

LIST OF SFC CODES, GUIDELINES AND CIRCULARS APPLICABLE TO RIs
IN RESPECT OF THEIR REGULATED ACTIVITIES

Provided below is a list of the relevant non-statutory codes, guidelines and circulars issued by the SFC, which are posted on the SFC's web-based Regulatory Handbook (available on the SFC website at <http://www.hksfc.org.hk>). This electronic handbook will be regularly updated for any new and revised codes, guidelines and circulars and you are advised to visit the SFC website regularly for various updates.

Ref. No.	Non-statutory Codes, Guidelines and Circulars	Date of Release
Licensing of Intermediaries and Continuing Obligations of Licensed Persons		
<i>Licensing of Intermediaries</i>		
1	Fit & Proper Criteria	Dec 2000
2	General Circular on the Provision of Financial Information on the Internet – Licensing Requirements	May 2001
3	Licensing Information Booklet	Aug 2001 (To be revised)
4	Competence Requirement	
	4.1 Frequently Asked Questions on Competence	(Updated from time to time)
	4.2 Guidance Note on Competence	Jun 2001 (To be revised)
<i>Continuing Obligations of Licensed Persons</i>		
5	Disciplinary Fining Guidelines	Apr 2002
6	Issue of Advertisements by Intermediaries	Sep 1999
7	Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission	May 1997
8	Code of Conduct	
	8.1 Circular to Registered Intermediaries – Amendment to the Code of Conduct for Persons Registered with the Securities and Futures Commission	Jun 2002
	8.2 Circular to SFC's Registered Intermediaries – Order Recording Requirements	Nov 2002
	8.3 Client Identity Rule Policy	Jul 2000

Ref. No.	Non-statutory Codes, Guidelines and Circulars	Date of Release
	8.4 Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (incorporated amendments made on 28 June 2002)	Apr 2001 (To be revised)
	8.5 Frequently Asked Questions on the Code of Conduct for Registered Persons	(Updated from time to time)
9	Continuous Professional Training	
	9.1 Frequently Asked Questions on Continuous Professional Training	(Updated from time to time)
	9.2 Guidance Notes on Continuous Professional Training	Jun 2001 (To be revised)
10	Electronic Activities	
	10.1 General Circular to All Registered and Licensed Firms on Internet Trading and Advising	Jul 2000
	10.2 Guidance Note for Persons Advertising or Offering Collective Investment Schemes on the Internet	May 2001
	10.3 Guidance Note on Internet Regulation <i>(To be replaced by a new guidance note)</i>	Mar 1999 (To be revised)
	10.4 Guidance Note on the Application of the Electronic Transactions Ordinance to Contract Notes	Aug 2000
	10.5 Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering	Jul 2000 (To be revised)
	10.6 Update on eIPO – Letter to Securities Dealers and Exempt Dealers	Sep 2000
Specific Requirements for Regulated Activities		
<i>Types 1 & 2 – Dealing in Securities and Futures Contracts</i>		
11	Circular Letter to All Securities Dealers – Analysis of Misappropriation of Assets Cases from Brokers and Investors’ Perspectives	Mar 2001
12	Circular to All Securities Dealers – Segregation of Duties	Jul 2002
13	Circular to SFC’s Registered Intermediaries – Equity-linked Instruments are Subject to Suitability and Fair Dealing Requirements	Nov 2001
14	Core Operational and Financial Risk Management Controls for Over-the-Counter Derivatives Activities of Registered Persons	Mar 1995 (To be revised)
15	Circular to Registered Persons Regarding the Marketing of Hedge Funds	Nov 2002

Ref. No.	Non-statutory Codes, Guidelines and Circulars	Date of Release
16	General Circular on the Provision of Financial Information on the Internet – Licensing Requirements <i>(same as item 2)</i>	May 2001
17	General Circular to All Registered and Licensed Firms on Internet Trading and Advising <i>(same as item 10.1)</i>	Jul 2000
18	Guidance Note for Short Selling Reporting and Stock Lending Record Keeping Requirements	Nov 2002
19	Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering <i>(same as item 10.5)</i>	Jul 2000 (To be revised)
20	Measure to Prevent Unauthorised Trades and Over-trading	Nov 2001
21	Update on eIPO – Letter to Securities Dealers and Exempt Dealers <i>(same as item 10.6)</i>	Sep 2000
<i>Types 4 & 5 – Advising on Securities and Futures Contracts</i>		
22	Circular to SFC’s Registered Intermediaries – Equity-linked Instruments are Subject to Suitability and Fair Dealing Requirements <i>(same as item 13)</i>	Nov 2001
23	Circular to Registered Persons Regarding the Marketing of Hedge Funds <i>(same as item 15)</i>	Nov 2002
24	General Circular to All Registered and Licensed Firms on Internet Trading and Advising <i>(same as item 10.1)</i>	Jul 2000
25	Guidelines on Exempt Fund Manager Status under the Code on Takeovers and Mergers	Apr 2001
26	Guidelines on Exempt Principal Trader Status under the Code on Takeovers and Mergers	Apr 2001
<i>Type 6 – Advising on Corporate Finance</i>		
27	Takeovers / Mergers and Share Repurchases	
	27.1 Codes on Takeovers and Mergers and Share Repurchases	Feb 2002
	27.2 Guidelines on Exempt Fund Manager Status under the Code on Takeovers and Mergers <i>(same as item 25)</i>	Apr 2001
	27.3 Guidelines on Exempt Principal Trader Status under the Code on Takeovers and Mergers <i>(same as item 26)</i>	Apr 2001
28	Corporate Finance Practices	
	28.1 Corporate Finance Adviser Code of Conduct	Dec 2001

