																																				

proposed drafting of “total shareholders’ equity” means the aggregate of share capital and reserves attributable to the equity holders of the issuers, which more accurately reflects the original intention of the Rule and reflects the Exchange’s current practice. There is no change in policy direction.

<sup>242</sup> “The Exchange should be consulted at the earliest opportunity if alternative forms of documents of title or alternative arrangements are proposed.” is removed from Rule 15A.81 to improve clarity of the Rule.

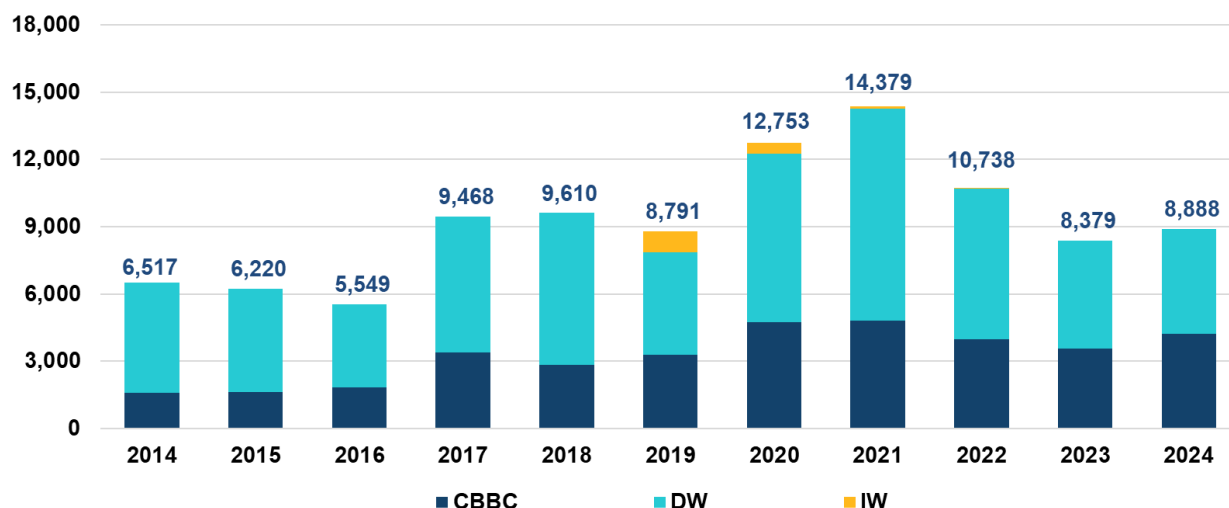
**Question 78:** Do you have any comments on whether the proposed housekeeping Rule amendments will give rise to any ambiguities or unintended consequences?

Please provide reasons for your views.

# APPENDIX I: SIZE OF THE HONG KONG STRUCTURED PRODUCTS MARKET

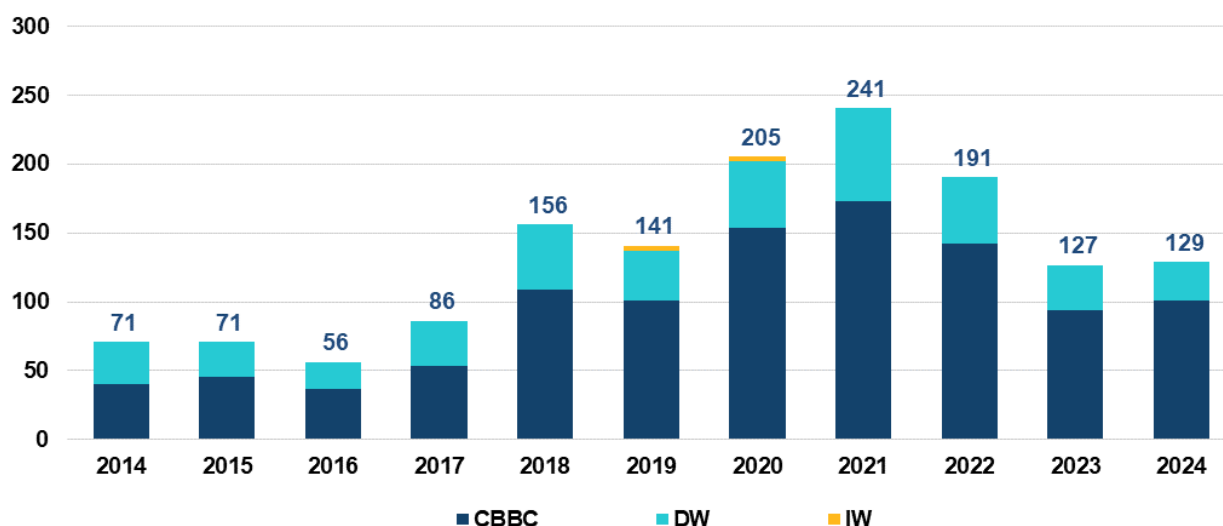
## A. Number of structured products as at year end

No. of structured products



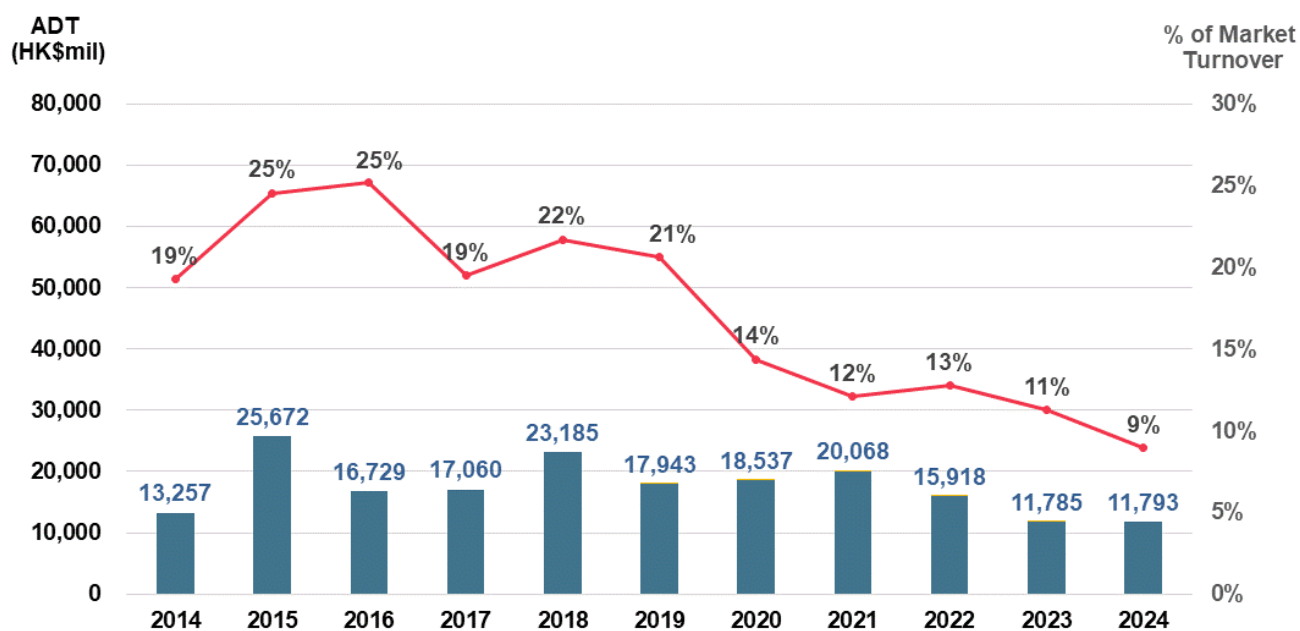
## B. Average daily number of new issuances during the year

Average daily no. of new issuance

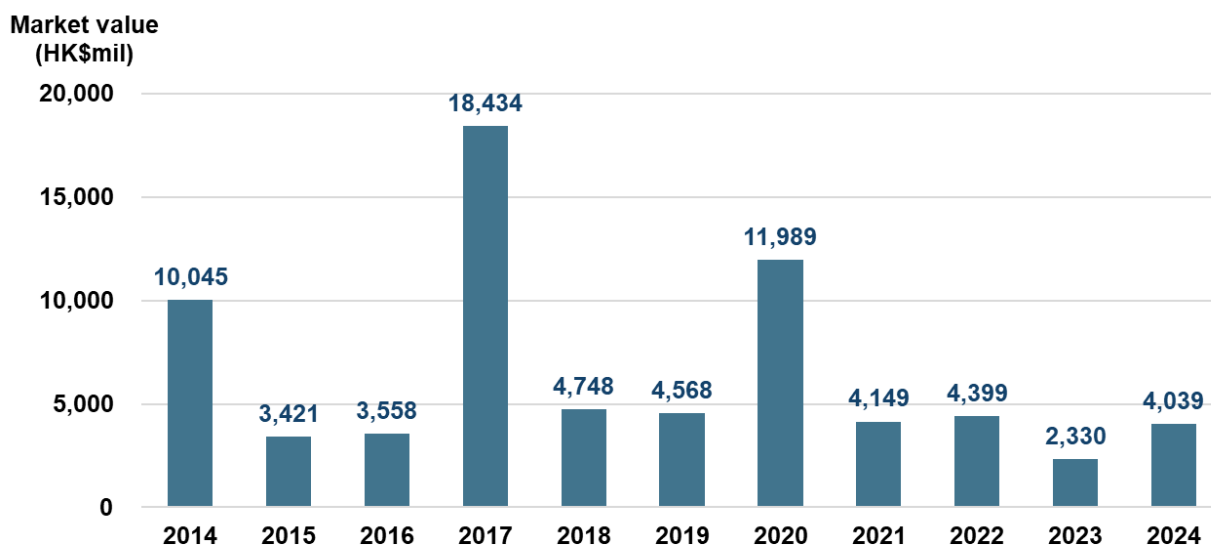




**C. Average daily turnover (ADT) of structured products in terms of HKD and as a percentage of total cash market turnover**



**D. Market value of structured products as at year end**



## APPENDIX II: JURISDICTIONAL COMPARISON<sup>243</sup>

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Issuer eligibility requirements</b>							
<b>Capital requirement</b>	Minimum NAV of HK\$2 billion <sup>244</sup>	(Applicable for issuing structured products in five specific currencies including HKD)  minimum equity capital of EUR 0.25 billion (HK\$2 billion) <sup>245</sup>	Nil	Nil	Net capital ratio is at least 150%	Minimum equity of Baht 1,000 million (HK\$0.23 billion)	Minimum shareholder's funds of US\$500 million (HK\$3.9 billion) <sup>246</sup>  or
<b>Credit rating requirement</b>	One of the top three investment grades from any CRAs <sup>247</sup>	(Applicable for issuing structured products in five specific currencies including HKD)	Nil	Nil	Nil	Investment grades from any CRAs <sup>249</sup>	investment grades from any CRAs

<sup>243</sup> The major exchanges in terms of structured products turnover are HKEX, Korea Exchange, SET, Boerse Stuttgart and Euronext. These exchanges are included in overseas jurisdiction comparison. In addition, Boerse Frankfurt is included as it has a high number of structured products. SGX is also included as it is a listing venue for listing structured products by existing issuers. The information contained in the table is based on the rules and other guidelines applicable to structured products published by the relevant exchanges or regulated bodies unless otherwise specified. The exchange rates used for respective currencies are as of 31 December 2024.

<sup>244</sup> In case an issuer fails to satisfy any of the eligibility requirements, these requirements may be satisfied in full by a guarantor of the relevant structured products.

<sup>245</sup> In case an issuer fails to satisfy the eligibility requirement, i) the capital requirement and ii) the credit rating or regulatory requirement may be satisfied in full by a guarantor of the relevant structured products.

<sup>246</sup> In case an issuer fails to satisfy the eligibility requirements, i) the capital requirement and ii) the regulatory requirement may be satisfied in full by a guarantor of the relevant structured products.

<sup>247</sup> See footnote 244.

<sup>249</sup> (Only applies to commercial banks) in case an issuer fails to satisfy the eligibility requirement, i) the capital requirement and ii) the credit rating may be satisfied in full by a guarantor of the relevant structured products.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
	or  be regulated by the SFC, HKMA or an overseas regulatory authority acceptable to the Exchange <sup>248</sup>	one of the top three investment grades from any CRAs  or supervised by a monetary or securities regulatory authority					
<b>Regulatory requirement</b>			Supervised by a monetary or securities regulatory authority	Supervised by a monetary or securities regulatory authority <sup>250</sup>	Supervised by a securities regulatory authority	Supervised by a monetary or securities regulatory authority	Supervised by a monetary or securities regulatory authority

<sup>248</sup> See footnote 244.

<sup>250</sup> In case an issuer fails to satisfy any of the eligibility requirements, such requirements may be satisfied by a guarantor.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Financial statements</b>							
<b>Publication timeframe</b> (a) Annual	Within four months after period end	(Applicable for issuing structured products in five specific currencies including HKD)  Must be filed with Boerse Frankfurt (but not necessarily published) within nine months after period end	Nil	Nil	Within 90 days after period end	Within two months after period end <sup>251</sup>	Within 60 days after period end
(b) Half-yearly interim	Within four months after period end	Nil	Nil	Nil	Within 45 days after period end	Within two months after period end	Within 45 days after period end
<b>Publication of consolidated financial statements</b>	Where group accounts are prepared	Yes	Yes	Yes	Yes	Yes	Yes

<sup>251</sup> The audited annual financial statement can be submitted within three months after period end if the fourth quarterly financial statement is submitted.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
Underlying requirements							
<b>Single scheduled stocks as underlying</b>	<p>Public float capitalisation is at least HK\$4 billion over the 60-day Qualifying Period</p> <p>Where the public float capitalisation of a listed company exceeds HK\$10 billion, the Exchange may waive the compliance of the 60-day Qualifying Period</p>	<p>(Applicable for issuing structured products in five specific currencies including HKD)</p> <p>Free float of at least EUR 0.5 billion (HK\$4 billion)</p>	Nil	Nil	<p>(a) 50 constituent stocks from KOSPI200 index; or</p> <p>(b) five constituent stocks from KOSDAQ150 index (determined by the exchange considering among others, market capitalisation and average daily trading value)</p>	<p>Constituent stocks of:</p> <p>(a) SET 50 index;</p> <p>(b) SET 100 Index; stocks ranked 51-100 in SET100 index must have quarterly average market capitalisation of at least Baht 10 billion (HK\$2.3 billion) for the four latest quarters</p>	<p>Market capitalisation of at least SGD 0.5 billion (HK\$2.8 billion) over the past 30 trading days</p>

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>ETFs as underlying</b>	The public float capitalisation requirements of single scheduled stocks are applied	Nil	Nil	Nil	Nil	For DWs: ETF unit that has a policy to generate returns based on the price movements of (a) stocks of SET 50 index; (b) stocks of SET 100 index; and (c) SET index, SET 50 index, SET 100 index or other indices permitted under the SET's regulation as underlying	Where the issue of structured warrants is based on securities <sup>252</sup> , the market capitalisation requirements of single scheduled stocks are applied

<sup>252</sup> Definition of "securities" under the SGX Mainboard Rules includes "investment funds", which can include ETFs that are collective investment schemes.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
Product terms requirements							
<b>Issue size</b>	Minimum of HK\$10 million	Nil	Minimum of EUR 0.25 million (HK\$2 million) and minimum quantity of 10,000	Maximum total quantity of 2.5 million securities for structured derivatives products indexed to (a) a commodity underlying; (b) a commodity index underlying; or (c) any underlying with a commodity component  Minimum quantity per issue or minimum order size may also apply to warrants, as determined by the relevant Euronext Market Undertaking <sup>253</sup>	Minimum of KRW 1 billion (HK\$5.3 million)	Minimum of Baht 20 million (HK\$4.5 million)	Minimum of SGD 5 million (HK\$28.4 million) or SGD 2 million (HK\$11.3 million) with market maker  The number of structured warrants to be issued (excluding those issued by the entity itself) must not exceed 50% the total number of issued shares of the entity

<sup>253</sup> Euronext Market Undertaking refers to one of the entities (including Borsa Italiana, Euronext Amsterdam, Euronext Brussels, Euronext Dublin, Euronext Paris, Euronext Lisbon and Oslo Børs) that operates the Euronext market.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Issue price - DWs</b>	Minimum price of HK\$0.25	Nil	Nil	Nil	Nil	For DWs: minimum price of Baht 1 (HK\$0.23)	For structured warrants: minimum price of SGD 0.2 (HK\$1.14)
<b>Issue price - CBBCs</b>	Minimum price of HK\$0.25	Nil	Nil	Nil	Nil <sup>254</sup>	Nil <sup>255</sup>	Nil <sup>256</sup>
<b>Expiry date</b>	For DWs: At least six months and not more than five years  For ELIs: 28 days to two years  For other structured products: to be agreed by the Exchange	(Applicable for issuing structured products in five specific currencies including HKD)  At least 30 days	Nil	To be determined from time to time	At least three months and not more than one year	At least two months and not more than two years	Not more than three years

<sup>254</sup> Currently, there are no CBBCs listed on these exchanges.

<sup>255</sup> See footnote 254.

<sup>256</sup> See footnote 254.



Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Entitlement ratio</b>	(a) one, five, 10, 50, 100 or 500 units of structured products for one share; or  (b) one unit of structured product for one, 10, or 100 shares	Nil	Nil	Nil	0.001 – 0.1 depends on base price of underlying stock	Nil	(a) one warrant to one share; (b) 10 warrants to one share; or (c) other ratio approved by SGX
<b>Board lot</b>	(a) For underlying assets that are securities: the board lot entitles holders to a whole number to board lots of the underlying securities <sup>257</sup> . For structured products settled wholly in cash, the board lot may entitle holders to one tenth of a board lot of the underlying securities; or  (b) for underlying assets that are	Nil	As determined by the Board of Management which manages the exchange	Nil	Nil	One trading unit equals 100 securities	Nil

<sup>257</sup> When the underlying securities of a structured product (excluding baskets) are normally traded in board lots, the board lots of the structured product at the time of listing shall be such that on exercise or maturity of one board lot of the structured product, the holder of that structured product is entitled to a whole number of board lots of the underlying securities.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
	index, currency or basket of shares: 10,000						
<b>Valuation methodology (Settlement Price)</b>	For DWs: average closing values of the underlying for the last five trading days before expiry	Nil	Nil	Nil	For equity linked warrants with single stock as underlying: average closing values of the underlying for the last five trading days including the last trading day	Nil	(a) Average of the closing values of the underlying for the five trading days prior to and including the trading day immediately before expiry; or  (b) closing value of the underlying on the trading day immediately before expiry
<b>Further Issue</b>	(a) On a condition that issuer holds no more than 50% of the existing issue; and  (b) the terms and conditions of the Further Issue and existing issue must be identical	Nil	Nil	Nil	(a) On a condition that issuer holds less than 20% of the existing issue;  (b) total amount shall be less than total amount of the initial listing;  (c) remaining	(a) Distribution must not be less than 20 million Baht (HK\$4.5 million) or at least 50% of the DW application (excluding DW held by the applicant	(a) Except for price, each tranche of the warrant program must bear the same terms and conditions; and  (b) all additional tranches are subject to the minimum issue size of SGD 0.5

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
					<p>exercise period shall be at least one month; and</p> <p>(d) net capital ratio (issuer eligibility), underlying assets, public offering and liquidity provision shall be satisfied</p> <p>(e) the underlying assets can be:            (i) the top 100 trading value constituent stocks from the KOSPI 200 index; (ii) the constituent stocks from the KOSDAQ 150 index; or (iii) a basket of the above relevant constituent stocks</p>	<p>and market maker)</p> <p>(b) Further Issue must have the same as the DW features (such as underlying asset and maturity)</p>	million (HK\$2.8million)

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Emulation Issue</b>	<p>(a) The expiry date of an Emulation Issue may be up to five business days before or after that of the existing issue; and</p> <p>(b) the Strike Price of the Emulation Issue may differ by no more than one spread in the underlying security from that of the existing issue or by no more than 0.5% in other cases where the underlying asset is not a listed security</p>	Nil	Nil	Nil	Nil	Nil	Nil
<b>Trading currency / settlement currency</b>	Where the structured products are traded in HKD, the settlement shall be in HKD	As determined by the exchange.	Trading and settlement shall be in EUR. Any other foreign currencies may be determined	As determined by the relevant Euronext Market Undertaking <sup>258</sup>	Nil	Nil	Nil

<sup>258</sup> See footnote 253.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
			by the Board of Management.				
<b>Settlement method</b>	Physically or cash settled	Physically or cash settled	Physically or cash settled	Physically or cash settled	Cash settled	Physically or cash settled	Physically or cash settled

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Liquidity provision requirements</b>							
<b>Liquidity provision</b>	<p>(a) Liquidity may be provided by either continuous quotes or quote request;</p> <p>(b) minimum quotation size of 20 board lots; and</p> <p>(c) The maximum spread between bid and ask prices; the minimum quotation size; and the time within which to respond to quote requests must be specified in the listing documents</p>	<p>(a) Indicative and/or binding quotes may be provided;</p> <p>(b) quote presence time of at least 50% during continuous trading on a monthly average; and</p> <p>(c) maximum spread and quotation volume may not be diverged by more than 50% on buy and sell side<sup>259</sup></p>	<p>(a) Liquidity may be provided by either continuous quotes or quote request; and</p> <p>(b) minimum amount of no less than EUR 3,000 or 10,000 securities for leveraged products, and no less than EUR 10,000 or 10,000 securities for investment products<sup>260</sup></p>	<p>(a) Posting simultaneous two-way quotes is required;</p> <p>(b) quote presence time of at least 50% of the daily trading hours (excluding opening and closing auctions);</p> <p>(c) minimum size of no less than EUR 10,000 or 50,000 securities; and</p> <p>d) maximum spread ranges from 4% - 15% or other specified amount<sup>261</sup></p>	<p>Liquidity provision is based on the submission of the liquidity provision plan by issuer<sup>262</sup></p>	<p>(a) Continuous bid and ask quotes are required; and</p> <p>(b) minimum volume and maximum spread are specified in the terms and conditions<sup>263</sup></p>	<p>(a) Continuous bid and ask quotes are required; and</p> <p>(b) minimum quantity is 10,000 and maximum spread is 10 ticks or SGD 0.2 (HK\$1.14), whichever is greater<sup>264</sup></p>

<sup>259</sup> The requirements are stated in the rules and on the website of Xetra, which is the trading venue operated by Boerse Frankfurt.

<sup>260</sup> The requirements are stated in the Terms and Conditions for Trading in the Regulated Unofficial Market at the Stuttgart Stock Exchange.

<sup>261</sup> The requirements are stated in the guidelines (e.g. Market Making Operating Terms or Derivative Warrants Issuer's Guideline) or product information page published on the relevant exchange's website.

<sup>262</sup> See footnote 261.

<sup>263</sup> See footnote 261.

<sup>264</sup> See footnote 261.

Item	The Exchange	Boerse Frankfurt	Boerse Stuttgart	Euronext	Korea Exchange	SET	SGX
<b>Offering of Incentives requirements</b>							
<b>Offering of Incentives</b>	An issuer shall not offer Incentives in respect of structured products that it has issued. However, a member of its group that is a securities dealer may offer Incentives to its customer provided that the certain safeguards are implemented	Nil <sup>265</sup>	Nil <sup>266</sup>	Nil <sup>267</sup>	Offering financial benefits (such as commission fees) is prohibited	Nil	Nil <sup>268</sup>

<sup>265</sup> We have not identified specific provisions in the rule books of the relevant trading venues regarding the offering of Incentives. However, the offering of Incentives/ inducements could be subject to various regulatory requirements if the issuer itself qualifies as an investment firm or an investment firm acting on behalf of the issuer is involved in the offering of inducements. According to MiFID Implementing Directive 2006/73/EC, the details of the fee, commission or non-monetary benefit must be clearly disclosed to the client and not to impair compliance with the firm's duty to act in the best interests of the client. MiFID Implementing Directive 2014/65/EU requires that an investment firm may not, in relation to the provision of an investment service or ancillary investment service, accept any inducements from third parties or provide any inducements to third parties, unless the inducement (a) is designed to enhance the quality of the service to the client; (b) does not impair the proper provision of the service in the best interests of the client; and (c) the inducement is properly disclosed.

<sup>266</sup> See footnote 265.

<sup>267</sup> See footnote 265.

<sup>268</sup> According to the guidelines on standards of conduct for marketing and distribution activities published by MAS, financial institutions should ensure that (a) any gift offered to customers does not unduly influence the decisions of customers to purchase any financial product; and (b) the details of gifts are not displayed or promoted in such a manner as to inappropriately influence the purchase decisions of customers.

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## APPENDIX III: DRAFT AMENDMENTS TO THE RULES

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### Chapter 1

#### GENERAL

##### INTERPRETATION

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1.01

...

“structured  
product”

has the meaning defined in the Securities and Futures Ordinance  
as amended from time to time

...

### Chapter 2

#### GENERAL

##### INTRODUCTION

...

##### Use of Electronic Means

...

2.07C

...

- (4) (a) Announcement or notice must not be published on the Exchange's website:

...

except for:

...

- (iv) announcements made in response to the Exchange's enquiries of the issuer under rule 13.10 or 37.46A, paragraph 15 of Appendix E3, or paragraph 27 of Appendix E4 or paragraph 26 of Appendix E5 if in the announcement the issuer only provides the negative confirmations required under rule 13.10(2) or 37.46A(b), or paragraph 15 of Appendix E3, or paragraph 27(2) of Appendix E4, or paragraph 26(2) of Appendix E5, or refers to its previously published information; ~~and~~
- (v) announcements made in response to media news or reports under rule 13.09(1) or 37.47(b), paragraph 6(3) of Appendix E3 or paragraph 1(1)(a) of Appendix E4 or paragraph 1(1)(a) of Appendix



E5 if in the announcement the issuer only denies the accuracy of such news or reports and/or clarifies that only its previously published information should be relied upon; and

(vi) [Repealed 27 June 2025]

(vii) announcements made under paragraph 5A(2)(b) or 12A(3) of Appendix E5.

...

(b) Any publication by an issuer pursuant to this rule 2.07C must be made in both the English and Chinese language unless otherwise stated.

*Note: This paragraph does not apply to documents to be published on the Exchange's website and the issuer's own website pursuant to rule 4.14, rule 5.01B(1)(b), rule 5.02B(2)(b), ~~rule 15A.21(4), rule 17.02(2), rule 19.10(5)(e), rule 19.10(6), rule 19C.10B(3), rule 19A.27(4), rule 19A.50, rule 29.09, rule 36.08(3), paragraph 53 of Appendix D1A, paragraph 43 of Appendix D1B, paragraph 54 of Appendix D1C, paragraphs 12 and 27(1) of Appendix D1D, paragraph 76 of Appendix D1E, paragraph 66 of Appendix D1F, and paragraph 9(b)(i) of Appendix A2 and paragraphs 5 and 15 of Appendix E5.~~*

...

## Chapter 15A

### STRUCTURED PRODUCTS

#### Preliminary

- 15A.01 This Chapter sets out the requirements for the listing of structured products on the Exchange. These products may be listed by the methods, where applicable, set out in Chapter 7. Issuers of structured products are required to provide liquidity for those products. As a consequence, at the time of listing there is no requirement for there to be an adequate spread of holders of the structured product.
- 15A.02 The provisions of this Chapter are not exhaustive. Compliance with the relevant conditions may not of itself ensure the suitability of an issuer, a guarantor (if any), the securities or assets underlying a structured product or of a structured product issue and the Exchange retains an absolute discretion to accept or reject applications for listing. The Exchange may, whenever it considers it appropriate, impose additional requirements, make listing subject to special conditions ~~or~~, allow waivers from or modifications to the requirements of this Chapter or require an issuer to withdraw the listing of structured products that are held entirely by the issuer or members of its group (including any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated company of any of them).
- 15A.03 Prospective issuers should consult the Exchange at the earliest opportunity to seek confidential guidance as to their suitability and the suitability of a guarantor (if any). Approved issuers should consult the Exchange at the earliest opportunity as to the suitability for listing of a proposed structured product.
- 15A.04 The Listing Committee has delegated to the Executive Director – Listing the power to approve an application for listing of an issue (including Further Issue (as defined in rule 15A.52)) of structured products where the issuer (and, in the case of guaranteed issues,

the guarantor) has been approved by the Listing Committee. The Executive Director – Listing may delegate this power within the Listing Division.

### **Structured Products**

15A.05 ~~Structured products provide the holder of that product with an economic, legal or other interest in another asset (the “underlying asset”) and hence derive their value by reference to the price or value of the underlying asset. Characteristics of these products include, but are not limited to: [Repealed [●]]~~

- ~~(1) The underlying asset may be a security, index, currency, commodity or other asset or combination of such assets. Where the underlying asset is two or more securities, indices, currencies or other assets the products are generally referred to as “baskets”;~~
- ~~(2) The products may allow investors to purchase the underlying asset at a predetermined price or at a price calculated by reference to a predetermined formula; to sell the underlying asset at a predetermined price or at a price calculated by reference to a predetermined formula; to receive a cash payment (or payments) calculated by reference to the price or value of the underlying asset; or provide holders with other forms of interest in the price or value of the underlying asset;~~
- ~~(3) For the purposes of determining the cash payments to holders of the product the underlying assets may be valued one or more times prior to the final expiry or maturity date, each such time a valuation is performed being referred to in these rules as an interim Valuation Point. Any cash payment calculated at an interim Valuation Point may be distributed to holders after the valuation has been performed or it may be carried forward and aggregated with the cash payments calculated at other Valuation Points (including the Final Valuation Point) before being paid to holders after the final maturity date;~~
- ~~(4) The products may be American style (where exercise is permitted prior to the expiry day), European style (where exercise is only permitted on the maturity date of the product), or other style as approved by the Exchange from time to time;~~
- ~~(5) The products may be collateralised or uncollateralised. Where products are collateralised the issuer owns all of the underlying securities or other assets to which the collateralised product relates and grants a charge over such securities or assets in favour of an independent trustee which acts for the benefit of the holders of that product. Where products are not collateralised the obligations of the issuer are provided for in a form other than by way of a charge over the underlying securities or assets. Non-collateralised products are usually issued by financial institutions which will adopt hedging strategies to provide for their obligations during the life of the non-collateralised product;~~
- ~~(6) The products may require investors to make one or more payments during the life of the product to acquire the underlying securities or assets;~~
- ~~(7) The products may provide for investors to receive an amount equivalent to any dividends (or other distributions) on the underlying asset during the life of the structured product;~~
- ~~(8) The products may or may not be capital protected (i.e. where the issuer guarantees that all or a certain proportion of the initial subscription price for the product will be payable to investors when the product matures);~~
- ~~(9) The return to investors may be subject to an upper limit (often called a cap) or may also contain “knock in” or “knock out” features-~~

Examples of structured products that may be listed on the Exchange include, but are not limited to, derivative warrants and Equity Linked Instruments, both of which are discussed below.

15A.06 ~~A derivative warrant gives its holders (“warrantholders”) the right (but not the obligation) either to:—~~

~~(1) purchase from (“derivative call warrant”) or sell to (“derivative put warrant”) the issuer at a predetermined exercise price or strike price:—~~

~~(a) a specified number of securities issued by a company (or to receive a cash payment calculated by reference thereto); or~~

~~(b) any asset (or to receive a cash payment calculated by reference thereto); or~~

~~(2) receive from the issuer a cash payment equal to the excess (if any) of:—~~

~~(a) in the case of a derivative call warrant, the value of an index relating to securities or assets (or other index) on the date of exercise of the derivative warrant over the exercise price or strike price; or~~

~~(b) in the case of a derivative put warrant, the exercise price or strike price over the value of an index relating to securities or assets (or other index) on the date of exercise of the derivative warrant~~

~~during a predetermined exercise period or on a predetermined date or dates, or any other similar type of instrument. [Repealed [●]]~~

15A.07 ~~Derivative warrants which, upon exercise, entitle warrantholders to purchase from or sell to the issuer two or more securities of a different class, indices or other assets in such proportions as may be specified in the terms and conditions of such derivative warrant, or to receive a cash settlement by reference to the value of such securities, indices or other assets are referred to as “basket warrants”. [Repealed [●]]~~

15A.08 ~~An Equity Linked Instrument involves an initial payment by an investor, in return for which on maturity of the Equity Linked Instrument the investor will receive a specified cash settlement amount or delivery of a number of securities underlying the issue or a cash payment calculated by reference to the value of those underlying securities. Equity Linked Instruments for the purposes of this Chapter may be “Bull” Equity Linked Instruments, “Bear” Equity Linked Instruments or “Range” Equity Linked Instruments, which are discussed further below:~~

~~(a) In a “Bull” Equity Linked Instrument an investor will receive on maturity a predetermined cash payment where the closing price of the underlying securities on the Valuation Point is at or above the strike price. If the closing price of the securities on the Valuation Point is below the strike price, the investor will receive delivery of the underlying securities or a cash payment calculated by reference to the value of those underlying securities;~~

~~(b) In a “Bear” Equity Linked Instrument an investor will receive on maturity a predetermined cash payment where the closing price of the underlying securities on the Valuation Point is below the strike price. If the closing price of the securities at the Valuation Point is at or above the strike price, the investor will receive a cash payment calculated by reference to the value of the underlying securities (such that the value of the payment will decrease but will never be negative the higher the closing price of the securities is above the strike price);~~

~~(c) In a "Range" Equity Linked Instrument an investor will receive on maturity a predetermined cash payment where the closing price of the underlying securities at the Valuation Point is at or above the lowest price and below the highest price specified in the range of prices. If the closing price of the securities at the Valuation Point is at or above the highest price specified in the range of prices, the investor will receive a cash payment calculated by reference to the value of the underlying securities (such that the value of the payment will decrease but will never be negative the higher the closing price of the securities is above the highest price in the range of prices). If the closing price of the securities on the Valuation Point is below the lowest price in the range of prices, the investor will receive delivery of the underlying securities or a cash payment calculated by reference to the value of those underlying securities. [Repealed [●]]~~

## Issuers

- 15A.09 An issuer must be duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established and must be in conformity with those laws and its memorandum and articles of association or equivalent documents.
- 15A.10 An issuer (except in the case of a guaranteed issue under rule 15A.14(1)) must not be a private company within the meaning of section 11 of the Companies Ordinance or equivalent legislation of the jurisdiction in which it is incorporated or established.
- 15A.11 An issuer must be suitable to handle or capable of issuing and managing a structured product issue and listing. In assessing the suitability or capability of an issuer the Exchange will have regard to, inter alia, its the issuer's and where appropriate, its group (meaning any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them) members' previous experience in issuing and managing the issue of other similar instruments and their risk management systems and procedures and whether ~~it has~~ they have satisfactory experience to manage the potential obligations under the structured product issue. ~~Where listing of non-collateralised structured products is sought the Exchange will consider the issuer's risk management systems and procedures.~~
- 15A.12 An issuer of non-collateralised structured products must have ~~a net asset value~~ a total shareholders' equity (i.e. the aggregate of share capital and reserves attributable to the equity holders of the issuer) of not less than HK\$25 billion as set out in its latest published audited financial statements (or audited consolidated financial statements where the issuer is a holding company) and interim financial statements (or consolidated interim financial statements where the issuer is a holding company) ~~report which an issuer is required to submit to the Exchange in accordance with rule 15A.21. An issuer shall maintain a net asset value of HK\$2 billion whilst any non-collateralised structured product issued by it is listed on the Exchange. An issuer shall inform the Exchange immediately if its net asset value falls below HK\$2 billion.~~
- 15A.13 An issuer of non-collateralised structured products ~~must also:-~~
- (1) (or, in case the issuer is not rated, the issuer's holding company) must also have an investment grade credit rating which is one of the top three investment grades awarded by all credit rating agencies (as recognized by the Exchange) from which it has sought a credit rating. A credit rating which is presently of such grade but which is under review for possible downgrading to less than such grade will not be regarded as fulfilling this criteria; ~~or and~~
  - (2) ~~be regulated by the Hong Kong Monetary Authority or an overseas regulatory authority acceptable to the Exchange, or [Repealed [●]]~~
  - (3) must also be regulated by one of the following authorities: (i) the Commission for the

conduct of the business of dealing in securities in Hong Kong, (ii) the Hong Kong Monetary Authority or (iii) an overseas regulatory authority acceptable to the Exchange (Note), or

*Note: Corporations which have been either:*

- (a) *licensed or registered under section 116(1) or 119(1) of the Securities and Futures Ordinance; or*
- (b) *registered as a securities dealer under the repealed Securities Ordinance, and deemed to be licensed or registered under section 116(1) or 119(1) of the Securities and Futures Ordinance;*

*are required to notify the Intermediaries Supervision Department Division of the Commission as soon as possible of their intention to ~~issue any structured products~~ become an issuer of structured products listed on the Exchange and to give to the Commission as much detail of the ~~any proposed issue of structured products~~ as is available at the time of notification.*

*Corporations regulated by the Hong Kong Monetary Authority are required to notify the Hong Kong Monetary Authority as soon as possible of their intention to become an issuer of structured products listed on the Exchange and to give to the Hong Kong Monetary Authority as much detail of any proposed issue of structured products as is available at the time of notification.*

*As soon as an applicant intends to become an issuer of structured products listed on the Exchange, such applicant shall procure the Liquidity Provider mentioned in rule 15A.20A to notify the Intermediaries Division of the Commission of the latter's intention to act as the Liquidity Provider.*

*A copy of ~~such~~ the aforementioned notification(s) must be given to the Exchange before the Exchange will consider any application for listing structured products.*

- (4) ~~be a government or state, or a body which is backed by the full faith and credit of a government or state.~~ [Repealed [●]]

15A.14 Where:

- (1) an issuer (or, as the case may be under rule 15A.13(1), its holding company) fails to satisfy any of the criteria in rules 15A.12 or and 15A.13; or
- (2) an issuer that fulfills both rules 15A.12 and 15A.13 would like to issue non-collateralised guaranteed issues.

the Exchange may accept an arrangement whereby the issuer's obligations arising under ~~the~~ its non-collateralised structured products are unconditionally and irrevocably guaranteed or otherwise secured ("guaranteed") by another legal person (the "guarantor") which meets the criteria in rules 15A.12 and 15A.13, provided that in relation to rule 15A.13(1), the Exchange shall require the requisite credit ratings to be obtained by the guarantor, or (in case the guarantor is not rated) the issuer, or (in case neither the guarantor nor the issuer is rated) any of the guarantor's holding companies, or (in case none of the guarantor, the issuer or the guarantor's holding companies is rated) any of the issuer's holding companies.

15A.14A The Exchange will assess ongoing compliance with rules 15A.12 and 15A.13 by the issuer or the guarantor (in the case of guaranteed issues) as well as the issuer's performance in issuing and managing structured products issues (including but not limited to liquidity provision, the requirements of which will be published from time to time by the Exchange)

whilst any of its structured products are listed on the Exchange. In particular,

- (1) the issuer or the guarantor (in the case of guaranteed issues) shall continue to comply with rules 15A.12 and 15A.13(3); and
- (2) the issuer or the guarantor (in the case of guaranteed issues) shall continue to, or shall ensure that their respective holding company (which is relied upon by the issuer or the guarantor (in the case of a guaranteed issue) for eligibility assessment under rule 15A.13(1)) will continue to, comply with rule 15A.13(1).

