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RESPONSE TO CONSULTATION PAPER ON REVIEW OF CHAPTER 15A – STRUCTURED PRODUCTS

11 NOVEMBER 2025

INTRODUCTION

King & Wood Mallesons is pleased to submit our response to the proposals outlined by the Exchange in the "Consultation Paper On Review Of Chapter 15A – Structured Products" issued by The Stock Exchange Of Hong Kong Limited ("**Exchange**") in September 2025 ("**Consultation Paper**"). Unless otherwise specified, capitalised terms used in this document have the meaning given to them in the Consultation Paper.

We commend the Exchange for undertaking a comprehensive review of Hong Kong's legal framework governing listed structured products. The structured products market plays a vital role in Hong Kong's capital markets. We welcome the Exchange's efforts to modernise the regulatory regime and further enhance Hong Kong's position as a leading global hub for structured products.

In particular, we welcome the forward-looking proposals to:

- **remove the Prescriptive Product Terms from the Listing Rules**: this approach will allow the Exchange to adapt more swiftly to market developments, fostering innovation and enabling the introduction of a diverse range of structured products without the need for formal amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**");

- **allow issuers with in-house securities dealing functions to offer incentive schemes under the same safeguards as issuers who use separate legal entities for their dealing activities**: this change addresses current disparities, promotes fair competition and should ultimately benefit investors through lower costs and improved market efficiency; and

- **streamline disclosure of Index Information when such information is readily available on the index compiler's website in both English and Chinese**: this pragmatic measure will reduce administrative burden on issuers without compromising investors' access to essential information.

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> We agree that incorporation of a direct hyperlink to the index compiler's website in the listing document is an appropriate and effective approach to disclosure.

Our review focused on the potential legal implications of proposed amendments, with the aim of offering constructive feedback to compliment the perspectives of other market participants. We appreciate that the Exchange will receive submissions from a diverse range of stakeholders, including issuers and industry associations. Our comments are intended to offer a targeted legal analysis for the consultation process.

We take this opportunity to thank the Exchange for the opportunity to engage on these important reforms. We look forward to engaging in further discussions with the Exchange and the industry participants to ensure the successful implementation of these reforms.

Please do not hesitate to contact [redacted]

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EXECUTIVE SUMMARY

We strongly support the Exchange's commitment to maintaining a high standard of market quality and safeguarding investor interests. We summarise the key suggestions we make in this response for refining and enhancing Chapter 15A of the Listing Rules in this table below.

Topic and reference to the Consultation Paper (if any)	Sub-topic	Summary of our comments
Issuer eligibility requirements **(Item A, Chapter 3)**	Necessity of the non-private company requirement	We suggest replacing the restriction that issuers and guarantors must not be private companies with a requirement that the issuers and guarantors be permitted under applicable laws to undertake their roles in the issuance and offering of structured products in Hong Kong to align the corresponding rule under the SIP Code.
	Clarifications regarding "overseas regulatory authority acceptable to the Exchange" and CRA "recognised by the Exchange"	We propose that the Exchange publish a definitive list or clear criteria for an "overseas regulatory authority acceptable to the Exchange" and a "CRA recognised by the Exchange" to enhance the transparency and certainty of the eligibility assessment process.
Liquidity provision obligations **(Item D, Chapter 3)**	Clarification on issuers' discretion to provide liquidity via Active Quote or Quote on Request	We seek confirmation that the requirement for disclosure of minimum service levels for liquidity provision in the listing documents should correspond to the liquidity provision method selected by the issuer.
	Legal implications of codifying minimum service levels for AQ	We recommend careful consideration of the legal implications of any proposed codification of the AQ minimum service levels into the Listing Rules, noting that creating a directly enforceable right for investors in cases of non-compliance with what is currently regarded as a "best practice" service standard could significantly expand the scope of legal liability for issuers arising from any deviation (irrespective of the materiality and whether it is justifiable).