Ref. No.	Non-statutory Codes, Guidelines and Circulars	Date of Release
	28.2 Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering (<i>same as item 10.5</i>)	Jul 2000 (To be revised)
	28.3 Guidelines for the Exemption of Listed Companies from the Securities (Disclosure of Interests) Ordinance (<i>also refer to the attached Government Notice No. G.N. 2383</i>)	Jul 1991
	28.4 Update on eIPO – Letter to Securities Dealers and Exempt Dealers (<i>same as item 10.6</i>)	Sep 2000
	28.5 Use of Plain Language	
	28.5.1 How to Create Clear Announcements – Guidelines on the Use of Plain Language	Jul 1997
	28.5.2 Project on the Use of Plain Language – How to Create a Clear Prospectus	Jan 1998
Type 7 – Providing Automated Trading Services		
29	Guidelines for the Regulation of Automated Trading Services	Feb 2002
Type 9 – Asset Management		
30	Fund Manager Code of Conduct	Dec 1997
31	General Circular to Persons Registered with the SFC Whose Business Involves the Discretionary Management of Collective Investment Schemes	Aug 2001
Securities and Futures Ordinance		
32	Circular to All Intermediaries – Subsidiary Legislation to be made under the Securities and Futures Ordinance	Nov 2002

Apart from the above, the SFC is also preparing to issue the following non-statutory codes, guidelines and circulars¹:

- Guidelines on Transitional Arrangements
- Guidelines on Licensing Fees
- Suggested Control Techniques and Procedures for Enhancing a Firm's Ability to Comply with Securities and Futures (Client Securities) Rules and Securities and Futures (Client Money) Rules

¹ The names of the codes, guidelines and circulars are subject to changes.

G.N. 2383

SECURITIES (DISCLOSURE OF INTERESTS) ORDINANCE (Chapter 396)

Section 2A

Under Section 2A of the
Securities (Disclosure of Interests) Ordinance (Chapter 396),
the Securities and Futures Commission,
after consulting the Financial Secretary,
publishes these guidelines for the
exemption of listed companies from all or
any of the provisions of the Ordinance

*Securities and Futures Commission**Guidelines for the Exemption of Listed Companies from the Securities
(Disclosure of Interests) Ordinance*1. *Definitions*

Save for the terms hereinafter defined, terms used in these Guidelines have the meanings ascribed to them by the Securities (Disclosure of Interests) Ordinance and any amendments thereto. In these Guidelines:—

'corporate insiders' means substantial shareholders, directors, shadow directors and chief executives of a listed company;

'Guidelines' means these guidelines made pursuant to section 2A(1) of the Ordinance;

'Ordinance' means the Securities (Disclosure of Interests) Ordinance;

'Stock Exchange' means Stock Exchange of Hong Kong Limited; and

'substantial shareholder' means a person or company who has an interest in shares comprising 10% or more of a listed company's issued share capital of a class carrying rights to vote in all circumstances at general meetings of the company.

2. *Nature and Purpose of these Guidelines for Exemption*

2.1 The Ordinance requires the disclosure by corporate insiders of their interests in the securities of listed companies. Disclosure of information to investors and the market is the cornerstone of a fair and orderly securities market. Disclosure of interests of corporate insiders is an important element of an informed market. Except in limited circumstances, the Commission would not propose to exempt a listed company and its corporate insiders from the obligation to provide disclosure of interests to the market.

2.2 For some companies, either already listed or seeking a listing, the principal share trading market in their securities exists or will exist on a stock exchange other than Hong Kong. In some cases either no share trading or only nominal trading will take place on the Stock Exchange. In other cases the corporate insiders of such companies will be subject to statutory disclosure of interest obligations in another jurisdiction that are comparable to those of the Ordinance. Requiring compliance by these corporate insiders with the Ordinance may result in additional costs without contributing to an informed market for the shares of the relevant company.

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- 2.3 Section 2A(2) of the Ordinance gives the Commission the power to exempt any listed company from all or any of the provisions of the Ordinance, subject to such conditions as it thinks fit having regard to the Guidelines. The Guidelines set out the criteria which the Commission will take into account when deciding whether to grant an exemption. The Guidelines are not exhaustive. They are simply intended to assist applicants in understanding the matters that the Commission will take into consideration when deciding whether to exercise its discretion to grant an exemption. They may be modified or varied as circumstances require. Similarly an exemption, once granted, can be revoked or any conditions attached modified or varied by the Commission as circumstances change.