*Note: Where an issuer that fulfills both rules 15A.12 and 15A.13 issues non-collateralised guaranteed issues, the Exchange will conduct the assessment described in rule 15A.14A individually on each of the issuer and the guarantor.*

15A.14B Where listing of collateralised structured products is sought the Exchange will take into account such other factors as the Exchange may, in its discretion, consider appropriate. Issuers intending to issue collateralised structured products shall contact the Exchange to seek informal and confidential guidance as to their eligibility and suitability for listing at the earliest possible opportunity.

15A.14C Without prejudice to the Exchange's powers under rule 15A.02, the circumstances under which the Exchange may impose additional requirements or conditions on the issuance of structured products by an issuer include, without limitation where:

- (1) in the Exchange's opinion, there has been an adverse change in the financial circumstances of the issuer or the guarantor (in the case of a guaranteed issue) or their holding companies that are relied upon by the issuer or the guarantor (in the case of a guaranteed issue) for eligibility assessment under rule 15A.13(1);
- (2) in the Exchange's opinion, the issuer fails to properly issue and manage structured products issue; or
- (3) the issuer is applying to list a new type of structured products.

15A.15 [Repealed 31 December 2023]

15A.15A Where an issuer that fulfills both rules 15A.12 and 15A.13 issues non-collateralised guaranteed issues, each of the issuer and the guarantor will be required to individually comply with the Exchange Listing Rules.

### **Guarantors**

15A.16 Where listing is sought for structured products which are guaranteed:–

- (1) the guarantor must not be a private company within the meaning of section 11 of the Companies Ordinance or equivalent legislation of the jurisdiction in which it is incorporated or established;
- (1A) the guarantor must be duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established and must be in conformity with those laws and its memorandum and articles of association or equivalent documents;
- (2) the guarantor will normally be required to be the ultimate holding company of the group to which the issuer belongs; and

*Note: The Exchange may accept other group companies (meaning any of the issuer's holding companies, subsidiaries and fellow subsidiaries) to be the guarantor, taking into*



account the circumstances of the issuer and/or the guarantor as the Exchange may, in its discretion, consider appropriate.

- (3) the guarantor will be required to comply with the Exchange Listing Rules to the same extent as if it were the issuer of the structured products whilst any structured products guaranteed by it are listed on the Exchange.

- (4) [Repealed 31 December 2023]

15A.17 The guarantee or other security must be issued in conformity with the laws of the place in which the guarantor is incorporated or otherwise established and in conformity with the guarantor's memorandum and articles of association or equivalent documents and all authorisations needed for its issue under such laws or documents must have been duly given.

### **Legal Opinions on Guarantee**

15A.17A The issuer must submit to the Exchange legal opinions acceptable to the Exchange from legal advisers in such jurisdictions as the Exchange shall require, confirming that:—

- (1) the obligations of the issuer under the structured products are legal, valid, binding and are enforceable in accordance with the terms of the structured products;
- (2) the structured products are issued in conformity with the laws of the place in which the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents;
- (3) all authorisations needed for the creation and issue of the structured products under such laws or documents have been duly given;
- (4) the issuer is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established; and
- (5) such other matter as the Exchange shall require depending on the circumstances of the issuer.

15A.18 In the case of a guaranteed issue, ~~the issuer and/or the guarantor must submit to the Exchange legal opinions acceptable to the Exchange from competent legal advisers from in such jurisdictions as the Exchange shall require, confirming. Such opinions, which must be acceptable to the Exchange, shall confirm that:—~~

- (1) the guarantee or other security constitutes legal, valid and binding obligations of the guarantor and is enforceable in accordance with its terms;
- (2) the guarantor is, under the guarantee or other security, unconditionally and irrevocably liable for the due and punctual performance of the obligations of the issuer arising under any structured products as primary obligor in accordance with the terms and conditions of the structured products;
- (3) (1) and (2) above will not be affected in the event of the liquidation, administration or analogous action of the issuer, irrespective of the validity, regularity or enforceability of the structured products, any waiver or consent by a holder of that product, any consolidation, merger, conveyance or transfer by the issuer or other event which would afford to a guarantor relief, legal or equitable, from its obligations under the guarantee or other security; ~~and~~

(3A) (in case of structured products issued pursuant to a base listing document of the issuer) the above conditions in rules 15A.18(1) to 15A.18(3) will apply to all structured products to be issued from time to time pursuant to the base listing document to which the guarantee relates during the period of the guarantee;

*Note: The Exchange will not accept a guarantee as covering structured products issued one year or more from the date of the guarantee.*

(3B) the guarantee or other security is issued in conformity with the laws of the place in which the guarantor is incorporated or otherwise established and in conformity with the guarantor's memorandum and articles of association or equivalent documents;

(3C) all authorisations needed for the issue of the guarantee or other security under such laws or documents have been duly given;

(3D) the guarantor is duly incorporated or otherwise established under the laws of the place in which it is incorporated or otherwise established; and

(4) such other matter as the Exchange shall require depending on the circumstances of the issuer/guarantor.

15A.19 ~~Where a guarantee is issued in relation to a specific structured product issue, the legal opinions must be submitted to the Exchange in draft form at the time of submission to the Exchange of the first proof of the listing document and a copy in its final form must be submitted to the Exchange at the closing of the issue. [Repealed [●]]~~

15A.20 ~~Where a guarantee is intended to cover more than one issue of structured products issued pursuant to a base listing document of the issuer, the conditions in rule 15A.19 above will apply to the first structured product issue under the guarantee. The legal opinions must be submitted to the Exchange in draft form at the time of submission to the Exchange of the first draft of the base listing document or stand alone listing document and a copy in its final form must be submitted to the Exchange on the date of publication of the base listing document or stand alone listing document. The legal opinion must confirm that the conditions in rule 15A.18 will apply to all structured products issued pursuant to the base listing document during the period of the guarantee. The Exchange will not accept a guarantee as covering structured products issued one year or more from the date of the guarantee.~~

### **Liquidity Providers**

15A.20A The issuer must appoint an Exchange Participant (the "Liquidity Provider") to provide liquidity in each structured product issue in accordance with paragraph 5A of Appendix E5. Where the issuer is an Exchange Participant, it may be the Liquidity Provider for a structured product issue or it may appoint another Exchange Participant as the Liquidity Provider. In all cases, the Liquidity Provider need not be a member of the issuer's group. An issuer should seek approval from the Exchange before appointing a Liquidity Provider that is not a member of its group. Other than for the purposes of providing back up arrangements there shall be no more than one Liquidity Provider per structured product issue. The issuer may appoint different Exchange Participants to be the Liquidity Providers in different structured product issues.

### **Continuing Obligations**

15A.21 An issuer must comply with the continuing obligations as set out in Appendix E5 (subject to such modifications as shall be agreed to by the Exchange in accordance with rule 15A.26). ~~An issuer shall, whilst any structured products issued by it are listed on the Exchange:—~~



- (1) ~~deliver to the Exchange, in electronic form:— [Repealed [●]]~~
- ~~(a) as soon as practicable after the date of its publication but, in any event, not later than four months after the date to which they relate, one copy of the issuer's and, where appropriate, the guarantor's annual report including its annual accounts and, where group accounts are prepared, its group accounts, together with the auditor's report thereon,~~
  - ~~(b) [Repealed 1 October 2013]~~
  - ~~(c) as soon as practicable after the date of its publication or preparation but, in any event, not later than four months after the period to which it relates one copy of its interim financial report in respect of the first six months of its financial year,~~
  - ~~(d) where published, as soon as practicable after the date of its publication one copy of its quarterly interim financial report, and~~
  - ~~(e) as soon as practicable after the date of its publication, full details of any other financial information which the issuer may provide to any other exchange or market;~~
- (2) ~~include either in the interim financial report referred to in rule 15A.21(1)(c) above or in a separate statement delivered at the same time to the Exchange as such interim financial report:— [Repealed [●]]~~
- ~~(a) profits or losses before taxation,~~
  - ~~(b) taxation on profits,~~
  - ~~(c) profits or losses attributable to non-controlling interests,~~
  - ~~(d) profits or losses attributable to shareholders,~~
  - ~~(e) the balance at the end of the period of share capital and reserves, and~~
  - ~~(f) comparative figures for the matters specified in (a) to (e) inclusive for the previous corresponding period;~~
- (3) ~~prepare the interim financial reports and statement referred to in rule 15A.21(1)(c) and (d) and 15A.21(2) in accordance with the issuer's usual accounting policies and procedures; and [Repealed [●]]~~
- (4) ~~publish the financial information referred to in rule 15A.21(1) and (2) above on the Exchange's website and the issuer's own website. [Repealed [●]]~~

15A.22 ~~The Issuer shall be required to provide liquidity in each structured product issue and shall describe in the stand alone listing document or either of the base listing document or supplemental listing document how it proposes to provide that liquidity. The method adopted must be transparent and must be acceptable to the Exchange. [Repealed [●]]~~

**Notes:**

- ~~1. The Issuer must appoint an Exchange Participant (the "Liquidity Provider") to provide liquidity in each structured product issue. Where the Issuer is an Exchange Participant it may be the Liquidity Provider for a structured product issue or it may appoint another Exchange Participant as the Liquidity Provider. In all cases, the Liquidity Provider need not be a member of the Issuer's group. Other than for the purposes of providing back up arrangements there shall be no more than one Liquidity Provider per structured~~

~~product issue. The Issuer may appoint different Exchange Participants to be the Liquidity Providers in different structured product issues. The Liquidity Provider must be identified in the stand alone, base or supplemental listing document. The Issuer must notify the Exchange if it changes the Liquidity Provider.~~

- ~~2. Liquidity may be provided either by means of continuously inputting orders into the Exchange's trading system ("Continuous Quotes") or by entering orders into the Exchange's trading system in response to requests for quotes ("Quote Request"). The method chosen shall be described in the stand alone, base or supplemental listing document. An issuer which has indicated that it will provide liquidity by means of Quote Request is not thereby precluded from fulfilling that obligation by means of Continuous Quotes. An issuer that responds to a Quote Request by agreeing to conduct a cross trade has fulfilled its obligation. An issuer which has indicated that it will provide liquidity by means of Quote Request must include a telephone number for requesting quotes in the stand alone, base or supplemental listing document.~~
- ~~3. The issuer must specify in the stand alone, base or supplemental listing document when it will provide liquidity in its structured products and when it will not provide liquidity in its structured products. In normal circumstances, an issuer shall provide liquidity in structured products it has issued from five minutes after the market has opened until the market closes.~~
- ~~4. The issuer must specify the minimum quantity of structured products for which it will provide liquidity in the stand alone, base or supplemental listing document. An issuer shall provide liquidity for at least 20 board lots of the structured product. An issuer must specify the maximum spread between its bid and offer prices in the stand alone, base or supplemental listing document.~~
- ~~5. An issuer providing liquidity by means of Quote Request must indicate in the stand alone, base or supplemental listing document the time within which it will respond to requests for quotes and shall respond to Quote Requests within that time.~~
- ~~6. Any dealings by the issuer or by the issuer's group (meaning the issuer and any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them), as principal, in structured products that the issuer has listed on the Exchange must be conducted through the Liquidity Provider. A direct business transaction, where an Exchange Participant acts for both buyer and seller, one of whom is a member of the issuer's group, need not be conducted through the Liquidity Provider. A transfer of proprietary ownership of structured products from one member of an issuer's group to another member of the issuer's group is not regarded as dealing for this purpose and should be effected off the Exchange. The Exchange may require an issuer to provide additional transparency for trades conducted by the issuer's group and may prescribe procedures for this purpose from time to time.~~

15A.23 ~~Dealings by the issuer and any of its holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them:~~

- ~~— in structured products between the date of launch and prior to dealings in that structured product commencing on the Exchange, and~~
- ~~— in the right to receive structured products between the date of launch and prior to dealings in that structured product commencing on the Exchange~~

~~must be reported to the Exchange at least one and half hours before trading commences on the Exchange on the day dealings in the structured product commence on the Exchange in a format suitable for publication on the Exchange's website and any other electronic news dissemination system operated by the Exchange from time to time. [Repealed [●]]~~

15A.24 ~~The previous day's dealings by the issuer and any of its holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them, as principal, in structured products that the issuer has listed on the Exchange must be reported to the Exchange at least one and a half hours before trading commences on the Exchange each day in a format suitable for publication on the Exchange's website and any other electronic news dissemination system operated by the Exchange from time to time.~~

~~Note: Transactions shall be included in the report in respect of the day they are entered into the Exchange's trading system. [Repealed [●]]~~

15A.24A ~~An issuer shall not (either directly or indirectly) offer commission rebates or other incentive schemes in respect of structured products that it has issued. A member of an issuer's group that is a securities dealer may offer commission rebates or other incentives to its customers provided that:— [Repealed [●]]~~

~~(i) the commission rebates or other incentives are not limited solely and exclusively to structured products issued by the issuer;~~

~~(ii) any commission rebate or other incentive arising in respect of structured products issued by the issuer will not be recovered directly or indirectly by or on behalf of the securities dealer from the issuer;~~

~~(iii) where the commission rebates or other incentives relate to structured products generally or to a class of structured products any commission rebate or other incentive arising in respect of structured products issued by the issuer is on identical terms to that arising on structured products issued by other issuers; and~~

~~(iv) where the commission rebates or other incentives relate to securities trading generally (including structured products) any commission rebate or other incentive arising in respect of structured products issued by the issuer is on identical terms to that arising on structured products issued by other issuers.~~

~~Note: The Exchange will require issuers to provide periodic declarations of compliance with this requirement by the issuer and its close associates. Any failure by an issuer to comply with this requirement may render that issuer no longer suitable to issue structured products on the Exchange.~~

15A.25 [Repealed 31 December 2023]

15A.26 The Exchange may agree modifications to or impose additional requirements on the issuer and/or the guarantor (if any) as it considers appropriate in a particular case.

### **Structured Products**

15A.27 The structured products for which listing is sought must be issued in conformity with the laws of the place in which they are issued and in which the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents. All authorisations needed for their creation and issue under such laws or documents must have been duly given.

15A.28 ~~Structured products will not normally be considered suitable for listing if they are issued directly or indirectly by a controlling shareholder of or a person who, in the opinion of the Exchange, has effective management control of the company or any of the companies whose securities underlie the structured products. A financial institution whose business includes issuing structured products may be permitted to~~ An issuer shall not list on the

Exchange structured products where the underlying security is or includes securities of that financial institution issuer or members of its group (meaning any of the issuer's holding companies, subsidiaries and fellow subsidiaries) or a company of which the issuer is a controlling shareholder or has effective management control.

- 15A.29 An issuer is prohibited from listing structured products where it; or any of its holding companies, subsidiaries or fellow subsidiaries; or any associated companies of any of them has been retained by a company whose securities will underlie the structured product (or by any of its holding, subsidiary, fellow subsidiary or associated companies) to give advice in relation to a transaction. Where the company whose securities will underlie the structured product is listed on the Exchange, "transaction" refers to matters which would be discloseable to shareholders of the underlying company and the public under Chapters 13, 14 and 14A of the Exchange Listing Rules, the Inside Information Provisions, Rule 3 of the Code on Takeovers and Mergers, or Rule 5 of the Code on Share Buy-backs. Where the company is listed on an overseas exchange, "transaction" refers to matters which would be discloseable under regulations equivalent to those in Chapters 13, 14 and 14A of the Listing Rules, the Inside Information Provisions, Rule 3 of the Code on Takeovers and Mergers, or Rule 5 of the Code on Share Buy-backs. The prohibition ceases to apply where the transaction is abandoned or announced and does not apply where an issuer maintains adequate information management arrangements such as those contemplated in sections 292(2) and 271(2) of the Securities and Futures Ordinance.

### **Single Stock Structured Products Underlying assets**

- 15A.30 Where the structured product relates to a single class of shares or exchange-traded funds ("ETFs"), the structured product may only be listed if at the time of issue of the structured product such class of shares or ETFs is or will become at the same time:–

- (1) ~~listed on the Exchange and is, on the day the structured product is launched, a member of the Hang Seng Index provided that the structured product concerned is a derivative warrant, Equity Linked Instrument or such other type of structured product as may be specified by the Exchange from time to time; or [Repealed [●]]~~
- (2) ~~listed on the Exchange and is, on the day the structured product is launched, a Single Scheduled Stock~~ stock or ETF eligible for the type of structured product proposed to be issued and specified as such by the Exchange pursuant to rule 15A.36(1B). as defined in rule 15A.35 below; In order to be on such list of eligible stocks or ETFs, the capitalisation of shares in the hands of the public ("public float capitalisation") shall be maintained at or above HK\$4 billion (or in the case of ETFs, the assets under management shall be maintained at or above HK\$1 billion) for a qualifying period.

A qualifying period ends on the cut off date for the preparation of the relevant list described in rule 15A.36(1B) and is either (i) a period of 60 consecutive business days during which dealings in the shares of the company or shares or units in the ETF underlying the structured product have not been suspended, or (ii) a period of no more than 70 consecutive business days comprising 60 business days during which dealings in the shares of the company or shares or units in the ETF underlying the structured product have not been suspended and no more than 10 business days during which dealings in the shares of the company or shares or units in the ETF underlying the structured product have been suspended; or

*Note: The Exchange may waive compliance with the above requirement for a stock to be a Single Scheduled Stock where the capitalisation of shares in the hands of the public public float capitalisation (in the case of stocks) or the assets*

under management (in the case of ETFs) exceeds HK\$10 billion. Rules 8.08(1) and 8.24 provide guidance on calculating the number of shares “in the hands of the public.” Shares which are subject to lock up arrangements will not be considered as being in the hands of the public until the lock up arrangements expire. The Exchange may amend or vary the basis of determining which stocks or ETFs may be included in the lists of eligible underlying assets as described in rule 15A.36(1B) where it considers appropriate to do so.

(3) listed or dealt in on another regulated, regularly operating, open stock market recognised for this purpose by the Exchange, and such stocks and ETFs will be specified from time to time in the list of eligible stocks and ETFs described in rule 15A.36(1B).