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Topic and reference to the Consultation Paper (if any)	Sub-topic	Summary of our comments
Financial reporting obligations **(Item E, Chapter 3)**	Shortening of publication timeframe for interim financial reports	We suggest retaining the current four-month reporting period for interim financial reports and continuing to impose a three-month reporting period as a policy expectation to accommodate potential delays due to factors beyond the issuers' control.
	Clarification on the concept of "annual report" and "interim financial report"	We seek clarification on (a) whether an issuer is permitted to make its own assessment as to whether the disclosure of the minimum content requirement for interim financial reports is sufficient to satisfy its general disclosure obligations under the Listing Rules and (b) the intended distinction between the terms (i) "annual report" and "interim financial report" and (ii) "audited financial statements" and "interim financial statements".
	Form of disclosure	We seek confirmation from the Exchange that the disclosure of a hyperlink to investors containing the relevant disclosure document or information is sufficient to fulfill the requirement to "*publish on the Exchange's website*".
	Bilingual language requirement for documents	We suggest limiting the bilingual requirement to core offer documents and not items (a) to (d) of paragraph 309 of the Consultation Paper, noting that Hong Kong's structured products offering regime under the SFO already requires issuers and guarantors to disclose their updated financial statements in their product offering documents in bilingual English and Chinese.
Guarantor's liability	Scope of guarantor's liability	We seek clarification that the guarantor's obligation to comply with the Listing Rules is confined to the issuer's obligations as set out in the terms and conditions of the relevant structured products and as guaranteed under the relevant guarantee, and that such obligation does not extend to other ongoing obligations of the issuer and/or liquidity provider under the Listing Rules, such as the obligation to provide liquidity.

Topic and reference to the Consultation Paper (if any)	Sub-topic	Summary of our comments
	Frequency for provision of guarantee	We recommend accepting perpetual guarantees, which are enforceable in the same way as an annually renewed guarantee, provided that they are properly executed and remain legally enforceable under the relevant governing law.
Miscellaneous comment	Clarification on the application of rule 15A.51 (Disclosure of Agreement)	We seek clarification that rule 15A.51 should be interpreted within the broader context of the statutory and regulatory regime, focusing on whether non-disclosure could create a "false market" and invite the Exchange to consider issuing formal guidance on its scope.

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RESPONSE TO CONSULTATION PAPER

This submission focuses on the legal and regulatory implications of the proposals outlined in the Consultation Paper. We reviewed the proposed amendments to Chapter 15A and offer our feedback on areas where we suggest further clarification or refinement would be beneficial.

These are our views on certain key proposals, which we suggest are of particular significance from a legal and regulatory perspective.

1 ISSUER ELIGIBILITY REQUIREMENTS

We appreciate the Exchange's continued efforts to strengthen the regulatory framework for structured product issuers. Our key comments on the proposed amendments are as follows:

1.1 Necessity of the non-private company requirement

Rules 15A.10 and 15A.16 currently impose a restriction that the issuer and (where applicable) guarantor of listed structured products must not be a "private company".

We understand that the original rationale for this restriction was based on legal uncertainty regarding whether the public offering of structured products triggered the prospectus requirements under the then Companies Ordinance (Cap 32) (which has been renamed as the "Companies (Winding Up and Miscellaneous Provisions) Ordinance") ("**CWUMPO**"). The requirement for issuers of listed structured products to be non-private companies served as a safeguard to ensure compliance with the prospectus regime.

The Securities and Futures and Companies Legislation (Structured Products Amendment) Ordinance 2011, which took effect on 13 May 2011, transferred the regulation of public offerings of structured products from the prospectus regime under the CWUMPO to the offering regime under Part IV of the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Furthermore, section 38AA of the CWUMPO explicitly excludes structured products from the prospectus regime applicable to public offering of shares and debentures.

However, a "private company" incorporated in Hong Kong remains, by definition under section 11 of the Companies Ordinance (Cap 622), prohibited from offering "debentures" to the public.

In light of these legislative and regulatory developments, we invite the Exchange to consider to replace the non-private company requirement with a requirement that the issuer and (where applicable) guarantor must be permitted under the applicable laws of their respective home jurisdiction to undertake their roles in the issuance and offering of structured products in Hong Kong to align with the corresponding regulatory requirement under the SFC Code on Unlisted Structured Investment Products ("**SIP Code**").