3. *Application for an Exemption*

- 3.1 Only a listed company or company applying for listing may apply, in writing, to the Commission for an exemption from the Ordinance. An application must be directed to the Corporate Finance Division of the Commission.
- 3.2 The applicant, when deciding what matters to include in its written application, should have regard to the Guidelines. The Commission may request additional information or make such enquiries as it considers appropriate when considering any application.
- 3.3 These Guidelines provide for complete or partial exemptions. Exemptions, whether complete or partial, may be made subject to such conditions as the Commission reasonably considers appropriate.

4. *General Criteria for Exemption*

- 4.1 The Commission will take account of the following matters in deciding whether to grant an exemption:—
- (i) the volume of the applicant company's worldwide share turnover (or in the case of a new applicant for listing, the anticipated turnover) that takes place on the Stock Exchange and on any other stock exchange or securities market;
 - (ii) the extent to which an applicant company's corporate insiders are subject to statutory disclosure requirements in any other jurisdiction that are comparable to those existing in Hong Kong; and
 - (iii) the reasons for the applicant company listing in Hong Kong including whether it intends raising capital or not.
- 4.2 The Commission will confer with the Stock Exchange and take account of its views when considering an application for an exemption.

5. *Complete Exemption*

- 5.1 When a complete exemption is granted the Ordinance, in its entirety, will not apply to the company concerned and its corporate insiders. Disclosures of interest made by an applicant and its corporate insiders in any other jurisdiction will not be required to be filed with Hong Kong regulatory authorities.
- 5.2 The Commission will take into account all relevant facts and circumstances, including those matters set out in section 4 above, in considering an application for a complete exemption.
- 5.3 An applicant for a complete exemption must satisfy the Commission that only a nominal percentage of the average daily volume of its worldwide share turnover does, or is reasonably anticipated to, take place on the Stock Exchange. A nominal percentage will normally be 1% or less of the average daily volume of an applicant's worldwide share turnover. Average daily volume of worldwide share turnover shall be calculated on the basis of share turnover during the twelve month period immediately preceding the date of any application for exemption.
- 5.4 The Commission would not normally grant a complete exemption if the applicant company or its predecessor has raised capital, or if the applicant intends to raise capital, in Hong Kong. However, the fact that a company raises a pro-rata proportion of its capital in Hong Kong, for example through a rights offering or by way of a professional offering in Hong Kong that was part of a worldwide offering, would not automatically result in revocation of its exemption.

5.5 The Commission does not propose to revoke a complete exemption or modify or vary any conditions attached thereto unless there is a material change in circumstances. The Commission will give reasonable notice of its intention to revoke or vary a complete exemption. If, after an application for complete exemption is granted, a company's daily volume of share turnover on the Stock Exchange exceeds 1% of worldwide turnover calculated over a 12 month period then the exemption may be varied to a partial exemption, so that the company will be required to file any disclosures of interest made in another jurisdiction with the Stock Exchange.

6. *Partial Exemption*

- 6.1 When a partial exemption is granted the company concerned and its corporate insiders will not be required to prepare registers, maintain records or file with Hong Kong regulatory authorities disclosure of interest reports pursuant to the Ordinance. An applicant company will be required to file with the Stock Exchange any disclosures of interests made in another jurisdiction as soon as is practicable. The Stock Exchange will publish these disclosures in the same way as those it receives from other listed companies pursuant to the Ordinance.
- 6.2 Parts IV and V of the Ordinance will continue to apply to the applicant company and its corporate insiders in the case of a partial exemption. Part IV of the Ordinance sets out the powers of the Financial Secretary to investigate listed company ownership and Part V sets out the orders that can be made imposing restrictions on shares.
- 6.3 The Commission will take account of all relevant facts and circumstances, including those set out at section 4 above, in considering an application for a partial exemption but will take particular account of:—
 - (i) The location of the principal trading market in an applicant company's securities. An application for a partial exemption is unlikely to be granted if 20% or more of the applicant company's average daily worldwide share turnover during a twelve month period immediately preceding the date of the application for exemption takes place on the Stock Exchange.
 - (ii) The nature and scope of any statutory disclosure of interest obligations that apply to an applicant company and its corporate insiders other than those imposed by the Ordinance. A partial exemption from the Ordinance will not normally be granted to an applicant company if no statutory disclosure of interest obligations comparable to those imposed by the Ordinance apply to its corporate insiders in any other jurisdiction.
- 6.4 The fact that a company has or proposes to raise capital in Hong Kong will not prevent it from obtaining a partial exemption from the Ordinance.
- 6.5 The Commission does not propose to revoke a partial exemption or modify or vary any of the conditions attached thereto unless there has been a material change in circumstances. Except in exceptional circumstances, the Commission will give six months notice to the listed company concerned of its intention to revoke a partial exemption.

9 July 1991

Robert OWEN *Chairman, Securities and Futures Commission*