(a) ~~is required by the laws, regulations or rules of that market to have a minimum number or percentage of shares in the hands of the public and the public float capitalisation of such shares is not less than HK\$4 billion, or~~ [Repealed [●]]

(b) ~~if such market does not impose a requirement to have a minimum number or percentage of shares in the hands of the public, the Exchange may allow the listing of the structured products if the market capitalisation of such shares is not less than HK\$10 billion and the Exchange is satisfied with the liquidity of the market in the shares.~~ [Repealed [●]]

15A.31 ~~Factors which the~~ The Exchange will specify from time to time the factors that it will consider in determining the suitability of structured products which relate to (i) shares stocks and ETFs listed or dealt in on another regulated, regularly operating, open stock market and (ii) other assets. Such stocks, ETFs and other assets will be specified from time to time in the list of eligible underlying assets described in rule 15A.36(1B). ~~include, but are not limited to, the following:—~~

(1) ~~whether the market is regulated on a fair and orderly basis by a body of laws, regulations or rules which are enforced by government or a body having governmental authority, particularly its trading regulations including timely price and volume dissemination;~~ [Repealed [●]]

(2) ~~whether the market has adequate and pre-determined trading hours and days the suspension of which is provided for only by the laws, regulations or rules regulating it;~~ [Repealed [●]]

(3) ~~whether the jurisdiction in which the market is situated restricts foreign investors in the trading of securities listed or dealt in on that market or the remittance of any proceeds from a disposal through, e.g., foreign exchange controls or foreign ownership restrictions;~~ [Repealed [●]]

(4) ~~the quality of the reporting requirements such as the timely reporting of adequate financial information and the price and volume of transactions whether on or off exchange, timely dissemination of inside information and the availability of the foregoing to investors in Hong Kong;~~ [Repealed [●]]

(5) ~~the availability of price information in Hong Kong particularly on a real-time basis; and~~ [Repealed [●]]

(6) ~~the arrangements by the issuer for requesting suspension of trading in the structured products whenever trading in the underlying securities or assets are suspended in the market on which such securities or assets are listed or dealt in.~~ [Repealed [●]]



## Baskets

15A.32 ~~Where the basket relates to shares listed on the Exchange: [Repealed [●]]~~

- ~~(1) each class of shares in the basket must be eligible in accordance with rule 15A.30(1) or rule 15A.30(2) or must be a Basket Scheduled Stock eligible for the type of structured product proposed to be issued as defined in rule 15A.35 below; and~~
- ~~(2) the minimum weighting for each constituent share in a basket shall be as set out below, unless each share in the basket is eligible in accordance with rule 15A.30(1) or rule 15A.30(2) in which case the minimum weightings shall not apply:~~

Number of underlying securities _____	Minimum weighting of _____
comprised in a basket _____	each constituent share _____

Two _____	25.0%
Three _____	12.5%
Four or more _____	10.0%, and

~~Note: Weightings for constituent shares in a basket are calculated in accordance with rule 15A.32(3)(b) below.~~

- ~~(3) where any share in the basket is a Basket Scheduled Stock, as defined in rule 15A.35 below:~~
- ~~(a) the weighting of shares of that class per basket (calculated and expressed as a percentage in accordance with the formula below) shall not exceed~~
- ~~(i) 20% in the case of Category 1 Basket Scheduled Stocks;~~
- ~~(ii) 30% in the case of Category 2 Basket Scheduled Stocks; and~~
- ~~(iii) 45% in the case of Category 3 Basket Scheduled Stocks.~~

~~(b) Weighting =  $\frac{N \times M}{P} \times 100$~~

~~where:~~

~~N: is the number of shares (whether a whole or a fraction) of that class per basket,~~

~~M: is the closing price of one share of the class in N, and~~

~~P: is the total market value of all of the shares of each class per basket obtained by multiplying the number of shares (whether a whole or a fraction) of each class therein by their respective closing prices.~~

- ~~(c) The closing price referred to in M and P above shall be the closing price as derived from the Daily Quotation Sheet of the Exchange on the business day prior to the date of launch of the basket.~~

15A.33 ~~Where the basket is comprised of: [Repealed [●]]~~

- ~~(1) shares which are not listed on the Exchange each share in the basket must meet the~~

requirements set out in rule 15A.30(3) above, the basket must comprise no more than ten shares and minimum and maximum weightings shall not apply; or

~~(2) other securities, indices or assets the weighting of each of the securities, indices or assets in the basket must first be approved by the Exchange.~~

15A.34 ~~The underlying shares of a basket must be such that it allows the holders to gain exposure to a sector, industry, market or other theme recognizable by investors. [Repealed [●]]~~

### **~~Single Scheduled Stocks and Basket Scheduled Stocks~~**

15A.35 ~~(1) The Exchange will publish a schedule (the "Stock Eligibility Schedule") of those stocks that are listed on the Exchange, which are eligible for structured product issuance and indicate whether the Exchange has imposed any restrictions on the types of structured product for which those stocks are eligible. The Stock Eligibility Schedule will generally be published at approximately quarterly intervals. The stocks appearing on the Stock Eligibility Schedule will be divided in to two categories: Single Scheduled Stocks and Basket Scheduled Stocks.~~

~~(2) Single Scheduled Stocks are those which are eligible as underlying securities for structured products issued over either a single class of shares or over a basket of shares. Basket Scheduled Stocks are those which are only eligible as underlying securities for structured products issued over a basket of shares.~~

~~(3) Basket Scheduled Stocks are further divided into Category 1 Basket Scheduled Stocks, Category 2 Basket Scheduled Stocks and Category 3 Basket Scheduled Stocks. These classifications determine the maximum weightings of these stocks as provided in rule 15A.32(3) above. [Repealed [●]]~~

#### **~~Notes:~~**

~~(1) The Exchange will generally prepare the Stock Eligibility Schedule as set out below but may amend or vary the basis of preparation where it considers it appropriate to do so.~~

~~(2) Single Scheduled Stocks are those where the capitalisation of such shares in the hands of the public ("public float capitalisation") is at least HK\$4 billion. Basket Scheduled Stocks are those where the public float capitalisation is at least HK\$1 billion.~~

~~(3) The public float capitalisation requirements of HK\$4 billion and HK\$1 billion for shares underlying a structured product must be maintained for a qualifying period. A qualifying period ends on the cut off date for the preparation of the Stock Eligibility Schedule and is either:~~

~~(i) a period of 60 consecutive business days during which dealings in the shares of the company underlying the structured product have not been suspended; or~~

~~(ii) a period of no more than 70 consecutive business days comprising 60 business days during which dealings in the shares of the company underlying the structured product have not been suspended and no more than 10 business days during which dealings in the shares underlying the structured product have been suspended.~~

~~(4) Rules 8.08(1) and 8.24 provide guidance on calculating the number of shares "in the hands of the public." Shares which are subject to lock up arrangements will not be considered as being in the hands of the public until the lock up arrangements expire.~~

~~(5) The public float capitalisation as at the cut off date for preparation of the Stock Eligibility~~

~~Schedule will be used to classify Basket Scheduled Stocks into Category 1, Category 2 or Category 3 Basket Scheduled Stocks as follows:~~

- ~~(i) stocks with a public float capitalisation of HK\$1 billion up to and including HK\$2 billion will generally be classified as Category 1 Basket Scheduled Stocks;~~
- ~~(ii) stocks with a public float capitalisation of above HK\$2 billion up to and including HK\$3 billion will generally be classified as Category 2 Basket Scheduled Stocks; and~~
- ~~(iii) stocks with a public float capitalisation of above HK\$3 billion but less than HK\$4 billion will generally be classified as Category 3 Basket Scheduled Stocks.~~

### Terms and Conditions

- 15A.36 (1) Structured products listed or to be listed on the Exchange shall be subject to the terms and conditions (including but not limited to issue price, expiry period, entitlement ratio, market capitalisation, settlement and valuation method) approved by the Exchange. Modifications to terms and conditions must be approved by the Exchange. Product issuance shall be subject to the permitted product terms for each product type published from time to time by the Exchange. The terms and conditions set out herein are not exhaustive. ~~The Exchange's requirements in respect of minimum issue price and minimum period between listing and expiry or maturity are modified in the case of Emulation Issues.~~ The structured products for which listing is sought must be freely transferable.
- (1A) Structured products may relate to a single class of shares (or ETF) or a basket of shares (or ETFs). The Exchange will publish, as part of the permitted product terms, the criteria for shares and ETFs listed on the Exchange that are eligible as underlying securities for issuance over a single class of shares (or ETF) and a basket of shares (or ETFs). For structured products relating to the same underlying securities listed on the Exchange, the Exchange may limit the number of such products which expire or mature on any one day.
- (1B) For each type of structured products, the Exchange will prepare and publish lists of eligible underlying assets (approximately quarterly or at shorter intervals as the Exchange may determine in the case of stocks and ETFs listed on the Exchange and from time to time in the case of other assets). The Exchange may from time to time publish further lists of stocks and ETFs listed on the Exchange that become eligible underlying assets between two scheduled publications. Issuers may only issue structured products relating to the underlying assets that are approved and specified as such from time to time by the Exchange. Notwithstanding the foregoing, the Exchange may impose restrictions and conditions on the issuance of structured products linked to any eligible underlying assets. Issuers should seek approval from the Exchange before issuing structured products relating to other assets that have not been approved or specified as such by the Exchange.
- (2) ~~An Emulation Issue~~ emulation issue is a structured product whose product terms (except for issue price and issue size), underlying asset and type (e.g. put or call) are required to be identical to an existing structured product (the "emulated issue") that is already-listed on the Exchange at the time the ~~Emulation Issue~~ emulation issue is launched. ~~The expiry or maturity date of the Emulation Issue may be up to five business days before or after that of the emulated issue. Where the underlying asset of the Emulation Issue is a security listed on the Exchange (or listed on another exchange) the exercise or strike price of the Emulation Issue may differ by no more than one spread in the underlying security from that of the emulated issue or by no more than~~



0.5% in other cases.

15A.37 ~~The structured products for which listing is sought must be freely transferable. [Repealed [●]]~~

15A.38 (1) ~~Derivative warrants must normally expire or mature not less than 6 months from the date of listing. Emulation Issues (as defined in rule 15A.36(2)) must normally expire or mature not less than three months from the date of listing.~~

(2) ~~Equity Linked Instruments must normally expire or mature not less than 28 days from the date of listing and not more than two years from the date of listing.~~

(3) ~~For other structured products the minimum period between the date of listing and the expiry or maturity date shall be as agreed by the Exchange.~~

(4) ~~The requirements in relation to the minimum period between date of listing and expiry or maturity date do not apply to Further Issues (as defined in rule 15A.52).~~

(5) ~~Structured products (except Equity Linked Instruments) shall expire or mature no more than five years from the date of listing.~~

*Note: For structured products relating to the same underlying securities listed on the Exchange, the Exchange may limit the number of such products which expire or mature on any one day. [Repealed [●]]*

15A.39 ~~The expected market capitalization of a structured product issue must normally be at least HK\$10 million. [Repealed [●]]~~

15A.40 ~~Structured products relating to shares (or other securities) shall normally be issued in the ratio of one, five, ten, 50, 100 or 500 structured products for one share (or other security); or one structured product for one, ten or 100 shares (or other security). The Exchange may permit other ratios, where the number of structured products for one share (or other security), or the number of shares (or other security) for one structured product is an integral power of ten, for structured products other than derivative warrants. [Repealed [●]]~~

15A.41 ~~When the underlying securities of a structured product (excluding baskets) are normally traded in board lots, the board lots of the structured product at the time of listing shall be such that on exercise or maturity of one board lot of the structured product, the holder of that structured product is entitled to a whole number of board lots of the underlying securities. Structured products that provide for settlement wholly in cash may be issued such that one board lot of the structured product on exercise or maturity entitles the holder to one tenth of a board lot of the underlying security. [Repealed [●]]~~

15A.42 ~~The trading board lot of structured products relating to index, currency or a basket of shares must be 10,000. [Repealed [●]]~~

15A.43 ~~The minimum issue price of a structured product must be not less than HK\$0.25. The minimum issue price does not apply to the following:—~~

(1) ~~Further Issues (as defined in rule 15A.52).~~

(2) ~~Emulation Issues (as defined in rule 15A.36(2)) which are subject to a minimum issue price of HK\$0.15. [Repealed [●]]~~

15A.44 (1) The issuer must, at the time of launch, specify the settlement method of the structured product upon exercise or maturity. Options for the issuer to elect for settlement either in shares or cash, upon exercise (or maturity) of the structured product will not be

acceptable.

- (2) Options for the issuer to elect for settlement either in shares or cash, upon exercise (or maturity) of the structured product will not be acceptable. [Repealed [●]]
- (3) Options for the holder of an Equity Linked Instrument to elect for settlement in either shares or cash on maturity will not be acceptable. [Repealed [●]]

*Note: [Repealed [●]] The terms and conditions for Equity Linked Instruments must provide that if the Equity Linked Instrument provides for settlement in shares the holder on maturity shall receive a cash amount from the issuer in relation to any number of underlying shares which is less than one board lot. The terms and conditions of other structured products that provide for settlement by delivery of shares may provide that the holder, upon exercise (or maturity) of the structured product, shall receive a cash amount from the issuer in relation to any number of underlying shares which is less than a board lot. In all cases the cash amount shall be delivered as soon as practicable.*

15A.45 A structured product relating to securities not listed on the Exchange must be settled wholly in cash. Where the structured product is traded on the Exchange in Hong Kong dollars, settlement shall be in Hong Kong dollars. [Repealed [●]]

15A.46 In relation to structured products which are, or which may be, settled by delivery of the underlying securities or assets the terms and conditions must:—

- (1) where the issuer transfers the underlying securities or assets to the holder of the structured product, treat the holder as the beneficial owner of the underlying securities or assets and entitled to all rights, enjoyment, entitlement and benefit in respect thereof which exists as at or which arises as from the date such holder pays the exercise price, if any, and the delivery expenses, if any, (including any stamp duty on the transfer of securities) in accordance with the terms and conditions; and
- (2) where the holder transfers the underlying securities or assets to the issuer, treat the issuer as the beneficial owner of the underlying securities or assets and entitled to all rights, enjoyment, entitlement and benefit in respect thereof which exists as at or arises as from the date the issuer pays to a holder the cash settlement amount; and
- (3) provide for either settlement by physical delivery of documents of title (including certificates in the name of the holder or its nominee) to the holder (or its nominee) or settlement by way of electronic transfer through CCASS or other settlement platforms approved by the Exchange within such period following a valid exercise as shall be agreed to by the Exchange.

15A.47 In relation to structured products over securities or assets which are to be settled wholly in cash:—

- (1) ~~where there is only one Valuation Point (see rule 15A.05(3)) the valuation method for determining the amount of the cash settlement on expiry or maturity shall be:—~~
  - ~~(a) in the case of derivative warrants relating to securities listed on the Exchange, the average of the closing prices of the underlying securities (as derived from the Daily Quotation Sheet of the Exchange, subject to any adjustments as may be necessary to such closing prices to reflect any capitalisation, rights issue, distribution or the like) for the 5 business days prior to and up to and including the business day before the expiry or maturity date;~~
  - ~~(b) in the case of other structured products or where the structured product relates to~~

~~securities which are not listed on the Exchange or to other assets, such formula as shall be permitted by the Exchange from time to time; and [Repealed [●]]~~

- ~~(2) Where there are two or more Valuation Points the valuation method for determining the amount of the cash settlement on expiry or maturity shall be such formula as shall be permitted by the Exchange; [Repealed [●]]~~
- ~~(3) Where a structured product is exercised prior to maturity or expiry the valuation method for determining the cash settlement amount shall be:
  - ~~(a) in the case of structured products relating to securities listed on the Exchange, the closing price of the underlying security (as derived from the Daily Quotation Sheet of the Exchange) on the day that the structured product is exercised, provided that the product is exercised before the earlier of the commencement of the morning trading session or any pre-opening session on that day. If the product is exercised after such time, the closing price (as derived from the Daily Quotation Sheet of the Exchange) on the day following the day that the structured product is exercised shall be used;~~
  - ~~(b) in the case of other structured products such method as shall be permitted by the Exchange; [Repealed [●]]~~~~
- ~~(4) the net cash settlement to be paid to the holder within such period following a valid exercise as shall be agreed to by the Exchange. An exercising holder shall not be required to deliver the exercise money at the time of exercise; and~~
- ~~(5) the terms and conditions must provide for automatic settlement exercise on expiry or maturity (i.e., so that holders are not required to serve a notice of exercise) if the structured products are “in the money” at expiry or maturity.~~

### **Collateralised Structured Products**

15A.48 In addition to the other requirements which apply generally to structured products, the following requirements apply to an issuer of collateralised structured products must:-

- ~~(1) demonstrate that the proposed security arrangements must be are for the benefit of and must adequately protect the interests of holders of the structured product. In particular, the underlying securities or assets (or rights to acquire the underlying securities or assets) collateral must normally be held as security for the performance of the issuer's obligations under the collateralised structured product by an independent trustee, custodian or depositary or such other party as agreed by the Exchange (“collateral holder”) for the benefit of holders of the structured product;~~
- ~~(2) the collateral must be clearly identified, properly segregated and ring-fenced for the benefit of the holders in respect of each series or tranche of the relevant structured product from all other series or tranches issued by the same issuer grant a charge over such securities or assets in favour of an independent trustee, custodian or depositary on behalf of holders of the structured product to secure the issuer's obligations to deliver such securities or assets upon valid exercise of the collateralised structured products; and~~
- ~~(3) deposit such securities or assets with the trustee, custodian or depositary in order to secure performance by the issuer of such obligations and authorise the trustee, custodian or depositary to deliver the underlying securities or assets to holders of the structured product upon valid exercise of the collateralised structured product in the event that the issuer is unable to discharge its obligations under the collateralised structured products; and [Repealed [●]]~~

- (4) ~~provide a warranty to the trustee, custodian or depositary for the benefit of holders of the structured product that the underlying securities or assets collateral are must be unencumbered, that the securities or assets collateral are being must be held by the trustee, custodian or depositary collateral holder for the benefit of holders of the structured product and that the issuer will must, upon a valid exercise in the event that it is unable to discharge its obligations under the collateralised structured products, be able to convey to holders of the structured product good title to the underlying securities or assets collateral free from all claims, charges, encumbrances, liens, equities and other third party rights whatsoever.~~

*Note: The requirements set out in rule 15A.48 are not intended to be exhaustive. The Exchange may impose additional requirements in a particular case (including but not limited to a Further Issue as defined in rule 15A.52 below).*

15A.49 For the purposes of rule 15A.48 the Exchange will normally require the ~~trustee, custodian or depositary collateral holder~~ to be:–

- (1) a bank licensed under section 16 of the Banking Ordinance;
- (2) a trust company which is a subsidiary of such a bank; or
- (3) ~~a trust company registered under Part VIII of the Trustee Ordinance; or [Repealed [●]]~~
- (4) a banking institution or trust company incorporated outside Hong Kong which is acceptable to the Exchange.

However, the Exchange may in exceptional cases accept an alternative person to be ~~trustee, custodian or depositary collateral holder~~.

15A.50 In the case of an issue of collateralised structured products, in addition to the legal opinions required under rule 15A.17A, the issuer must submit to the Exchange legal opinions acceptable to the Exchange from legal advisers in such jurisdictions as the Exchange shall require, confirming: upon

- (1) the validity and legally binding effect and enforceability of the proposed trust or other security arrangements and that they are enforceable in accordance with their terms;
- (2) all authorisations needed for the proposed trust or other security arrangements under the laws of the place in which the security provider is incorporated or otherwise established and the security provider's memorandum and articles of association or equivalent documents have been duly given; and
- (3) such other matter as the Exchange shall require depending on the circumstances of the issuer and/or the security provider.

The required legal opinions must be submitted to the Exchange in draft form at the time of submission to the Exchange of the first draft of the base listing document or stand alone listing document and a copy in its final form must be submitted to the Exchange on the date of publication of the base listing document or stand alone listing document.

### **Disclosure of Agreements**

15A.51 An issuer must disclose to the Exchange any agreement, arrangement or understanding (direct or indirect) in place at the date of structured product issue between the issuer ~~and~~ or any member of the issuer's its group (meaning ~~the issuer and~~ any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated company of any of

them) and any substantial shareholder of the company whose securities underlie the structured product.