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We suggest these amendments to the revised rules 15A.10 and 15A.16(1) of the Listing Rules as proposed in the Consultation Paper:

Listing Rules	KWM proposed amendments
15A.10	*"~~An issuer (except~~ Except in the case of a guaranteed issue under rule 15A.14(1), the laws of the jurisdiction in which the issuer is incorporated or established and the constitutive documents of the issuer shall permit the issuance and offering of the structured investment product to the investing public in Hong Kong and shall not be inconsistent with the applicable requirements of the Listing Rules.~~) 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.16(1)	*"~~the guarantor must not be a private company within the meaning of section 11 of the Companies Ordinance or equivalent legislation of~~ the laws of the jurisdiction in which ~~it~~ the guarantor is incorporated or established and the constitutive documents of the guarantor shall permit the guarantor to enter into the guarantee and shall not be inconsistent with the applicable requirements of the Listing Rules;"*

1.2 Clarifications regarding "overseas regulatory authority acceptable to the Exchange" and CRA "recognised by the Exchange"

We suggest that providing further clarity on the definitions of "Regulated Entity" and "CRA" would significantly enhance the transparency of the eligibility assessment process. To this end, we make the following suggestions:

(a) "overseas regulatory authority acceptable to the Exchange"

The current rules define a "Regulated Entity" as one regulated by the SFC, HKMA, or an "overseas regulatory authority acceptable to the Exchange". To promote consistency, transparency and certainty in the application of the Regulatory Entity requirement, we seek the Exchange's guidance as to what constitutes an "acceptable overseas regulatory authority".

We note that the SFC maintains a list of "recognised jurisdiction schemes", which provides clarity on schemes that are deemed compliant with the provisions of the Code on Unit Trusts and Mutual Funds by virtue of prior authorisation in a regulated jurisdiction.

We propose that the Exchange consider adopting a similar approach by publishing a definitive list of recognised jurisdictions whose regulatory authorities are deemed acceptable to the Exchange or establishing objective criteria to assess the acceptability of overseas regulatory authorities. Such guidance would provide greater certainty to potential issuers and facilitate their understanding of the eligibility requirements, ultimately supporting a more efficient and accessible market.

(b) CRA "recognised by the Exchange"

CRA is defined as "credit rating agency recognised by the Exchange". While we understand that the Exchange intends to accept ratings from Fitch in addition to Moody's and S&P (as noted in Footnote 94 of the Consultation Paper), there appears to be no explicit written guidance on the list of CRAs recognised by the Exchange or the formal criteria for a CRA to be "recognised by the Exchange".

To promote consistency, transparency, and certainty in the application of the credit rating requirement, we suggest that the Exchange consider issuing guidance on the recognition criteria for CRAs. Specifically, we recommend that the Exchange to publish a definitive list of CRAs currently and prospectively recognised by the Exchange or establish and publish objective criteria that a CRA must meet to be considered "recognised" by the Exchange.

Such guidance would enhance understanding among market participants, reduce uncertainties, and promote a transparent and efficient process for the acceptance of credit ratings.

2 LIQUIDITY PROVISION OBLIGATIONS

We support the Exchange's overall objective to enhance the transparency and certainty of liquidity provision in the structured products market, thereby strengthening investor confidence and market quality.

These are our key comments on the proposed amendments:

2.1 Clarification on issuers' discretion to provide liquidity via Active Quote or Quote on Request

We understand that the Exchange's intention is to preserve the current framework whereby an issuer retains the discretion to choose between providing liquidity via Active Quote ("**AQ**") or Quote on Request ("**QR**"). This is supported by Note 2 to Paragraph 5A of Appendix E5, which specifies that:

(a) an issuer may choose to provide liquidity either by means of (i) continuously inputting orders into the Exchange's trading system, now generally referred to as "AQ" or (ii) entering orders in response to requests for quotes, now generally referred to as QR; and

(b) the liquidity method chosen by an issuer shall be described in the relevant listing document.

Note 3 to Paragraph 5A of Appendix E5 further provides that an issuer shall set out the minimum service levels in relation to liquidity provision, which should be in line with those published by the Exchange from time to time, in the relevant listing document.

We submit that it is essential to clarify that the requirement for disclosure of minimum service levels for liquidity provision in the listing documents should correspond to the liquidity provision method selected by the issuer. Specifically, our interpretation is that the proposed disclosure requirement for AQ minimum service levels for liquidity provision in the listing documents are applicable solely in cases where the issuer elects to provide liquidity via the AQ mechanism.

