



## Listing related issues for RQFII ETFs

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# Listing ETFs on the Exchange

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s.104 of the Securities and Futures Ordinance :

Authorization by Securities and Futures Commission (“SFC”) is required for all ETFs listed in Hong Kong.

## Listing ETFs on the Exchange

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ETF is a collective investment scheme.

The Code on Unit Trusts and Mutual Funds issued by the SFC which came into effect on 25 June 2010 establishes guidelines for the authorization of collective investment schemes.

Potential ETF managers should seek authorization of their ETFs from the SFC prior to seeking a listing on the Exchange.

## Listing ETFs on the Exchange

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After obtaining the SFC's "approval in-principle", formal listing application of an ETF can be submitted to the Listing Division of HKEx.

Listing of ETFs is regulated under Chapter 20 of the Listing Rules.

## Listing ETFs on the Exchange

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Hong Kong offering document is vetted by the SFC during the authorization process.

Role of IPO Transactions Department in the listing of ETFs - administrative in nature.

Administrative process will normally be completed within one month.

## Listing ETFs on the Exchange

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After completion of all the administrative procedures, we will issue an “approval in-principle” to the applicant.

The potential ETF managers will need to contact SFC again for a final approval letter.

## Listing ETFs on the Exchange

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Based on the final approval letter issued by the SFC, the Head of Listing Division will approve the listing of ETF under the power delegated to him by the Listing Committee, and no Listing Committee meeting will be required to approve the listing of ETF.

Applicant should then sign a Listing Agreement.



## Listing ETFs on the Exchange

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For listing of shares, the Exchange has to issue a certificate to authorize the registration of the prospectus.

For listing of ETF, no such procedure is required.

Final approval issued by the SFC will authorize the publication of the offering document under s.105 of the Securities and Futures Ordinance. The prospectus registration requirement under the Companies Ordinance does not apply to any document so authorized.

## Post-listing obligations for RQFII ETFs

## Regulation of RQFII ETFs

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- SFC is the primary regulator for RQFII ETFs
- The Exchange's role is to maintain a fair and orderly market in the trading

## Major continuing obligations for RQFII ETFs

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- RQFII ETFs should comply with the Listing Rules in force from time to time
- However, most substantive Listing Rule requirements are **not** applicable to RQFII ETFs, for example:
  - Chapter 13 – continuing obligation
  - Chapter 14 – notifiable transactions
  - Chapter 14A – connected transactions

## Major continuing obligations for RQFII ETFs - Paragraph 4 of the Listing Agreement

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**Paragraph 4 of the Listing Agreement** set out the circumstances under which RQFII ETFs are required to make immediate release of information (generally known as ***price-sensitive information***)

## Major continuing obligations for RQFII ETFs - Paragraph 4 of the Listing Agreement

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- Under paragraph 4 of the Listing Agreement, RQFII ETF manager shall inform the Exchange immediately of:
  - 1) any notice of SFC to withdraw authorisation of the scheme;
  - 2) any intention to vary or terminate the scheme; and
  - 3) any other information necessary to enable the holders of interests to appraise the position of the scheme and to avoid the establishment of a false market in the interests of the scheme.

## Major continuing obligations for RQFII ETFs - Paragraph 4 of the Listing Agreement

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- Tips to determine “price-sensitive information”
  - A matter of judgment by the RQFII ETF manager
  - No exhaustive list can be given
  - Includes potentially price-sensitive information
  - May include positive and negative information
  - For example:
    - Significant change in the financial condition/performance
    - Dividend distribution
    - Material variation in terms or termination of the scheme
    - Withdrawal of listing
    - Clarification on market rumors

## Major continuing obligations for RQFII ETFs - Paragraph 4 of the Listing Agreement

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Circular to Management Companies of SFC-Authorized ETFs : non-exhaustive examples

- Filing of winding up petitions
- Replacement of underlying index
- Litigation against ETFs or its trustee / custodian / management company
- Material breaches of constitutional documents of the ETF

<http://www.hkex.com.hk/eng/rulesreg/listrules/listletter/Documents/20101118.pdf>



## Major continuing obligations for RQFII ETFs - Paragraph 4 of the Listing Agreement

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- Obligation when in possession of price sensitive information - Guiding principles
  - Announce promptly
  - Keep confidential until a regulatory announcement is made
  - Request suspension in the trading of the securities if necessary
  - No selective dissemination of price-sensitive information
  - Prompt response to the Exchange's enquiries concerning unusual price or trading volume movements and issue "standard" or "qualified" statement

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Thank you