### **Further Issue**

15A.52 An issuer may ~~make issue~~ a further issue or issues of structured products ("Further Issue") to form a single series with a structured product ("Existing Issue") which has been approved for listing by the Exchange. An issuer shall not issue a Further Issue unless it has applied for its listing. The issuer must comply with the following requirements for a Further Issue:

- (1) ~~An issuer must demonstrate that the~~The terms and conditions of the Existing Issue ~~either permit the Further Issue so as to form a single series with the Existing Issue or have been properly amended so that the right to issue one or more Further Issues is created.~~
- (2) The terms and conditions of the Further Issue and the Existing Issue must be identical.
- (3) ~~Drafts of the supplemental agreements amending the instrument, the registrar's agreement or other documents relating to the Existing Issue must be submitted to the Exchange for review.~~ [Repealed [●]]
- (4) ~~The issuer shall have regard to the prevailing market conditions and the interests of the holders of the Existing Issue when determining the issue price of the Further Issue.~~ [Repealed [●]]
- (5) An issuer may only launch a Further Issue when it holds, at the date of the launch of the Further Issue, no more than 50% of the Existing Issue. An issuer may retain up to 100% of the Further Issue at launch. In calculating the proportion of the total issue retained by an issuer, structured products held by any member of the issuer's group (meaning the issuer and any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated company of any of them) for the account of the issuer or for their own respective accounts shall be counted as belonging to the issuer.
- (6) ~~Approval to the listing of a Further Issue may be granted by the Executive Director Listing. The Executive Director Listing may delegate this power within the Listing Division.~~ [Repealed [●]]
- (7) ~~The application procedure for the listing of a Further Issue will follow the same procedure as a listing of structured products. The issuer shall publish a formal announcement regarding the launch of the Further Issue as prescribed in rule 15A.59.~~ [Repealed [●]]
- (8) The listing fee prescribed in the Fees Rules for an issue of structured products is applicable and shall be paid by the issuer to the Exchange in respect of each Further Issue.
- (9) ~~Where there is a change to the information in the listing document (including any supplemental listing document) for the Existing Issue, a further listing document, which may take the form of a supplemental listing document, must be prepared.~~ [Repealed [●]]

### **Marketing of Structured Products**

15A.53 An issuer may, ~~prior to or during the launch of an issue of structured products and subject to compliance with all relevant laws, regulations, and rules and guidelines,~~ release publicity material in relation to an issue of ~~such~~ structured products.

- 15A.54 ~~Issuers are reminded that legislation may apply to the marketing of some structured products to the public in Hong Kong. [Repealed [●]]~~

### **Application Procedures and Requirements**

- 15A.55 An applicant must obtain the Exchange's clearance as to its suitability and the suitability of the structured product for which listing is sought prior to the launch of that structured product. Clearance on the suitability of a structured product may be obtained by submitting an indicative term sheet, setting out the principal features of that structured product, to the Exchange for its consideration.
- 15A.56 A listing of structured products pursuant to this Chapter must be supported by a listing document. An issuer may use a base listing document (as may be supplemented by a supplementary listing document from time to time) supported by a supplemental listing document (see rules 15A.68 to 15A.70) or a "stand alone" listing document.
- (1) An issuer using a base listing document may not launch ~~be restricted from launching~~ structured products until the base listing document has been finalised. One copy of each of the English language version and the Chinese language version of the publication version of the base listing document (dated and signed by a duly authorised officer of the issuer) must be submitted to the Exchange.
- (2) An issuer using a stand alone listing document (which shall be dated and signed by a duly authorised officer of the issuer) may not launch ~~be restricted from launching~~ the structured products to which that listing document relates until the Exchange has reviewed a draft of the such listing document in a reasonably advanced form that is substantially complete except in relation to commercial or other information that by its nature can only be finalised and incorporated at a later date.
- 15A.57 An issuer may launch an issue of structured products relating to securities listed on the Exchange before trading on the Exchange on the day of launch has ceased. ~~An issuer may also make any announcement relating thereto before trading on the Exchange on the day of launch has ceased.~~
- 15A.58 A ~~formal announcement~~ stand alone listing document or supplemental listing document (to be read with a base listing document) ~~stating the information set out in rule 15A.59~~ must be published on the Exchange's website once the Exchange has confirmed it has no comments ~~thereon~~ as soon as possible practicable after the structured products are launched and no later than the first business day following the day upon which the structured products are launched.
- 15A.59 ~~A formal announcement must include at least the following: [Repealed [●]]~~
- ~~(1) the full name and country of incorporation or other establishment of the issuer (and the guarantor, if any);~~
- ~~(2) the nature, amount and title of the structured products for which listing is sought (Note);~~
- ~~Note: The description of the structured product must indicate the nature of the product as follows:~~*
- ~~(a) type (e.g. call, put or other)~~
- ~~(b) single or basket~~
- ~~(c) style (e.g. American, European or other)~~



~~(d) underlying~~

~~(e) settlement method.~~

~~(3) the date of publication of the announcement;~~

~~(4) a statement that the formal announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the structured products;~~

~~(5) a disclaimer statement as follows ("prescribed form"):~~

~~"Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.";~~

~~(6) where the structured products are to be settled wholly in cash:—~~

~~(a) details of the formula for calculating the cash settlement amount; and~~

~~(b) a statement that the products will be automatically settled on the expiry date or maturity date without the need for holders of the products to deliver a notice of exercise;~~

~~(7) a summary of the terms of the structured product including (where applicable) the issue price, the strike price or level, the exercise period or date and the expiry or maturity date;~~

~~(8) for derivative warrants, the implied volatility, gearing, effective gearing and premium of the product with a note indicating that these values may not be comparable to similar information provided by other issuers. For Equity Linked Instruments, yield of the Equity Linked Instrument or other relevant information as the Exchange shall require. For other structured products, such information as the Exchange shall require;~~

~~(9) a statement whether the issuer (and the guarantor, if any) is regulated by a body specified in rule 15A.13(2), (3) or (4);~~

~~(10) in the case of a guaranteed issue, a statement that the obligations of the issuer are unconditionally and irrevocably guaranteed by the guarantor;~~

~~(11) where applicable, a statement that the structured products constitute general unsecured obligations of the issuer (and the guarantor, if any);~~

~~(12) a statement that application has been made to the Exchange for listing of and permission to deal in the structured products and the expected date of commencement of dealings in the structured products;~~

~~(13) the web site at which the listing document will be available to the public;~~

~~(14) if applicable, the name of the sponsor/manager, distributor(s) or placing agent(s);~~

~~(15) if applicable, the credit rating of the issuer (and the guarantor, if any);~~

~~(16) the name and broker number of the Liquidity Provider appointed to provide liquidity for~~

~~the structured product;~~

~~(17) the method (i.e. Continuous Quotes or Quote Request) by which liquidity will be provided for the structured product;~~

~~(18) where liquidity is provided by Quote Request a telephone number for requesting quotes;~~

~~(19) in the case of a Further Issue, the following additional information:~~

~~(a) the number of units of the Further Issue to be issued;~~

~~(b) the issue price of the Further Issue;~~

~~(c) the closing price of the Existing Issue on either the day on which the Further Issue is launched or, if the Further Issue is launched before trading on the Exchange has ceased for the day, the day preceding the day on which the Further Issue is launched;~~

~~(d) a statement that the Further Issue forms a single series with the Existing Issue; and~~

~~(20) such other information as the Exchange shall require.~~

*~~Note: An announcement may contain the prescribed information in respect of more than one structured product issue provided that all the structured product issues were launched on the same day.~~*

15A.60 The application procedure for the listing of a Further Issue will follow the same procedure as a listing of Existing Issue, except that in relation to a Further Issue where the Existing Issue is non-collateralised and issued pursuant to a base listing document, the supplemental listing document may contain only the information set out in paragraph 31 of Appendix D1D. A formal announcement containing the information in rule 15A.59 must be made in respect of any Further Issue.

15A.61 [Repealed 1 September 2008]

15A.62 ~~An issuer is not required to submit a listing application form in accordance with rule 9.03.~~  
[Repealed [●]]

15A.63 The items referred to below must be lodged with the Exchange for review as soon as practicable after the structured product is launched to allow sufficient time for review and clearance by the Exchange before the proposed listing date:

(1) a draft of the supplemental or ~~stand-alone~~ stand alone listing document in ~~reasonably advanced form, with full details of the terms and conditions of the structured products, marked in the margin to indicate compliance with the requirements of this Chapter and Appendix D1D;~~ and

(2) ~~a completed checklist (obtainable from the Exchange) which specifies the information required by this Chapter and Appendix D1D regarding the issuer and the issue.~~  
[Repealed [●]]

15A.64 The following documents must be supplied to the Exchange as soon as practicable after the launch of the structured product but before the listing of the structured product:–

(1) completed application form available from the Exchange signed by a duly authorised officer of the issuer; and



- (2) a remittance in respect of the listing fee, levy and trading fees as determined pursuant to the Fees Rules;
- (3) ~~each of the English language version and the Chinese language version of the publication version of the supplemental or stand alone listing document; [Repealed [●]]~~
- (4) [Repealed 31 December 2023]
- (5) ~~in the case of a stand alone listing document in respect of a guaranteed or collateralised issue, legal opinions required pursuant to rules 15A.19 and 15A.50 respectively. In the case of a supplemental listing document supporting a base document in respect of a collateralised issue, the legal opinion required by 15A.50. [Repealed [●]]~~
- (6) [Repealed 31 December 2023]
- (7) [Repealed 31 December 2023]

### Placing

- 15A.65 Where structured products are listed on the Exchange by way of a placing, the guidelines set out in Appendix F1 shall not apply.

### Listing Documents

- 15A.66 ~~A listing of structured products pursuant to this Chapter must be supported by a listing document.~~ Listing documents (including any base listing document, stand alone listing document, supplemental listing document or supplementary listing document) must contain all of the specific items of information which are set out in this Chapter and Appendix D1D and must, as an overriding principle, contain such particulars and information necessary to enable an investor to make an informed assessment of the assets and liabilities and financial position of the issuer and the guarantor (if any) and of the structured products. The Exchange may require the inclusion in the listing document of such additional or alternative items of information as it considers appropriate. Conversely, the Exchange may be prepared to permit the omission or modification of certain items of information if, in its absolute discretion, it considers it appropriate. Issuers who wish to omit any of the prescribed information should consult the Exchange at the earliest opportunity.
- 15A.67 An issuer may use a “base listing document” containing the information required by this Chapter and Appendix D1D in relation to the issuer and the structured products and which the issuer considers will apply generally in respect of all structured products or in relation to a particular type of structured product in respect of which listing is sought on the Exchange during such period in which the base listing document is valid. Such base listing document may be updated by a supplemental listing document or a supplementary listing document from time to time.
- 15A.68 If an issuer uses a base listing document (as may be supplemented by a supplementary listing document from time to time), it shall be supported by a “supplemental listing document” containing the information required by this Chapter and Appendix D1D and which the issuer considers is specific to the structured product in respect of which listing is sought.
- 15A.69 The base listing document, ~~and the supplemental listing document~~ and the supplementary listing document must together contain all the information required by this Chapter and Appendix D1D in relation to the issuer, the guarantor (if any), their respective holding company that is relied upon by the issuer or the guarantor (if any) for eligibility assessment under rule 15A.13(1) and the structured products. ~~The supplemental listing document must contain a declaration by the issuer that the information contained in the base listing~~

~~document is up to date and is true and accurate as at the date of the supplemental listing document or include details of any changes to the information contained in the base listing document.~~

15A.70 A base listing document shall be valid for a period of 12 months from the date on which it is published or (if earlier) until such date as the issuer ~~publishes~~submits its annual financial statements ~~accounts to the Exchange~~ in accordance with ~~rule 15A.21~~paragraph 5(1)(a) of Appendix E5 whereupon an issuer must file a further base listing document. A base listing document may not be amended without the prior approval of the Exchange. A base listing document may be amended to allow the inclusion of ~~Interim Reports~~interim reports or quarterly reports.

15A.71 If, at any time after the issue of the listing document (~~including any base listing document, stand alone listing document or supplemental listing document~~) and before the commencement of dealings in the structured products for which listing is sought, the issuer becomes aware that:–

(1) there has been a significant change affecting any matter contained in the listing document; or

(2) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be included in such listing document if it had arisen before such listing document was issued,

the issuer (unless the Exchange agrees otherwise) shall, as soon as practicable, submit to the Exchange for its review a supplementary listing document giving details of the change or new matters. For this purpose “significant” means significant for the purpose of making an informed assessment of the matters mentioned in rule 15A.66.

15A.72 No amendment to the final proof of the listing document (~~including any base listing document, stand alone listing document, supplemental listing document or supplementary listing document~~) shall be made without the prior consent of the Exchange.

15A.73 A listing document (~~including any base listing document, stand alone listing document, supplemental listing document or supplementary listing document~~) shall not be issued until the Exchange has confirmed to the issuer that it has no comments ~~thereon~~. Listing documents must be published on the Exchange’s website as soon as practicable after the Exchange has confirmed it has no comments.

15A.74 Every issuer is required to accept responsibility for the information contained in a listing document (~~including any base listing document, stand alone listing document, supplemental listing document or supplementary listing document~~) and every guarantor is required to accept responsibility for the information in relation to the guarantor contained in a listing document and, unless otherwise required by law, this statement may be given on a corporate basis.

15A.75 A listing document may include illustrations of a pictorial or graphic nature provided that such illustrations are not misleading or likely to mislead in the form and context in which they are included.

15A.76 Any base listing document in respect of structured product issues, stand alone listing document or supplemental listing document in respect of a specific structured product, that is a prospectus must be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The procedures for registration are set out in Chapter 11A and rule 9.11(33). The requirement to notify the Exchange at least 14 days in advance of the date on which it is proposed to register a prospectus, set out in rule 11A.09, will not apply in the cases of supplemental listing documents.

## **Documents of Title and Admission into CCASS**

- 15A.77 ~~Subject to rule 15A.81, structured products may be represented by global or definitive documents of title, which may be in bearer or registered form. Equity Linked Instruments shall be represented by a global document of title, in registered form. Alternative forms of documents of title and alternative settlement arrangements may be used by agreement with the Exchange.~~
- 15A.78 Subject to rule 15A.77 and rule 15A.81, structured products must be Eligible Securities from the date on which dealings in them are to commence.
- 15A.79 ~~An issuer shall ensure that all necessary arrangements are made in order to comply with rule 15A.78 above. The Exchange may, in its absolute discretion, waive compliance with this rule. [Repealed [●]]~~
- 15A.80 ~~An issuer shall ensure, so far as it is able, that its structured products remain Eligible Securities. [Repealed [●]]~~
- 15A.81 ~~Alternative forms of documents of title and alternative settlement arrangements may be used by agreement with the Exchange. The Exchange should be consulted at the earliest opportunity if alternative forms of documents of title or alternative arrangements are proposed. [Repealed [●]]~~

## **~~Expiry or Maturity of Structured Products~~**

- 15A.82 ~~(1) Except as provided below an issuer shall, not less than 7 business days prior to the expiry or maturity date in relation to any of its structured products, publish on the Exchange's website a notice containing, inter alia, the following: [Repealed [●]]~~
- ~~(a) the date of expiry or maturity, the last expected date of dealings and the date of withdrawal from listing of the structured products;~~
- ~~(b) if applicable, the exercise price;~~
- ~~(c) if applicable, the method of calculation of the cash payment;~~
- ~~(d) the expected date of payment or delivery (as the case may be);~~
- ~~(e) the most recent closing price of the underlying security or asset; and~~
- ~~(f) such other information as the Exchange shall require.~~
- ~~(2) An issuer shall not be required to publish a notice in respect of a structured product expiring or maturing on its normal expiry or maturity date if the terms and conditions in respect of that structured product provide for net cash settlement on an automatic basis (i.e. without the holder serving an exercise notice).~~
- ~~(3) The notice in respect of the expiry or maturity of a structured product arising as a consequence of a mandatory call event (a "knockout") shall be published on the day the mandatory call event occurs.~~

## **Withdrawal of Listing**

- 15A.83 An issuer may apply to withdraw the listing of a structured product prior to its expiry or

maturity if the structured product is held entirely by the issuer or members of the issuer's its group (including any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated company of any of them).

- 15A.84 Where a structured product has been fully exercised prior to expiry or maturity, an issuer is required to notify the Exchange of the full exercise as soon as practicable so that the Exchange may delist the structured product accordingly.

#### **~~Trading halt or suspension of trading~~**

- 15A.85 ~~In addition to rules 6.02 to 6.10 and 13.10A, and other relevant provisions of the Listing Rules, where the securities or assets underlying structured products listed on the Exchange are halted or suspended from trading for whatever reason on the market on which they are listed or dealt in (including the Exchange), trading on the Exchange in structured products relating to such securities or assets must also be halted or suspended. [Repealed [●]]~~
- 15A.86 ~~The Exchange shall, save in exceptional circumstances, suspend from trading on the Exchange baskets which have one or more of their underlying securities suspended from trading in the market or exchanges on which such suspended security or securities are listed and the value or aggregate value of such suspended security or securities represents 30 per cent ("Specified Percentage") or more of the total value of all securities comprised in the basket, or such other Specified Percentage as announced by the Exchange from time to time. The value of the suspended security or securities shall be determined by reference to the price of such securities immediately prior to their suspension on the market or exchanges in which they are listed. [Repealed [●]]~~

#### **Register**

- 15A.87 If the structured product is to be represented by definitive documents of title in registered form, the issuer must be an approved share registrar or employ an approved share registrar to maintain the register.

#### **Listing Fees**

- 15A.88 ~~Details of the listing fee are set out in the Fees Rules. [Repealed [●]]~~

#### **Authorised Representatives**

- 15A.89 Every issuer is required to appoint two authorised representatives in accordance with rules 3.05 to 3.07 save that one of the two authorised representatives must be a senior officer of the issuer or the guarantor (if any) and the other one must be a senior officer of the compliance department of the issuer or the guarantor (if any).

...

#### **Appendix D1D**

#### **Contents of Listing Documents**

#### **Structured Products**

*Note: A stand alone listing document in relation to a structured product issue should contain all the information required by this Appendix. A base listing document and supplemental listing document (each as may be supplemented from time to time) should, between them, contain all the information set out in this Appendix. In the case of a guaranteed issue, references in this Appendix to the "issuer" should be read as applying equally to the guarantor.*

## General Information

1. Each base listing document, stand alone listing document, ~~or~~ supplemental listing document or supplementary listing document shall on the front cover or inside front cover contain the following prominent and legible statements:–

- (a) “Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.”;
- (b) “This document, for which the issuer [and the guarantor] accept[s] full responsibility [(in the case of the guarantor, only in respect of the information in relation to the guarantor [and (the guarantor’s holding company that it relies on for eligibility assessment under rule 15A.13(1))] in such document)], includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer [and the guarantor] [and (the holding company relied upon for eligibility assessment under rule 15A.13(1))]. The issuer [and the guarantor], having made all reasonable enquiries, confirm[s] that to the best of [its] [their] knowledge and belief the information contained in this document [(in the case of the guarantor, only in respect of the information in relation to the guarantor [and (the guarantor’s holding company that it relies on for eligibility assessment under rule 15A.13(1))]]] is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document [(in the case of the guarantor, only in respect of the statement and information in relation to the guarantor [and (the guarantor’s holding company that it relies on for eligibility assessment under rule 15A.13(1))]]] misleading.”;

*Note: The above statement shall be modified according to whether the issue is or is not a guaranteed issue or whether the issuer or the guarantor (if any) relies on their respective holding company for eligibility assessment under rule 15A.13(1).*

- (c) “Investors are warned that the price of the structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the structured products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the structured products.”; and

*Note: This disclosure may be modified in the case of capital protected products.*

*The expression ‘structured products’ may be replaced by the name of the product (for example derivative warrants ~~or equity-linked instruments~~) where the listing document relates solely to an issue or issues of that type of product.*

- (d) in the case of non-collateralised structured products:

“The structured products constitute general unsecured contractual obligations of the issuer and of no other person and if you purchase the structured products you are relying upon the creditworthiness of the issuer [and the guarantor] [and have no rights under the structured products against the company which has issued the underlying securities].”

