

Hong Kong: Chapter 20 Listing Rules Amended for Authorised Collective Investment Schemes

New amendments affect both new CIS applicants and existing CIS issuers.

The Stock Exchange of Hong Kong Limited (Stock Exchange) has recently published certain amendments on Chapter 20 of the Main Board Listing Rules (Listing Rules) governing collective investment schemes (CIS) that the Securities and Futures Commission (SFC) authorises. The rules have been changed to:

- Clarify the eligibility requirement of a listing agent who handles a listing application on behalf of a new CIS applicant
- Streamline the application procedures for a new CIS applicant
- Clarify the procedures for the listing of additional interests in a close-ended CIS after listing

These amendments will apply to listing applications submitted to the Stock Exchange **on or after 10 November 2014** for: (a) new listing applicants of CIS and (b) listed CIS issuers. The Stock Exchange has also issued a Guidance Letter (GL79-14) to provide guidance on the documentary requirements and administrative matters for CIS applications.

A summary of the major amendments to be made to the Listing Rules is set out below:

1. Regulatory roles of SFC and the Stock Exchange

The SFC remains the primary regulator for authorised CIS listed under Chapter 20 of the Listing Rules — including authorisation of CIS and their offering documents. The Stock Exchange is primarily responsible for maintaining a fair, orderly and efficient market in the trading of listed CIS.

2. Eligibility requirement of listing agent

A CIS applicant must appoint an agent for the listing of interests in any CIS. If a CIS applicant launches an initial public offering (IPO) of CIS interests, the clarified rules now require the listing agent have all the necessary licences and qualifications to oversee the management of the matters in Listing Rule 20.06(2)(a) to (e), namely:

- Processing of offer applications
- Allocations of interest in the CIS
- Underwriting and distribution activities
- Administration of subscription lists
- Processing of subscription monies

Accordingly, if the new CIS applicant is a REIT (real estate investment trust), or if the Stock Exchange or the SFC may otherwise require, the listing agent must have the requisite licences and qualifications to act as a sponsor.

3. Streamlining application procedures for new CIS applicants

The previous requirement that a CIS listing application must be submitted not less than 10 clear business days prior to the issue of an in-principle approval letter (AIP) will be removed. This will allow CIS applicants more flexibility when designing their timetable. The application process has also been streamlined to require that the majority of the documents be submitted together with the listing application (*i.e.* Form 5A2). If all documentation is in order and the Stock Exchange includes no material comments, the Stock Exchange should be able to issue an AIP within five clear business days.

Further, while the Stock Exchange normally issues the final listing approval one business day before the listing, the Exchange is prepared to be flexible on the issue of a final listing approval to facilitate CIS applicants to obtain stamp duty remission (available to certain exchange traded funds (ETFs)) from The Financial Services and Treasury Bureau.

4. Documentary requirements for listing additional interests

A listed CIS issuer may issue additional interests post-listing. A close-ended listed CIS issuer (*e.g.* REIT) must submit to the Stock Exchange a formal listing application (*i.e.* Form 5C3), together with a certified copy of its and its CIS Operator's board resolutions authorising filing of the listing application, as required under Listing Rule 20.15. These requirements do not apply to open-ended listed CIS issuers (*e.g.* ETF).

A listed CIS issuer should consult the Stock Exchange on any proposal to change its arrangements for trading in its interests on the Stock Exchange (*e.g.* consolidating or subdividing the CIS interests in the form of units). The CIS issuer should agree on its proposed change and timetable with the Stock Exchange before announcing the proposal.

Copies of GL79-14 and the related Listing Rules amendments can be downloaded via the links below:

<http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/iporq/Documents/gl79-14.pdf>

http://www.hkex.com.hk/eng/rulesreg/listrules/mbrulesup/Documents/mb_ch20_1411.pdf

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