We seek confirmation from the Exchange on our interpretation as outlined in this paragraph 2.1. We invite the Exchange to consider our proposed amendments to the revised Listing Rules in this table for clarity on the intent supporting this proposal.

Listing Rules	KWM proposed amendments
Paragraph 17(16A), Paragraph D1D	"*Other minimum service levels in relation to liquidity provision which shall comply with the minimum service levels applicable to the elected liquidity provision mechanism as required by the Exchange from time to time.*"
Note 3 to Paragraph 5A, Appendix E5	"*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 applicable to the elected liquidity provision mechanism 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 document.*"

2.2 Legal implications of codifying minimum service levels for AQ

We suggest the clarification sought in paragraph 2.1 because the proposed codification of the minimum service levels for liquidity provision by way of AQ imposes an onerous legally enforceable obligation on issuers.

Currently, the minimum service levels applicable to AQ are outlined in product sheets published on the Exchange's website. These prescribed minimum service levels, while widely observed in practice, function as industry guidelines and best practice for issuers, but are not binding legal obligations. They do not possess the same legal enforceability effect as provisions under the Listing Rules, nor do they constitute contractually binding obligations of an issuer.

Any proposed requirement for the AQ minimum service levels to be disclosed in the listing document or the codification of a requirement to comply with the listing document elevates the AQ minimum service levels from industry best practice to enforceable obligations. Industry guidelines will become legally binding commitments, enforceable by the Exchange and potentially by investors.

This distinction between industry guidelines (best practice) and binding regulatory/legal obligations carries significant legal implications, including but not limited to:

(a) **(regulatory consequences)** a breach of the Listing Rule may trigger regulatory reporting obligations to multiple regulatory authorities and expose issuers to disciplinary action by the Exchange, including public censure, financial penalties and suspension of the issuer's ability to offer new structured products; and

(b) **(civil liability exposure)** the inclusion of specific AQ service levels in listing documents, combined with the obligation to comply with the Listing Rules, exposes issuers to substantial civil liabilities. Even minor or justifiable deviations from the stated service levels (such as during periods of extreme market conditions or market stress) could encourage potential investor claims based on misrepresentation or breach of disclosure obligations.

In light of these implications, we recommend the Exchange to carefully reconsider the legal ramifications of codifying AQ minimum service levels. In particular, we suggest that any such codification be accompanied by a clear and comprehensive statutory framework for exemptions and defences. This framework should address circumstances where strict compliance with AQ obligations may not be feasible, such as during extreme or volatile market conditions (e.g. a "fast market").

To this end, we suggest that the Exchange consider introducing statutory guidelines or safe harbour provisions that:

(i) clearly define what constitutes a "fast market" or other exceptional market conditions;

(ii) provide objective criteria or thresholds for invoking exemptions from AQ obligations;

(iii) align with the broader legal and regulatory framework under the SFO, ensuring consistency with existing disclosure and liability regimes; and

(iv) offer issuers a degree of legal certainty and protection against disproportionate regulatory or civil consequences in genuinely exceptional circumstances.

We suggest that such measures would strike an appropriate balance between investor protection and market integrity, while also preserving the operational flexibility necessary for issuers to navigate rapidly evolving market conditions.

3 FINANCIAL REPORTING OBLIGATIONS

In principle, we support the objective of timely disclosure of financial reporting information and enhanced transparency. However, we are concerned about the practical challenges that issuers and guarantors may encounter in complying with the shortened publication timeline for interim financial reports, as well as the potential severe legal and regulatory consequences they may face in failing to do so, even when such failure is due to justifiable factors beyond their commercially reasonable control.

Our key comments on the proposed amendments are as follows:

3.1 Shortening of publication timeframe for interim financial reports

We acknowledge that the proposed reduction of the interim financial report publication timeframe reflects an existing policy expectation that issuers and guarantors have generally endeavoured to meet.

Codifying the shortened publication timeframe in the Listing Rules means that an issuer's failure to comply with the requirement carries severe legal and regulatory consequences and may result in disciplinary measures by the Exchange, including potential public censure, fines or suspension of the issuer's ability to issue new structured products.