*Note: The above statement shall be modified according to whether the issue is or is not a guaranteed issue and whether or not there are any securities underlying the issue.*

*The expression ‘structured products’ may be replaced by the name of the product*

*(for example derivative warrants ~~or equity linked instruments~~) where the listing document relates solely to an issue or issues of that type of product.*

2. The names and addresses of the registrars (if any), trustees (if any), warrant agent (if any) and the transfer office.
3. A statement that:
  - (1) application has been or will be made to the Exchange for listing of, and permission to deal in, the structured products.
  - (2) all necessary arrangements have been made enabling the structured products to be admitted into CCASS or an appropriate negative statement.
4. If known, the date on which dealings in the structured product will commence.
5. Where the listing document includes a statement purporting to be made by an expert, a statement:-
  - (a) specifying the qualifications of such expert and whether such expert has any shareholding in the issuer or any member of ~~the issuer's~~ its group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the issuer or any member of ~~the issuer's~~ its group, and, if so, a full description thereof;
  - (b) that the expert has given and has not withdrawn his written consent to the issue of the listing document with the expert's statement included in the form and context in which it is included; and
  - (c) of the date on which the expert's statement was made and whether or not it was made by the expert for incorporation in the listing document.
6. A statement as to the tax implications for Hong Kong investors who wish to invest in the structured products including, if applicable, a reference to any duties or taxes payable on exercise, expiry or maturity of the structured products.

**Information on the Issuer and, where applicable, its holding company**

7. For all listing documents the full name of the issuer and, if applicable, the guarantor.
8. The country of incorporation or other establishment of the issuer and, if applicable, the guarantor and the authority under which the issuer and, if applicable, the guarantor was incorporated or otherwise established.
9. In the case of an issuer and, if applicable, a guarantor, not incorporated or otherwise established in Hong Kong, the address of the head office and of the principal place of business (if any) in Hong Kong and of the place of business in Hong Kong registered under Part 16 of the Companies Ordinance, and the name(s) and address(es) of the person(s) in Hong Kong authorised to accept service of process and notices on its behalf.
10. The issuer's ~~or and~~, in the case of a guaranteed issue, the guarantor's published audited consolidated financial statements (including the accompanying notes thereto) and the auditor's report ~~thereon~~, for the last two financial years.
11. (1) (a) Where An interim financial report (the "Interim Report") in respect of the first six months of the issuer's and, in the case of guaranteed issues, the guarantor's financial year (where published, or if more than 40 9 months have elapsed since the date to which the its latest published audited consolidated financial statements of the issuer



~~or, in the case of guaranteed issues, the guarantor are made up), an interim financial report (the “Interim Report”) in respect of the first 6 months of its financial year together with the issuer’s and/or the guarantor’s consolidated interim financial statements (where the issuer and/or the guarantor are holding companies), each containing the following information:–~~

- (i) profits or losses before taxation,
- (ii) taxation on profits,
- (iii) profits or losses attributable to non-controlling interests,
- (iv) profits or losses attributable to shareholders,
- (v) the balance at the end of the period of share capital and reserves, and
- (vi) comparative figures for the matters specified in (i) to (v) inclusive for the corresponding previous period.

~~(b) Where the Interim Report does not include items of information referred to in paragraph 11(1)(a) above, the issuer or, in the case of guaranteed issues, the guarantor shall include a statement in respect of the same period as the Interim Report referred to in paragraph 11(1)(a) above which sets out the information specified in paragraph 11(1)(a) above which is not included in the Interim Report. [Repealed [●]]~~

~~(c) A statement that the Interim Report and the statement in paragraphs 11(1) (a) and (b) above has have been prepared in accordance with the issuer’s ~~or~~ and, in the case of guaranteed issues, the guarantor’s usual accounting policies and procedures.~~

~~(2) Where published, the The issuer’s ~~or~~ and, in the case of guaranteed issues, the guarantor’s latest quarterly interim financial report, where published. Where the quarterly report is made up to a date subsequent to the date of the Interim Report above and contains the information required by paragraph 11(1)(a), the Interim Report may be omitted. The quarterly report may be omitted where it is made up to a date prior to the date of any Interim Report included in accordance with paragraph 11(1)(a) above.~~

12. A statement that the issuer undertakes to, during the period that any structured products issued by it are listed on the Exchange, publish the issuer’s, ~~or~~ and, in the case of a guaranteed issue, the guarantor’s, published annual report including audited consolidated financial statements (together with audited consolidated financial statements where required under paragraph 5(1)(a) of Appendix E5) and any more recent published interim financial statements (together with consolidated interim financial statements where required under paragraph 5(1)(b) of Appendix E5) and quarterly financial statements on the Exchange’s website and the issuer’s own website and give the address of each website.

13. In the case of an issue of non-collateralised structured products, a description of the issuer's activities in relation to its use of structured products, derivative warrants, options, futures, swaps and similar instruments covering the following matters:-

- (1) the purpose for which such instruments are used;
- (2) the methods employed by the issuer to monitor, evaluate, manage and mitigate the risk arising including market risk, credit risk, concentration risk and operational risk;
- (3) the role of senior management in the supervision of the risk management process including, the functions and independence of its risk management, credit, finance, internal

audit and compliance units;

- (4) the policy with respect to obtaining collateral, counterparty selection criteria and monitoring; and
- (5) the imposition of and monitoring of trading and credit limits including the procedures and authorizations necessary for such limits to be exceeded and the procedures in relation to and action which would be taken if limits are exceeded without due authority.

This information is to be included in the same listing document as the ~~annual~~ auditor's report in paragraph 10 above.

14. A statement of any material adverse change in the financial or trading position of the issuer's and, in the case of a guaranteed issue, the guarantor's group since the end of the period reported on in the auditor's report disclosed pursuant to paragraph 10 to appear in all listing documents. Where there has been no material adverse change an appropriate negative statement must be included in all listing documents
15. Particulars of any litigation or claims of material importance pending or threatened against the issuer or any member of ~~the issuer's~~ its group or an appropriate negative statement. Where particulars are provided in the base listing document they should be updated in the supplemental listing document or supplementary listing document. Where there are no particulars to disclose an appropriate negative statement must be included in all listing documents.
16. (1) ~~If A statement that the issuer and/or the guarantor (if any) is regulated by one of the bodies indicated in rule 15A.13(2) or (3), a statement of that fact, identifying the regulatory body, or, if the issuer is not so regulated, a statement of that fact.; and~~  
(2) ~~If the issuer has been rated by a credit rating agency, a statement of that fact, in respect of the credit rating(s) of the issuer, the guarantor and their respective holding company that is relied upon by the issuer or the guarantor for eligibility assessment under rule 15A.13(1), a statement identifying the each relevant credit rating agency and the rating and the date it was awarded. This information shall appear in all listing documents.~~
- 16A. A statement that credit ratings of the issuer, the guarantor or their respective holding company are for investors' reference only. Where the credit rating of the holding company of the issuer or the guarantor is relied upon by the issuer or the guarantor for eligibility assessment under rule 15A.13(1), the name of such holding company, the relationship between such holding company and the issuer and (in the case of guaranteed issues) the guarantor, and a statement that investors shall have no recourse against such holding company and shall determine the relevance and significance of credit ratings of such holding companies.

### Information on the Structured Products

17. The following information:

- (1) The nature, ~~and amount~~ and title of the issue including the total number of units which have been or will be created and issued (Note).

Note: The description of the structured product must indicate the nature of the product as follows:

(a) type (e.g. call, put or other)

(b) single or basket



(c) style (e.g. American, European or other)

(d) underlying

(e) settlement method.

- (2) A full description of, including the terms attaching to, the structured products for which listing is sought.
- (3) The issue price or offer price of the structured products.
- (4) ~~If applicable, the~~ The maximum number of securities or assets which the issuer or holders (as the case may be) are obliged to transfer upon exercise of the structured products.
- (5) If applicable, the period during which the structured products may be exercised and the date when this right commences and the date when the structured products mature or expire.
- (6) If applicable, the amount payable on the exercise of the structured products.
- (7) The arrangements for transfer of the structured products.
- (8) The rights of the holders of the structured product on the liquidation, administration or an analogous action of the issuer.
- (9) A summary of any other material terms of the structured products.
- (10) Particulars of any other stock exchange on which the structured products are or will be listed or an appropriate negative statement.
- (11) The identity of the Liquidity Provider for the issue of the structured product, and the Broker identification number of that Liquidity Provider. A statement that the Liquidity Provider is regulated by the Exchange and the Commission and an explanation of the relationship between the issuer and the Liquidity Provider emphasizing that the Liquidity Provider is acting as agent for the issuer.
- (12) A statement of the method by which liquidity is to be provided for the structured product issue; in particular whether this will be by means of Quote Request or Continuous Quotes.
- (13) Where liquidity is to be provided by means of Quote Request, a telephone number for requesting quotes and the time within which a response will be provided to a quote request.
- (14) A statement of when liquidity will be provided for the structured product and when liquidity will not be provided for the structured product.

*Note: In normal circumstances an issuer shall provide liquidity in structured products that it has issued from five minutes after the Exchange has opened for trading until it closes.*

- (15) A statement of the minimum quantity size of structured products for which the liquidity will be provided.

*Note: ~~[Repealed [●]]In normal circumstances an issuer shall provide liquidity for a minimum of 20 board lots of the structured product.~~*

- (16) A statement of the maximum spread between the bid and offer prices when liquidity is provided.
  - (16A) Other minimum service levels in relation to liquidity provision which shall comply with the minimum service levels as required by the Exchange from time to time.
  - (17) Whether the Liquidity Provider will offer to purchase structured products at less than one cent.
  - (18) If applicable, a statement that neither the issuer nor the guarantor (if any) is the ultimate holding company of the group to which the issuer belongs and with which the issuer's name is identified.
18. A statement of all risks which are material for an investor to make an informed decision in respect of investing in the structured product.
19. For structured products which provide for settlement wholly in cash, a statement of the issuer's obligation to provide for automatic exercise upon expiry or maturity, and a statement of the period in which the issuer may deliver the requisite cash settlement amount, details of the formula for calculating the cash settlement amount and a statement that the products will be automatically settled on the expiry date or maturity date without the need for holders of the products to deliver a notice of exercise.
- 19A. If applicable, the name of the sponsor/manager, distributor(s) or placing agent(s).

#### **Information on the underlying securities, indices or assets**

20. In the case of structured products relating to securities of a company or companies, the listing document shall include the following information in respect of each of the underlying companies:-
- (1) in the case of a company listed on the Exchange, an indication of where investors may obtain information on that company including its published audited consolidated financial statements and interim financial statements;
  - (2) in the case of any other company, an indication of where investors may obtain information on that company including its published audited consolidated financial statements and interim financial statements;
  - (3) in the case of companies which are not listed on the Exchange, a description of the principal activities of the relevant companies and their subsidiaries;
  - (4) in the case of companies which are not listed on the Exchange, details of their issued share capital;
  - (5) in the case of companies which are not listed on the Exchange, details of the substantial shareholders' interests;
  - (6) in the case of companies which are not listed on the Exchange, market statistics covering at least the price of the securities at the latest most practicable date, the market capitalisation, the historic price earnings multiple and dividend yield and a brief trading history of the securities over the two years immediately preceding the issue of the listing document;
  - (7) in the case of companies which are not listed on the Exchange, any other information concerning the relevant companies which has been published generally and which is necessary to enable an investor to make an informed assessment of the value of the

structured products;

- (8) the date of and arrangements for adjusting the amount payable on the exercise of such rights or the entitlement due upon exercise to (where applicable) take account of any rights issue, bonus issue, sub-division, consolidation or other alteration to the share capital of the company whose securities underlie the structured product;
  - (9) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the company whose securities underlie the structured products; and
  - (10) the rights (if any) of the holders of the structured products on the liquidation, administration or an analogous action of the company whose securities underlie the structured products.
21. In relation to structured products which provide for physical settlement of the underlying Exchange listed securities or assets a statement of the period in which the issuer may deliver documents of title (including certificates in the name of the exercising holder) or deliver the underlying Exchange listed securities by electronic transfer, to the holder following a valid exercise or following expiry or maturity.
22. In the case of structured products in respect of other securities or assets the listing document must contain that information which is necessary to enable an investor to make an informed assessment of the value of the structured products.
23. In the case of structured products relating to indices:—
- (1) a description of the index;
  - (2) a description of the constituent stocks (if applicable);
  - (3) the identity of the party which sponsors and/or calculates the index;
  - (4) a description of the method of calculation;
  - (5) the arrangements for calculation if the index is not published by the normal party;
  - (6) the historic highs or lows for the last five years; and
  - (7) the closing spot level at the latest most practicable date.

The information in paragraphs 23(1) to 23(7) may be omitted where (i) such information is publicly available in English and Chinese on the web site of the index compiler and a web link to such web site is included in the listing document, or (ii) the underlying index is the Hang Seng Index or such other index as may be prescribed by the Exchange from time to time.

#### **Information on the Guarantee**

24. The full text of the guarantee. A statement that the obligations of the issuer are unconditionally and irrevocably guaranteed by the guarantor.

#### **Information on the collaterals and security arrangements**

- 24A. In the case of an issue of collateralised structured products, the listing document must contain such information on collaterals, collateral holders and collateral arrangements, trusts or other security arrangements necessary to enable an investor to make an informed assessment of the collateralised structured products.

## Language

25. Each listing document in a single language, either English or Chinese, must include in a prominent place a description in the other language of how the investor may obtain a listing document in that other language.

## Updating

26. In a base listing document, ~~the date of the document and~~ a statement that the base listing document may be updated from time to time. In a supplemental or supplementary listing document, include details of any changes to the information contained in the base listing document and a declaration by the issuer that the information contained in the base listing document (as supplemented by the supplemental listing document and any supplementary listing document) is, as at the date of the supplemental or supplementary listing document, up-to-date, true, accurate and complete in all material respects and there are no other matters the omission of which would make the supplemental or supplementary listing document or any statement therein misleading.

## Display of documents

27. The following are published on the Exchange's website and the issuer's own website for so long as any structured products issued under a listing document are listed on the Exchange:–
- (1) all reports, letters or other documents, ~~balance sheets~~, valuations and statements by any expert any part of which is extracted or referred to in the listing document;
  - (2) any current and future base listing documents, stand alone listing documents and supplemental listing documents or subsequent amendments to the listing document(s); and
  - (3) the latest published audited consolidated financial statements of the issuer and guarantor (if any) and any more recent published interim and quarterly financial statements.

## Other information

28. The date of the listing document.
29. The web sites at which the listing document will be available to the public.
30. Other information as the Exchange shall require.

## **Non-collateralised further issue issued pursuant to a base listing document**

31. In relation to a further issue where the existing issue is non-collateralised and issued pursuant to a base listing document, the supplemental listing document may contain only the following:–
- (1) the date of publication of the base listing document, any supplementary listing document and supplemental listing document for the existing issue and the web link at which each such listing document is available to the public;
  - (2) a statement that the supplemental listing document for the further issue shall be read in conjunction with the base listing document, any supplementary listing document and supplemental listing document for the existing issue;
  - (3) the disclosure specified by "General information" and "Other information" in this Appendix;

- (4) the following information:
- (a) the number of units of the further issue to be issued;
  - (b) the closing price of the existing issue on either the day on which the further issue is launched or, if the further issue is launched before trading on the Exchange has ceased for the day, the day preceding the day on which the further issue is launched; and
  - (c) a statement that the further issue forms a single series with the existing issue;
- (5) any update to the information as set out in the listing documents for the existing issue; and
- (6) a declaration by the issuer that the information contained in the base listing document (as supplemented by any supplementary listing document and the supplemental listing documents for both the existing and further issues) is, as at the date of the supplemental listing document, up-to-date, true, accurate and complete in all material respects and there are no other matters the omission of which would make the supplemental listing document or any statement therein misleading.

...

## Appendix E5

### Continuing Obligations: Structured Products

~~An~~ Each of the issuer and the guarantor (if any) of structured products as defined under Chapter 15A shall comply with the following ongoing obligations:

#### DISCLOSURE

##### General matters

1. An issuer and the guarantor (if any) must comply with the following:—
  - (1) (a) Without prejudice to paragraph 26, where in the view of the Exchange there is or there is likely to be a false market in the issuer's ~~listed securities~~ structured products, the issuer and the guarantor (if any) must, as soon as reasonably practicable after consultation with the Exchange, announce the information necessary to avoid a false market in the ~~securities~~ structured products;

*Notes: 1. This obligation exists whether or not the Exchange makes enquiries under paragraph 26 below.*

*2. If the issuer believes that there is likely to be a false market in its ~~listed securities~~ structured products, it must contact the Exchange as soon as reasonably practicable.*

*3. Any obligation to inform holders of the issuer's ~~listed securities~~ structured products or the public will be satisfied by the information being published on the web site of the Exchange except where Chapter 15A or this Appendix requires some other form of notification. ~~Certain such announcements must~~*

~~first have been reviewed by the Exchange in accordance with paragraph 13 below.~~

- (b) (i) Where the issuer is required to disclose inside information under the Inside Information Provisions of the Securities and Futures Ordinance, the issuer and the guarantor (if any) must also simultaneously announce the information.
  - (ii) The issuer and the guarantor (if any) must simultaneously copy to the Exchange any application to the Commission for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the Commission's decision copy the Exchange with the Commission's decision.
  - (c) The issuer and the guarantor (if any) must take all reasonable steps to maintain strict confidentiality of inside information until it is announced.
  - (d) The issuer and the guarantor (if any) must not divulge any information in such a way as to place in a privileged dealing position any person or class or category of persons. They must not release any information in such a way that Exchange transactions may be entered into at prices which do not reflect the latest available information.
  - (e) The issuer and the guarantor (if any) must seek to ensure that dealings do not take place between parties one of whom does not have inside information which the other possesses.
- (2) inform the Exchange of, and release to the Hong Kong market, information at the same time as the information is released to any other stock exchange on which the ~~issuer's securities~~ issuer's structured products are listed; and
  - (3) ~~notify the Exchange where the net asset value of the issuer or the guarantor, as the case may be, has fallen below the level as prescribed in rule 15A.12; [Repealed [●]]~~
  - (4) ~~notify the Exchange of any change in the issuer's or the guarantor's credit rating; and [Repealed [●]]~~
  - (5) the Exchange Listing Rules in force from time to time.
2. The issuer, and where the ~~securities-structured products~~ securities-structured products are guaranteed, the guarantor must, as soon as reasonably practicable, announce any information which may have a material effect on its ability to meet the obligations under the ~~securities-structured products~~ securities-structured products.

#### **Changes in the terms of ~~listed securities-structured products~~**

- 3. The issuer and the guarantor (if any) shall, if there is a proposed change in the terms of conversion or in the terms of the exercise of any of the issuer's listed securities-structured products, notify the Exchange of, and publish on the web site of the Exchange an announcement as to announce, the proposed change, its effective date and the effect of any such change wherever practicable, prior to the effective date of such change and, if not so practicable, as soon as possible thereafter. The issuer must not proceed with such change until the Exchange has confirmed that it has no comments.

#### **Closure of books**

- 4. The issuer shall, as early as practicable before such closure, notify the Exchange in writing and publish on the Exchange web site a notice of the closure of its transfer books or any register of holders of its ~~listed securities-structured products in respect of the listed securities~~. In cases where there is an alteration of book closing dates, the issuer shall, as soon as practicable, notify the Exchange in writing of such alteration and give further notice by way of publication on the

Exchange web site.

4.1 See Practice Note 8 for emergency share registration arrangements during ~~a typhoon and/or a black rainstorm warning~~ Bad Weather Signals.

## **MATTERS RELATING TO THE ISSUER**

### **Ongoing compliance**

4A. Whilst any of the issuer's non-collateralised structured products are listed on the Exchange:

- (1) the issuer or the guarantor (in the case of guaranteed issues) shall comply with rules 15A.12 and 15A.13(3); and
- (2) the issuer or the guarantor (in the case of guaranteed issues) shall, or shall ensure that their respective holding company (which is relied upon by the issuer or the guarantor for eligibility assessment under rule 15A.13(1)) will, comply with rule 15A.13(1).

Note: Existing issuers and guarantors with non-collateralised structured products listed on the Exchange as at [●] would have until [●] to comply with paragraph 4A.

## **ANNUAL ACCOUNTS FINANCIAL STATEMENTS**

### **Distribution of directors' report and annual accounts** **Publication and preparation of financial reports**

5. For so long as any of the listed securities are outstanding, the issuer and the guarantor will make available to holders of its listed securities, its most recent audited financial statements and interim and, if published, quarterly financial statements by publishing them on the Exchange's website and the issuer's own website. An issuer (and, in the case of guaranteed issues, the guarantor) shall, whilst any structured products issued by the issuer are listed on the Exchange:–

(1) publish on the Exchange's website:–

- (a) as soon as practicable after its publication elsewhere but, in any event, not later than four months after the period to which it relates, the issuer's and, in the case of guaranteed issues, the guarantor's annual report including its audited annual financial statements and, where the issuer and/or the guarantor are holding companies, the issuer's and/or the guarantor's audited consolidated financial statements, each together with the auditor's report;
- (b) as soon as practicable after its publication elsewhere or the date of its preparation but, in any event, not later than three months after the period to which it relates, the issuer's and, in the case of guaranteed issues, the guarantor's interim financial report in respect of the first six months of its financial year including its interim financial statements and, where the issuer and/or the guarantor are holding companies, the issuer's and/or the guarantor's consolidated interim financial statements;
- (c) where published, as soon as practicable after its publication elsewhere, the issuer's and, in the case of guaranteed issues, the guarantor's quarterly interim financial report; and
- (d) as soon as practicable after its publication elsewhere, full details of any other financial information which the issuer and/or the guarantor may provide to any other exchange or market;



- (2) include in the interim financial report referred to in paragraph 5(1)(b) of this Appendix E5:–
- (a) profits or losses before taxation,
  - (b) taxation on profits,
  - (c) profits or losses attributable to non-controlling interests,
  - (d) profits or losses attributable to shareholders,
  - (e) the balance at the end of the period of share capital and reserves, and
  - (f) comparative figures for the matters specified in (a) to (e) inclusive for the previous corresponding period; and
- (3) prepare the interim financial reports and statements referred to in paragraphs 5(1)(b), 5(1)(c) and 5(2) of this Appendix E5 in accordance with the issuer's and, in the case of guaranteed issues, the guarantor's usual accounting policies and procedures.

### **LIQUIDITY PROVISION**

- 5A. (1) The issuer shall be required to provide liquidity in each structured product issue and shall describe in the stand alone listing document or any of the base listing document, supplemental listing document or supplementary listing document how it proposes to provide that liquidity. The method adopted must be transparent and must be acceptable to the Exchange.
- (2) The issuer shall inform the Exchange and announce:
- (a) any change of liquidity providers or their particulars before implementing such change; and
  - (b) as soon as practicable upon any disruption to, or resumption of, liquidity provision services.

#### Notes:

1. The liquidity provider must be identified in the stand alone, base, supplemental or supplementary listing document.
2. Liquidity may be provided either by means of continuously inputting orders into the Exchange's trading system ("Continuous Quotes") or by entering orders into the Exchange's trading system in response to requests for quotes ("Quote Request"). The method chosen shall be described in the stand alone, base, supplemental or supplementary listing document. An issuer which has indicated that it will provide liquidity by means of Quote Request is not thereby precluded from fulfilling that obligation by means of Continuous Quotes. An issuer that responds to a Quote Request by agreeing to conduct a cross trade has fulfilled its obligation. An issuer which has indicated that it will provide liquidity by means of Quote Request must include a telephone number for requesting quotes in the stand alone, base, supplemental or supplementary listing document.
3. An issuer shall specify the minimum service levels in relation to liquidity provision in the stand alone, base, supplemental or supplementary listing document which comply with the minimum service levels as published by the Exchange from time to time. An issuer shall comply with the minimum service levels for liquidity provision specified in the



listing documents.

4. Any dealings by the issuer or any member of its group (meaning any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them), as principal, in structured products that the issuer has listed on the Exchange must be conducted through the liquidity provider. A direct business transaction, where an Exchange Participant acts for both buyer and seller, one of whom is a member of the issuer's group, need not be conducted through the liquidity provider. A transfer of proprietary ownership of structured products from one member of an issuer's group to another member of the issuer's group is not regarded as dealing for this purpose and should be effected off the Exchange. The Exchange may require an issuer to provide additional transparency for trades conducted by the issuer's group and may prescribe procedures for this purpose from time to time.

### **INCENTIVE SCHEMES**

- 5B. An issuer shall not (either directly or indirectly) offer commission rebates or other incentive schemes in respect of structured products that it has issued. Notwithstanding the foregoing, an issuer (that is a securities dealer), and a member of its group (which means any of the issuer's holding companies, subsidiaries and fellow subsidiaries) that is a securities dealer, may offer commission rebates or other incentive schemes in respect of structured products that the issuer has issued, provided that in each case:—
- (1) the commission rebates or other incentive schemes are not limited solely and exclusively to structured products issued by the issuer;
  - (2) any commission rebate or other incentive schemes arising in respect of structured products issued by the issuer will not be recovered directly or indirectly: (a) by its securities dealing unit from its structured product issuance unit (where such commission rebate or other incentive scheme is offered by an issuer), or (b) by or on behalf of the securities dealer from the issuer (where such commission rebate or other incentive scheme is offered by a member of an issuer's group that is a securities dealer);
  - (3) where the commission rebates or other incentive schemes relate to structured products generally or securities trading generally, the terms of any commission rebate or other incentive schemes applicable to structured products issued by the issuer are identical to those applicable to structured products issued by other issuers;
  - (4) where the incentives relate to specific structured products, such incentive shall be in the form of fee discounts and the terms of the fee discount applicable to structured products issued by the issuer are identical to those applicable to structured products issued by other issuers; and
  - (5) disclosure will be included in the relevant listing documents and publicity materials alerting investors to the fact that an issuer or its group company intends to offer commission rebates or other incentive schemes and that investors should make investment decisions with respect to structured products without regard to the benefit of any such commission rebates or other incentive schemes.

Note: The Exchange will require an issuer to provide periodic declarations of compliance with these requirements by the issuer and members of its group (which means any of the issuer's holding companies, subsidiaries and fellow subsidiaries). Any failure by an issuer to comply with these requirements may render that issuer no longer suitable to issue structured products on the Exchange.

### **ANNOUNCEMENT AND NOTIFICATION**

### After board meetings

6. The issuer and the guarantor (if any) shall inform the Exchange and announce as soon as practicable after approval by or on behalf of the board of:—
- (1) any proposed change in the capital structure of the issuer or the guarantor (if any) which may reasonably be expected to be material or which will affect the rights of the holders of the ~~listed securities~~ structured products or its suitability as an issuer or a guarantor (if any) under Chapter 15A of the Exchange Listing Rules, including any adjustment or alteration to the terms and conditions of its ~~listed securities~~ structured products; and
  - (2) any decision to change the general character or nature of the business of the ~~issuer~~ issuer or its group in any material respect, taken as a whole.

6.1 ~~The statement is to be provided by way of information only.~~ [Repealed [●]]

7. When requested by the Exchange, provide a list of all issues of derivative securities by the issuer or the guarantor (if any), whether such further securities are to be listed or not, by way of a statement containing the brief terms and a description of each such issue.

### Changes

8. The issuer and the guarantor (if any) shall inform the Exchange ~~immediately~~ and announce as soon as practicable giving full details of any decision made in regard to:—
- (1) any proposed alteration of the issuer's or the guarantor's (as the case may be) memorandum or articles of association or equivalent documents which would affect the rights of holders of its ~~listed securities~~ structured products;
  - (2) any change in the rights attaching to any class of ~~listed securities~~ structured products; and
  - (3) any change in its ~~authorized representatives~~, auditors, registered address or registered place of business in Hong Kong.

8A. The issuer and the guarantor (if any) shall inform the Exchange immediately giving full details of any decision made in regard to any change in its authorised representatives.

8B. Whilst any of its non-collateralised structured products are listed on the Exchange, the issuer and, in the case of a guaranteed issue, the guarantor shall inform the Exchange and announce as soon as practicable:—

- (1) where the total shareholders' equity of the issuer or the guarantor, as the case may be, has fallen below the level as prescribed in rule 15A.12;
- (2) where the credit rating of the issuer or the guarantor (if any) (or their respective holding company, where such credit rating is relied upon by the issuer or the guarantor (if any) for eligibility assessment under rule 15A.13(1)) as disclosed in the listing documents has changed (including any downgrade in rating outlook); and
- (3) where the regulatory status of the issuer or the guarantor (if any) as disclosed in the listing documents has changed.

8C. Whilst any of its collateralised structured products are listed on the Exchange, the issuer shall inform the Exchange and announce as soon as practicable where there is any proposed change in the collateral arrangements, trusts or other security arrangements. The issuer must not proceed with such change until the Exchange has confirmed that it has no comments.

## **Basis of allotment**

9. The issuer shall inform the Exchange of the basis of allotment of its ~~listed securities-structured products~~ offered to the public for subscription or sale, not later than the morning of the next business day after the allotment letters or other relevant documents of title are posted.

## **Sale and Purchase of ~~listed securities-structured products~~**

10. ~~The issuer and the guarantor shall inform the Exchange on a periodic basis as required by the Exchange in respect of any purchase or sale, by the issuer and the guarantor, or any member of the group, of its listed securities and the issuer and the guarantor hereby authorises the Exchange to disseminate such information to such persons and in such manner as the Exchange may think fit.~~ Dealings by the issuer, guarantor (if any) and any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them:

- (1) in structured products between the date of launch and prior to dealings in that structured product commencing on the Exchange, and
- (2) in the right to receive structured products between the date of launch and prior to dealings in that structured product commencing on the Exchange

must be published on the Exchange's website at least one and a half hours before trading commences on the Exchange on the day dealings in the structured product commence on the Exchange.

- 10A The previous day's dealings by the issuer, guarantor (if any) and any of the issuer's holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them, as principal, in structured products that the issuer has listed on the Exchange must be published on the Exchange's website at least one and a half hours before trading commences on the Exchange each day.

Note: Transactions shall be included in the report in respect of the day they are entered into the Exchange's trading system.

## **Winding-up and liquidation**

11. (1) The issuer and the guarantor (if any) shall inform the Exchange ~~and on the happening of any of~~ announce as soon as practicable after the occurrence of the following events ~~as soon as the same shall come to the attention of the issuer or the guarantor (as the case may be):—~~
- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the guarantor (if any) or their respective holding companies or the property of the issuer or that of the guarantor (if any), or their respective holding companies or any major subsidiary;
  - (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer or the guarantor (if any) or their respective holding companies or any major subsidiary;
  - (c) the passing of any resolution by the issuer or the guarantor (if any), or their

respective holding companies or any major subsidiary that it be wound-up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;

- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's or the guarantor's (if any) or their respective holding companies' assets which in aggregate value represents an amount in excess of 15 per cent. of the consolidated net tangible assets of the respective group; or
  - (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's or the guarantor's (if any) or their respective holding companies' ownership or enjoyment of any portion of its assets which in aggregate value represents an amount in excess of 15 per cent. of the consolidated net tangible assets of their respective group.
- (2) For the purposes of (1) above, a "major subsidiary" means a subsidiary representing 15 per cent. or more of the consolidated net tangible assets or pre-tax trading profits of the group.

### **Other listings**

12. The issuer and the guarantor (if any) shall inform the Exchange immediately if any part of the ~~listed securities~~ structured products of the issuer becomes listed or dealt in on any other stock exchange, stating which stock exchange.

### **Expiry or maturity of structured products**

- 12A. (1) Except as provided below an issuer shall, not less than 7 business days prior to the expiry or maturity date in relation to any of its structured products, publish on the Exchange's website a notice containing, inter alia, the following:—
- (a) the date of expiry or maturity, the last expected date of dealings and the date of withdrawal from listing of the structured products;
  - (b) if applicable, the exercise price;
  - (c) if applicable, the method of calculation of the cash payment;
  - (d) the expected date of payment or delivery (as the case may be);
  - (e) the most recent closing price of the underlying security or asset; and
  - (f) such other information as the Exchange shall require.
- (2) An issuer shall not be required to publish a notice in respect of a structured product expiring or maturing on its normal expiry or maturity date if the terms and conditions in respect of that structured product provide for net cash settlement on an automatic basis (i.e. without the holder serving an exercise notice).
- (3) Information relating to the expiry or maturity of a structured product arising as a consequence of a mandatory call event (a "knockout"), including when it occurred and the residual value (if applicable), shall be announced as soon as practicable after the mandatory call event occurs.

## **ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS**

### Review of documents

13. In addition to the specific requirements set out in the Exchange Listing Rules, the issuer and the guarantor (if any) shall:—

- (1) ~~submit to the Exchange a draft, for review before they are issued, of any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities (including a suspension of dealings); [Repealed [●]]~~
- (2) submit to the Exchange a draft for review before they are issued, of any proposed amendment to its memorandum or articles of association or equivalent documents which would affect the rights of holders of its listed securities-structured products; and
- (3) not issue any of such documents until the Exchange has confirmed to the issuer or the guarantor (as the case may be) that it has no further comments ~~thereon~~.

13.1 *Each document should be submitted in sufficient time for review and, if necessary, re-submission prior to finalisation-printing.*

13.2 *The Exchange reserves the right to require an issuer or the guarantor (as the case may be) to issue a further announcement or document, particularly if the original announcement or document was not required by the Exchange Listing Rules to be reviewed by the Exchange, or if the original announcement or document is misleading or is likely to create a false or misinformed market.*

13.3 ~~Every announcement or advertisement which has been reviewed by the Exchange in accordance with the provisions of paragraph 13(1) must contain on the front cover or on the top of the announcement or advertisement a prominent and legible disclaimer statement as follows:—~~

~~“Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this advertisement/ announcement make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this advertisement/announcement.” [Repealed [●]]~~

14. The issuer hereby authorises the Exchange to file “applications” (as defined in section 2 of the Securities and Futures (Stock Market Listing) Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Securities and Futures (Stock Market Listing) Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Securities and Futures (Stock Market Listing) Rules respectively. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner as the Exchange may from time to time prescribe. The authorisation aforementioned shall not be altered or revoked in any way unless prior written approval has been obtained from the Exchange and the Exchange shall have the absolute discretion to grant such approval. In addition, the issuer undertakes to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require.

### Forwarding of documents, circulars, etc.

15. The issuer shall forward to the Exchange:—

- (1) all circulars to holders of its listed securities-structured products at the same time as they are despatched to holders of the issuer's listed securities-structured products

with registered addresses in Hong Kong or published on the Exchange's website and the issuer's own website, ~~and~~

- (2) ~~(a) the directors' report and its annual accounts;~~  
~~(b) the interim report; and any quarterly interim financial report in accordance with the time prescribed in Rule 15A.21. [Repealed [●]]~~

## TRADING AND SETTLEMENT

### Certification of transfers

16. For any ~~listed security~~ structured product which is represented by definitive documents of title not in bearer form the issuer shall:

- (1) certify transfers against certificates or temporary documents and return them by the seventh day after the date of receipt; and  
(2) split and return renounceable documents by the third business day after the date of receipt.

*16.1 Documents of title lodged for registration of probate should be returned with the minimum of delay, and, if possible, on the next business day following receipt.*

### Registration services

17. For any ~~listed security~~ structured product which is represented by definitive documents of title not in bearer form:-

- (1) The issuer (or its registrar) must provide a standard securities registration service in relation to its ~~listed securities~~ structured products in accordance with paragraph 18(1). The issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service in accordance with paragraph 18(2) and/or an expedited securities registration service in accordance with paragraph 18(3). The issuer (or its registrar) must also provide a bulk securities registration service in accordance with paragraph 18(4) and a certificate replacement service in accordance with paragraph 18(5). Subject to sub-paragraph (2) below, the issuer shall ensure that where the issuer (or its registrar) charges a fee for registering transfers or cancelling, splitting, consolidating or issuing definitive certificates relating to the issuer's ~~listed securities~~ structured products, such fee must not exceed, in total, the applicable amounts prescribed in paragraph 18.
- (2) The issuer shall ensure that where the issuer (or its registrar) charges a fee for registering other documents relating to or affecting the title to the issuer's ~~listed securities~~ structured products (e.g. probate, letters of administration, certificates of death or marriage, powers of attorney or other instruments or memoranda and articles of association in respect of a new corporate holder) or for marking or noting documents, such fee must not exceed HK\$5 per item per register:

*17.1 "per item" shall be defined to mean each of such other documents submitted for registration.*

- (3) It is the responsibility of an issuer whose registrar, as its agent, is in breach of any of the above provisions or the provisions of paragraphs 16, 18 or 19 of this Appendix to report such breach to the Exchange as soon as it becomes aware of the breach and the Exchange reserves the right to communicate such information to the Commission.

- (4) Save as provided above or in paragraph 18 the issuer shall ensure that neither it nor its registrar or other agents will charge investors or holders any other fees for any dealings with them in connection with the transfer or transmission of its ~~listed securities~~ structured products.

**Issue of certificates, registration and other fees**

18. (1) (a) Standard securities registration service: Where paragraph 17 applies the issuer shall (or shall procure that its registrar shall) issue definitive certificates arising out of a registration of transfer or the canceling, splitting, consolidating or issuing (otherwise than pursuant to paragraph 18(5)) of certificates within:—
- (i) 10 business days of the date of expiration of any right of renunciation; or
  - (ii) 10 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (b) The fee for registration pursuant to the standard securities registration service shall not exceed, in total, the higher of the following:
- (i) HK\$2.50 multiplied by the number of certificates issued; or
  - (ii) HK\$2.50 multiplied by the number of certificates cancelled.
- (2) (a) Optional securities registration service: The issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service under which definitive certificates are required to be issued within:—
- (i) 6 business days of the date of expiration of any right of renunciation; or
  - (ii) 6 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (b) The fee for registration pursuant to the optional securities registration service shall not exceed, in total, the higher of the following:—
- (i) HK\$3.00 multiplied by the number of certificates issued; or
  - (ii) HK\$3.00 multiplied by the number of certificates cancelled.
- (c) If the issuer (or its registrar) fails to effect any registration within the period of 6 business days specified in sub-paragraph (a) above, the fee for such registration shall be that determined in accordance with paragraph 18(1)(b).
- (3) (a) Expedited securities registration service: The issuer (or its registrar) may, but shall not be obliged to, provide an expedited securities registration service under which definitive certificates are required to be issued within:—
- (i) 3 business days of the date of expiration of any right of renunciation; or
  - (ii) 3 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (b) The fee for registration pursuant to the expedited securities registration service shall not exceed, in total, the higher of the following:—
- (i) HK\$20.00 multiplied by the number of certificates issued; or

- (ii) HK\$20.00 multiplied by the number of certificates cancelled.
- (c) If the issuer (or its registrar) fails to effect any registration within the period of 3 business days specified in sub-paragraph (a) above, the registration shall be performed free of charge.
- (4) (a) Bulk securities registration service: The issuer shall (or shall procure that its registrar shall) provide a bulk securities registration service, for transfers of ~~listed securities~~ structured products representing 2,000 or more board lots of the issuer's ~~listed securities~~ structured products where the ~~securities~~ structured products are being transferred from the name of a single holder into the name of another or the same single holder. Certificates shall be issued pursuant to the bulk securities registration service within 6 business days of the receipt of properly executed transfers or other relevant documents or the relevant certificates.
- (b) The fee for registration pursuant to the bulk securities registration service shall not exceed, in total, the higher of the following:—
    - (i) HK\$2.00 multiplied by the number of certificates issued; or
    - (ii) HK\$2.00 multiplied by the number of certificates cancelled.
- (5) Certificate replacement service: The issuer shall (or shall procure that its registrar shall) provide a certificate replacement service. The fee for replacing certificates:—
  - (a) representing ~~securities~~ structured products with a market value of HK\$200,000 or less (at the time the request for replacement is made) for a person named on the register shall not exceed HK\$200.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice; or
  - (b) either:—
    - (i) representing ~~securities~~ structured products with a market value of more than HK\$200,000 (at the time the request for replacement is made); or
    - (ii) for a person not named on the register (irrespective of the market value of the ~~securities~~ structured products concerned);

shall not exceed HK\$400.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice.
- (6) For the purposes of this paragraph 18:—
  - (a) the expression “business day” shall exclude Saturdays, Sundays and public holidays in Hong Kong; and
  - (b) in computing any period of business days, such period shall be inclusive of the business day on which the relevant transfers, certificates or other documents were received (or, if such documents were not received on a business day, the business day next following their receipt) and of the business day on which the relevant certificates were delivered or otherwise made available.
- (7) References in paragraphs 17 and 18 to the issuer's registrar providing a service, or to the issuer procuring that its registrar shall provide a service, shall not relieve the issuer of any obligations in respect of any acts or omissions of its registrar.