We suggest that the Exchange retain the current four-month reporting period in the Listing Rule and maintain its policy expectation within a flexible framework, acknowledging that in some cases, overseas legal or regulatory requirements may influence an issuer's ability to publish its interim financial statements within the proposed shortened publication timeframe.

Furthermore, it would align the regulatory approach for listed structured products with that for unlisted structured products. Notably, issuers are given four months to issue their interim financial statements under the SIP Code.

3.2 Clarification on the concept of "annual report" and "interim financial report"

We seek the Exchange's confirmation on the interpretation of the terms "annual report" and "interim financial report" as used in the revised Listing Rules.

The revised Listing Rules require issuers and (where applicable) guarantors to publish their "annual report" and "interim financial report" within the prescribed timeframe and for the "audited financial statements" and "interim financial statements" to be included.

There are varying interpretations among market participants regarding the relationship between these terms and the precise scope of the disclosure required for each document. Specifically, we understand that:

(a) the current disclosure approach for financial information is based on the understanding that an issuer will assess the necessary financial information required to be disclosed in the listing documents to enable investors to make an informed investment decision, and observe the minimum required content to satisfy the disclosure requirement for the interim financial report; and

(b) some issuers have not disclosed the full text of their annual and interim financial reports, relying on the minimum content requirements specified in Paragraph 11(1)(a) of Appendix D1D (i.e. by publishing only specified interim financial statements) in satisfying their obligation to disclose their interim financial report due to the extensiveness and lengthiness of their full interim financial report, which may contain content not relevant to their issuance of structured products, nor necessary to enable investors to make an informed investment decision.

We seek confirmation from the Exchange of the appropriateness of such interpretation. Specifically, we seek clarification on:

(a) whether an issuer is permitted to make its own assessment as to whether the disclosure of the minimum content requirement for interim financial reports is sufficient to satisfy its general disclosure obligations under the Listing Rules; and

(b) the intended distinction between the following terms used in the Listing Rules:

  (i) "annual report" and "audited financial statements"; and

  (ii) "interim financial report" and "interim financial statements".

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If this interpretation accurately reflects the Exchange's intention for the scope of disclosure of interim financial report, we submit these proposed amendments to the revised Listing Rules as proposed in the Consultation Paper:

Listing Rules	KWM proposed amendments
Paragraph 11(1)(a), Appendix D1D	"*An interim financial ~~report~~ statements (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 9 months have elapsed since the date to which its latest published audited consolidated financial statements are made up), ~~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 minimum disclosure information (on a consolidated basis where the issuer and/or the guarantor are holding companies):– [...]*"
Paragraph 5(1)(b), Appendix E5	"*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~~ statements 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~~ the minimum disclosure information set out in paragraph 5(2) of this Appendix E5;*"
Paragraph 5(2), Appendix E5	"*include in the interim financial ~~report~~ statements referred to in paragraph 5(1)(b) of this Appendix E5 (on a consolidated basis where the issuer and/or the guarantor are holding companies):–* *(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*"

3.3 Form of disclosure

The revised paragraph 5(1) of Appendix E5 of the Listing Rules stipulates that issuers and (where applicable) guarantors are required to publish their financial reports or information (including other financial information which issuers and/or guarantors have provided to any other exchange or market) on the Exchange's website.

We further understand that any publication of financial reports or information as required under the revised paragraph 5(1) of Appendix E5 of the Listing Rules must be published in English and Chinese because the relevant exemption to the bilingual language requirement under rule 2.07C(4)(b) is proposed to be removed.

We seek confirmation from the Exchange as to whether public disclosure of a hyperlink containing the relevant disclosure document or information is sufficient to fulfill the requirement to "publish on the Exchange's website".

3.4 Bilingual language requirement for documents

We are concerned about the proposal to extend the mandatory bilingual requirement to the documents listed in items (a) to (d) of paragraph 309 of the Consultation Paper, namely directors' report, annual accounts, interim report and quarterly financial report.

While paragraph 311 of the Consultation Paper provides that this proposal reflects the current practice, we submit that the current practice only imposes the bilingual requirement on items (a) to (d) to the extent that they are incorporated or extracted for disclosure in the listing documents. That is, there is currently no requirement for full, standalone form of items (a) to (d) to be made available in English and Chinese.