### **Designated accounts**

19. For any ~~listed security structured product~~ which is represented by definitive documents of title not in bearer form the issuer or failing it, the guarantor (if any) shall, if requested by holders of its ~~listed securities structured products~~, arrange for designated accounts.

### **Registration arrangements**

20. In connection with paragraphs 16, 17, 18 and 19 if the issuer does not maintain its own registration department, the issuer, or failing which the guarantor (if any), shall make appropriate arrangements with the registrars to ensure compliance with the provisions of such paragraphs.

### **Trading limits**

21. Where the market price of the ~~listed securities structured products~~ of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Exchange reserves the right to require the issuer, or failing which the guarantor (if any), to arrange either a change in the trading method or proceed with a consolidation or splitting of the issuer's listed securities structured products.

## **GENERAL**

### **Subsequent listing**

22. ~~The issuer and the guarantor shall apply for the listing of any further securities which are of the same class (i.e. the same maturity carrying the same rights) as the listed securities, prior to their issue, and shall not issue such securities unless it has applied for the listing of those securities. [Repealed [●]]~~

### **Notices to overseas holders of listed securities structured products**

23. The issuer and the guarantor (if any) shall send notices to all holders of the ~~listed securities structured products~~ whether or not their registered address is in Hong Kong.

### **Equality of treatment**

24. The issuer and the guarantor (if any) shall ensure equality of treatment for all holders of the ~~listed securities structured products~~ of the same class who are in the same position.

### **Exercise of rights**

25. (1) The issuer and the guarantor (if any) shall ensure that all the necessary facilities and information are available to enable holders of the ~~listed securities structured products~~ to exercise their rights.
- (2) The issuer, failing whom the guarantor (if any), shall ~~give notice to holders of the listed securities~~ announce prior to the commencement of any suspension period ~~(as defined in the terms and conditions of the listed securities)~~ which will affect the exercise rights thereof under the structured products. Such announcement shall contain information on, including but not limited to, the commencement of the suspension period, (if known) the end of the suspension period and how the suspension period will affect the exercise rights under the structured products.

~~Such notice shall be in the form of an announcement published on the web site of the Exchange. In the event that the whole or part of a suspension period (as so defined)~~

shall be prior to and including the last date for exercise of the ~~listed securities~~ structured products, the issuer shall also send the notice to holders of the ~~listed securities~~ structured products prior to the commencement of such suspension period.

### Response to enquiries

26. Where the Exchange makes enquiries concerning unusual movements in the price or trading volume of the issuer's ~~listed securities~~ structured products, the possible development of a false market in the ~~securities~~ structured products, or any other matters, the issuer and/or guarantor (if any) shall respond promptly as follows:

- (1) provide to the Exchange and, if requested by the Exchange, announce, any information relevant to the subject matter(s) of the enquiries which is available to the issuer and the guarantor (if any); or
- (2) if, and only if, the issuer and/or the guarantor (as the case may be), having made such enquiry with respect to the issuer and/or the guarantor (if any) as may be reasonable in the circumstances, are not aware of any matter or development that is or may be relevant to the unusual trading movement of its ~~listed securities~~ structured products, or information necessary to avoid a false market, or any inside information which needs to be disclosed under the Securities and Futures Ordinance, and if requested by the Exchange, make an announcement containing a statement to that effect (see note 1 below).

Notes: 1. *The form of the announcement referred to in paragraph 26(2) is as follows:*

*"This announcement is made at the request of The Stock Exchange of Hong Kong Limited.*

*We have noted [the recent increases/decreases in the price [or trading volume] of the structured products issued by the Company] or [We refer to the subject matter of the Exchange's enquiry]. Having made such enquiry with respect to the Issuer and/or Guarantor as is reasonable in the circumstances, we confirm that we are not aware of [any reasons for such increases/decreases] or of any information which must be announced to avoid a false market in the Issuer's structured products or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance."*  
*The above statement may be given on a corporate basis.*

2. *The issuer and/or the guarantor (if any) does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.*
3. *The Exchange reserves the right to direct a trading halt of the ~~Issuer's securities~~ issuer's structured products if an announcement under paragraph 26(1) or 26(2) cannot be made promptly.*

### Trading halt or trading suspension

27. Without prejudice to the Exchange's ability to direct the halt, suspension and resumption of trading in the issuer's ~~listed securities~~ structured products, the issuer and/or the guarantor (if any) must, as soon as reasonably practicable, apply for a trading halt or a trading suspension in any of the following circumstances where an announcement cannot be made promptly:

- (1) the issuer and/or the guarantor (if any) has information which must be disclosed under

paragraph 1(1)(a) or 2 in this Appendix; or

- (2) the issuer and/or the guarantor (if any) reasonably believes that there is inside information which must be disclosed under the Inside Information Provisions; or
- (3) circumstances exist where the issuer and/or the guarantor (if any) reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of inside information which:
  - (a) is the subject of an application to the Securities and Futures Commission for a waiver; or
  - (b) falls within any of the exceptions to the obligation to disclose inside information under the Inside Information Provisions in section 307D(2) of the SFO.

*Note: The issuer and/or the guarantor (if any) does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.*

27A. In addition to rules 6.02 to 6.10 and 13.10A, and other relevant provisions of the Listing Rules, where the securities or assets underlying structured products listed on the Exchange are halted or suspended from trading for whatever reason on the market on which they are listed or dealt in (including the Exchange), trading on the Exchange in structured products relating to such securities or assets must also be halted or suspended.

27B. The Exchange shall, save in exceptional circumstances, suspend from trading on the Exchange structured products referencing baskets which have one or more of their underlying securities suspended from trading in the market or exchanges on which such suspended security or securities are listed and the value or aggregate value of such suspended security or securities represents 30 per cent ("Specified Percentage") or more of the total value of all securities comprised in the basket, or such other Specified Percentage as announced by the Exchange from time to time. The value of the suspended security or securities shall be determined by reference to the price of such securities immediately prior to their suspension on the market or exchanges in which they are listed.

27C. Where an issuer is proposing to publish an announcement that involves a change in, or relates to, or affects arrangements regarding trading in the issuer's structured products (including a suspension, halt or resumption of dealings), the change must be agreed in advance with the Exchange. Such announcement must contain on the front cover or on the top of the announcement a prominent and legible disclaimer statement as follows:—

*"Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement."*

### **Stamp duty**

- 28. For a new or novel structured product, the issuer may be required to establish whether stamp duty is payable on trading on the Exchange of the proposed structured product.

### **Definitions**

- 29. In this Appendix, unless the context otherwise requires:-

- (1) "group" means the issuer, and any of the issuer's holding companies, subsidiaries

and fellow subsidiaries and any associated companies of any of them;

- (2) “issuer” means the issuer of the structured products;
- (3) ~~“listed securities” means such structured products as shall be issued by the issuer and unconditionally and irrevocably guaranteed by the guarantor and listed on the Exchange from time to time. [Repealed [●]]~~

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## APPENDIX IV: PRIVACY NOTICE

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Hong Kong Exchanges and Clearing Limited and its affiliated companies (together "**HKEX**", "**we**", "**our**" or "**us**") are committed to protecting all Personal Data under our custody, control, or possession. "**Personal Data**" is any information that relates to an identifiable individual or can be used to identify an individual – sometimes the individual is referred to as a "**Data Subject**" or consumer.

This privacy notice ("**Notice**") applies to the Personal Data we collect and further process from Data Subjects who respond to our public consultation papers and white papers.

If the correct Personal Data is not submitted to HKEX then we may not be able to ensure the correct details are published or contact respondents if we have queries about their comments and/or, we may be unable to process requests relating to their rights as Data Subjects under the applicable data protection laws.

### What Personal Data do we collect and how do we collect it?

#### Information directly submitted by or collected from you:

- Identity data such as name and position in a company;
- Contact data such as phone number and email address;
- Opinion data such as your response to the consultation paper; and
- Communications data such as subsequent correspondence with you to clarify your comments or to confirm your identity data.

#### For Data Subjects in Mainland China:

- to verify your identity, we may process your name, position, phone number, and email address;
- to communicate with you, we may process your name, position, phone number, and email address;
- to register your response in our records or change your response upon your request, we may process your name, position, answers and reasons for those answers; and
- to prepare our publication material, we may process and publish your name and position (where your consent has been provided), and your answers and reasons for those answers.

#### For Data Subjects who are California residents:

To the extent the California Privacy Rights Act applies, the types of Personal Data we collect (and have collected in the past 12 months) includes the categories listed below, as defined by California state law:

Category	Source	Purpose of Processing
<b>Personal identifiers</b> such as your name and email address	Collected directly from you	For verification of identity, clarification of comments, record keeping and/or publication
<b>Information About You</b> including your name, position, and telephone number		

### Why do we use the Personal Data and how do we use it?

The "**Legal Basis**" is what data protection laws set out as the lawful reasons for processing Personal Data, such as a legitimate interest to operate our business so long as it does not materially and adversely impact your interests, rights and freedoms.

<b>Legal Basis</b>	<b>Purpose</b>
Legitimate Interests	<ul style="list-style-type: none"> <li>• Opinion data as part of the consultation process to understand the market/public response to the proposal(s) set out in the consultation;</li> <li>• Identity and contact data to verify and clarify responses;</li> <li>• Identity data where consent has been provided for external publication;</li> </ul>
Public Interest	<ul style="list-style-type: none"> <li>• We may also process your personal data on the basis that it is necessary for the performance by HKEX of a task in the public interest.</li> </ul>
Consent	<u>Separate consent</u> <ul style="list-style-type: none"> <li>• Required if you are a Data Subject in Mainland China and we need to share your Personal Data with a third party, publicly disclose it, or transfer it outside Mainland China.</li> </ul>
Legal or Regulatory Obligations	<ul style="list-style-type: none"> <li>• Discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller;</li> <li>• Comply with a court order, subpoena or other legal process;</li> <li>• Comply with a request by a government authority, law enforcement agency or similar body; and</li> <li>• Comply with laws applicable to us including domestic data protection laws.</li> </ul>

### **Do we disclose Personal Data to third parties or transfer it to another jurisdiction?**

HKEX discloses Personal Data to one or more third party organisations that enable us to process public consultation papers and white papers – and these include:

- Affiliates of Hong Kong Exchanges and Clearing;
- Our contractors or vendors who provide telecommunications, IT security, or other technical assistance;
- Our vendors who facilitate the availability of online forms;
- Our vendors who provide strategy or other consultancy services in respect of our businesses; and
- Our agents, contractors or vendors who provide administrative support to us.

To fulfil our legal obligations, we may also share your Personal Data with courts, regulatory authorities, government and law enforcement agencies, and other public authorities.

Further details about these third parties may be provided upon request to the address in the “Contact Us” section below. We shall endeavour to provide such information to the extent we are required to do so under applicable data protection laws.

Where required under applicable data protection laws, HKEX will only disclose Personal Data to third parties with your prior consent. In certain jurisdictions, HKEX may also be required to take additional measures prior to giving effect to such transfers (e.g. carrying out privacy impact assessments prior to the transfer).

HKEX may process Personal Data outside of the Data Subject’s home jurisdiction, including sharing the Personal Data with third parties. HKEX shall use reasonable endeavours to ensure that the laws and regulations of the destination jurisdiction shall offer the same or comparable level of protection for Personal Data. Where this is not the case, we shall ensure appropriate safeguards are in place at the time of the transfer by implementing standard contractual clauses or other data transfer mechanism approved by the authorities of the relevant jurisdiction. Where required under applicable data protection laws, we shall also carry out additional measures for the offshore transfer such as carrying out a privacy impact assessment.

The regions where the Personal Data may be hosted or transferred to will vary from time to time, but typically include Hong Kong, the UK, US, EU, Switzerland, Singapore, Japan, India, and Mainland China.

Further details on the processing locations and our measures for safeguarding international transfers (including adequacy decisions) may be obtained upon request to the address in the “Contact Us” section below.

### **How long do we keep the Personal Data?**

Personal Data is retained in accordance with our internal policies, including our Group Record Retention Policy, and applicable law.

Your Personal Data will be retained by us for as long as is necessary to fulfil the purposes required for the processing. HKEX will also refer to the following factors when determining or confirming the appropriate retention period of Personal Data:

- the original purpose of collection;
- the termination of any contract involving the Data Subject’s Personal Data;
- the limitation period as defined in the applicable law;
- the existence of any legal or regulatory investigations or legal proceedings;
- specific laws or regulations setting out HKEX’s functions, obligations, and responsibilities;
- retention period set out in non-statutory guidelines issued by our regulators or international bodies; and
- the sensitivity of the Personal Data and the degree of risk from the associated processing activity.

For Data Subjects in Mainland China, we usually retain the Personal Data for not more than 3 years from the last activity or interaction with us. Further details of our Personal Data retention period may be obtained upon request to the address in the “Contact Us” section below.

Where any Personal Data is no longer necessary for the purposes for which it is collected, we shall cease the processing of that Personal Data as soon as reasonably practicable (although copies may be retained as necessary for archival purposes, for use in any actual or potential dispute, or for compliance with applicable laws), and take reasonable measures to destroy the relevant Personal Data.

### **How do we keep your Personal Data secure?**

We will take all practicable and reasonable steps to promote the security of the Personal Data we process in a manner consistent with applicable data protection laws and established international security standards. This includes physical, technical and administrative safeguards, to help prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks, and the loss of any storage medium or device on which the Personal Data is stored, and to maintain the general security of the data.

### **Rights over the Personal Data**

As a summary, the following Data Subject rights may be exercised to the extent provided under applicable data protection laws:

- confirm whether we hold the Data Subject’s Personal Data and the type of Personal Data held by us;
- access a copy of the Personal Data held by us;
- delete your Personal Data held by us;
- correct or supplement your Personal Data where it is found to be inaccurate;
- restrict the processing performed on your Personal Data;
- withdraw consent to the processing of your Personal Data in certain situations (e.g. processing carried out on the basis of our legitimate interests); and

- transfer the Personal Data to another party in a machine readable format.

In certain jurisdictions, Data Subjects may also be provided with additional rights.

California	<ul style="list-style-type: none"> <li>• Request that we disclose the categories of third parties with whom we have shared the information and the categories of Personal Data that we have shared with third parties for a business purpose.</li> </ul>
Mainland China	<ul style="list-style-type: none"> <li>• Explanation on the rules of processing the Personal Data;</li> <li>• Extension of the Data Subject rights to a surviving next-of-kin where the applicable laws permit; and</li> <li>• Transfer of your Personal Data to your designated party, where the applicable laws permit.</li> </ul>
United Kingdom and Europe	<ul style="list-style-type: none"> <li>• Right to object to processing. You have the right to object to processing to the extent we process your Personal Data because the processing is in our legitimate interests.</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>• In certain circumstances, receive information about the ways in which the Personal Data has been or may have been used or disclosed by us in the year before the date of the request.</li> </ul>

Where these rights apply, we shall use reasonable endeavours to fulfil the request or provide an explanation. Please note that under applicable data protection law, we are only obligated to respond to Personal Data requests from the same Data Subject up to two times in a 12-month period, and we may be limited in what Personal Data we can disclose which is also for the protection of your Personal Data.

We will endeavour to respond to you as soon as possible and, in any event, within the timeframe stipulated under the applicable data protection law. In the event of a potential delay, we will provide an explanation and the expected timeframe for delivery. Under applicable data protection law, we may also be required to charge a reasonable fee for the cost of processing the request.

Please note that we may need to seek confirmation of identity or clarification in order to fulfil the request. If you as the Data Subject would like to appoint an authorised agent to make a request on your behalf, we may require you to verify your identity with us directly before we provide any requested information to your authorised agent unless your authorised agent has power of attorney or acts as a conservator. Information collected for purposes of verifying your request will only be used for verification. For deletion requests, you will be required to submit a verifiable request for deletion and then confirm separately that you want Personal Data about you deleted.

If you would like to exercise your data subject rights, please contact the HKEX Group Data Protection Office via one of the channels below.

## Contact Us

If you have any questions or comments relating to the content of this Notice, report any concerns about our Personal Data processing, or if you would like to exercise your Data Subject Rights, please contact us through the channels below:

Group Data Protection Officer  
GDPO Office  
Hong Kong Exchanges and Clearing Limited  
8/F., Two Exchange Square  
8 Connaught Place



Central  
Hong Kong  
[DataPrivacy@hkex.com.hk](mailto:DataPrivacy@hkex.com.hk)

UK Representative:  
10 Finsbury Square, London, EC2A 1AJ, United Kingdom

EU Representative:  
De Cuserstraat 91, 1081 CN Amsterdam, Postbus/PO Box 7902, 1008 AC Amsterdam, Netherlands  
[hkex.eurep@eversheds-sutherland.com](mailto:hkex.eurep@eversheds-sutherland.com)

Please include the following details in any request to exercise your Data Subject Rights:

Identity of Data Subject

- Full Name
- Company Name
- Email Address
- Address of principal residence
- Identity particulars if acting on behalf of a Data Subject
- Contact details held on file or Document(s) to verify identity

Nature of the Request

- Product or Service to which the Data Subject has subscribed
- Specific Right
  - o Purpose of the Request
  - o Preferred communication channel and address for receiving the results of the request
  - o Document(s) to support the rights request

Any Data Subject who has contacted us to express concerns about the way we manage their Personal Data and is of the view that we have not addressed the matter satisfactorily, may also contact the relevant privacy regulator to resolve the matter or seek assistance.

The privacy regulator in the United Kingdom is the Information Commissioner, who may be contacted at <https://ico.org.uk/make-a-complaint/> or by post to: Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF, United Kingdom.

If you live outside of the UK, you may contact the relevant data privacy regulator in your country of residence.

*Last updated: 26 Sept 2025*

**Annex**

This Notice relates to privacy practices of the following HKEX group entities. For the contact details of the following entities, please refer to the “Contact Us” section.

- The Stock Exchange of Hong Kong Limited
- Hong Kong Futures Exchange Limited
- Hong Kong Securities Clearing Company Limited
- HKFE Clearing Corporation Limited
- The SEHK Options Clearing House Limited
- OTC Clearing Hong Kong Limited
- HKEX Information Services Limited
- HKEX Information Services (China) Limited
- HKEX (China) Limited, HKEX Investment (China) Limited
- HKEX Investment (Hong Kong) Limited
- Qianhai Mercantile Exchange Co. Ltd.
- Hong Kong Futures Exchange Limited Singapore Branch
- The Stock Exchange Of Hong Kong Limited Singapore Branch
- HKEX (U.S.) LLC

# Hong Kong Exchanges and Clearing Limited

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