Importantly, Hong Kong's structured products offering regime under the SFO requires issuers and (where applicable) guarantors to include their updated financial statements in their product offering documents in bilingual English and Chinese.

We submit that mandating full translations of these financial documents beyond what is already included in the offering documents is unnecessarily onerous for global issuers and may not provide a commensurate increase in disclosure for investors. We recommend the Exchange to consider to limit the mandatory bilingual requirement to documents (e) to (h) of paragraph 309 of the Consultation Paper, namely the offering documents for the relevant products.

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4 GUARANTOR'S LIABILITY

4.1 Scope of guarantor's liability

We understand that the proposed introduction of the new rule 15A.15A does not intend to expand the scope of a guarantor's obligations under the current Listing Rules, which are limited to:

(a) **(eligibility obligations)** compliance with the Listing Rules to the same extent as if it were the issuer of the structured products under the current rule 15A.16(3), which has generally been interpreted to be limited to the issuer's obligations as set out in the terms and conditions of the relevant structured products as guaranteed under the relevant guarantee; and

(b) **(provision of legal opinions on guarantee)** providing a legal opinion on the guarantee as required by the current rule 15A.18(2).

Specifically, it is not intended for the guarantor to be deemed liable for other ongoing obligations of the issuer and/or liquidity provider under the Listing Rules, such as the obligation to provide liquidity in each structured product issue and conduct-related requirements.

We seek the Exchange's confirmation as to our interpretation of the scope and application of rule 15A.15A. If our interpretation accurately reflects the Exchange's intention, we submit our proposed amendments to the revised Listing Rules as proposed in the Consultation Paper:

Listing Rules	KWM proposed amendments
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, to the extent that such rules are applicable to the respective party."*
15A.16(3)	"*the guarantor will be required to comply with the Exchange Listing Rules applicable to it to the same extent as if it were the issuer of the structured products in accordance with the terms of the guarantee whilst any structured products guaranteed by it are listed on the Exchange.*"

4.2 Frequency for provision of guarantee

Pursuant to the current rule 15A.20 (which will be incorporated into the proposed new rule 15A.18(3A)), the Exchange does not accept a guarantee as covering structured products issued one year or more from the date of the guarantee. This effectively precludes the acceptance of perpetual guarantees, thereby requiring issuers to obtain a new guarantee and a supporting legal opinion as part of their Base Listing Document renewal on an annual basis.

We submit that a perpetual guarantee, properly executed and remaining legally enforceable under the relevant governing law, are enforceable in the same way as an annually renewed guarantee. We suggest the Exchange to consider accepting a perpetual guarantee, as this aligns the regulatory approach for listed structured products with that for unlisted structured products. Notably, the SIP Code does not require issuers of unlisted structured products to obtain a new guarantee on an annual basis.

5 MISCELLANEOUS COMMENT

Clarification on the application of rule 15A.51 (Disclosure of Agreement)

The current wording of rule 15A.51 is broad and has the potential to encompass a wide range of commercial arrangements that may be immaterial to the structured product or its underlying securities. In the absence of formal guidance, market participants have applied an interpretation by reference to general disclosure obligations under the Listing Rules and the regulatory framework aimed at preventing false markets or insider dealings under the SFO.

Based on this understanding and prevailing market practice, we submit that:

- **(policy context)** rule 15A.51 should be interpreted in the context of the broader statutory and regulatory regime governing false market trading and insider dealing under both the Listing Rules and the SFO; and
- **(disclosure threshold)** the primary consideration for disclosure under rule 15A.51 is whether the non-disclosure of an agreement would create a “false market” in the underlying structured products.

We seek the Exchange’s confirmation as to our interpretation of the scope of rule 15A.51 and suggest that the Exchange consider issuing guidance clarifying the types of agreements, arrangements, or understandings that fall within the scope of rule 15A.51.

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CONCLUSION

We once again thank the Exchange for the opportunity to provide our comments on the Consultation Paper. We believe that the proposed amendments are a positive development for the Hong Kong structured products market. We hope that our comments will be of assistance to the Exchange in its finalisation of the amendments to the Listing Rules.

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