

# 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, 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.
- 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. 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 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:
- (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.

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”.

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.

### **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) 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 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.

15A.12 An issuer of non-collateralised structured products must have a net asset value (i.e. the aggregate of share capital and reserves) of not less than HK\$2 billion as set out in its latest published audited financial statements and interim financial 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) have a credit rating which is one of the top three investment grades awarded by a credit rating agency recognized by the Exchange. 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
- (2) be regulated by the Hong Kong Monetary Authority or an overseas regulatory authority acceptable to the Exchange, or
- (3) be regulated by the Commission for the conduct of the business of dealing in securities in Hong Kong (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 of the Commission as soon as possible of their intention to issue any structured products and to give to the Commission 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.*

- (4) be a government or state, or a body which is backed by the full faith and credit of a government or state.

15A.14 Where an issuer fails to satisfy the criteria in rules 15A.12 or 15A.13 the Exchange may accept an arrangement whereby the issuer's obligations arising under the 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.

15A.15 The issuer will be required to sign a Listing Agreement in a form prescribed and provided by the Exchange before the launch of its first structured product to be listed on the Exchange.

### **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;
- (2) the guarantor will normally be required to be the ultimate holding company of the group to which the issuer belongs;
- (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 ; and
- (4) the guarantor will be required to sign a Listing Agreement in a form prescribed and provided by the Exchange before the launch of any guaranteed structured product to be listed on the Exchange.

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.18 In the case of a guaranteed issue, the issuer and/or the guarantor must submit to the Exchange legal opinions from competent legal advisers from such jurisdictions as the Exchange shall require. 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 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 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

- (4) such other matter as the Exchange shall require depending on the circumstances of the issuer.

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.

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 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.

### **Continuing Obligations**

15A.21 In addition to the continuing obligations as set out in the Listing Agreement in Part H of Appendix 7 (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:–
  - (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:–
- (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
- (4) make the financial information referred to in rule 15A.21(1) and (2) above available for inspection by the public at the issuer’s registered office or principal place of business in Hong Kong or such other place (which may be a web site) in Hong Kong as shall be acceptable to the Exchange. The financial information should also be published on the Exchange’s website in the manner as requested by the Exchange from time to time.

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;

*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 web site and any other electronic news dissemination system operated by the Exchange from time to time;

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 web site 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.*

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:-

- (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 The text of the Listing Agreement applicable to structured products is reproduced as Part H of Appendix 7 together with notes on its interpretation and application.

15A.26 The Exchange may agree modifications to or impose additional requirements in the Listing Agreement 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 list on the Exchange structured products where the underlying security is or includes securities of that financial institution or members of its group.

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**

- 15A.30 Where the structured product relates to a single class of shares, the structured product may only be listed if at the time of issue of the structured product such class of shares 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
  - (2) listed on the Exchange and is, on the day the structured product is launched, a Single Scheduled Stock eligible for the type of structured product proposed to be issued as defined in rule 15A.35 below;

*Note: The Exchange may waive compliance with the requirement for a stock to be a Single Scheduled Stock where the capitalisation of shares in the hands of the public 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.*

- (3) listed or dealt in on another regulated, regularly operating, open stock market recognised for this purpose by the Exchange, and
  - (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
  - (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.

15A.31 Factors which the Exchange will consider in determining the suitability of structured products which relate to shares listed or dealt in on another regulated, regularly operating, open stock market 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;
- (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;

- (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;
- (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;
- (5) the availability of price information in Hong Kong particularly on a real-time basis; and
- (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.

### **Baskets**

15A.32 Where the basket relates to shares listed on the Exchange:

- (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 comprised in a basket	Minimum weighting of 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:-

- (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.

### **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.



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 approved by the Exchange. Modifications to terms and conditions must be approved 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.
- (2) An Emulation Issue is a structured product whose underlying asset and type (e.g. put or call) are identical to an existing structured product (the "emulated issue") that is already listed on the Exchange at the time the 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.

- 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.*

15A.39 The expected market capitalization of a structured product issue must normally be at least HK\$10 million.

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.

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.

15A.42 The trading board lot of structured products relating to index, currency or a basket of shares must be 10,000.

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.

15A.44 (1) The issuer must, at the time of launch, specify the settlement method of the structured product upon exercise or maturity.

(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.

(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.

*Note: 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.

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 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
- (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;
- (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;
- (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 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, an issuer of collateralised structured products must:-

- (1) demonstrate that the proposed security arrangements are for the benefit of and 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) 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 for the benefit of holders of the structured product;
- (2) 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 ;
- (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
- (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 are unencumbered, that the securities or assets are being held by the trustee, custodian or depositary for the benefit of holders of the structured product and that the issuer will, upon a valid exercise, be able to convey to holders of the structured product good title to the underlying securities or assets free from all claims, charges, encumbrances, liens, equities and other third party rights whatsoever.

15A.49 For the purposes of rule 15A.48 the Exchange will normally require the trustee, custodian or depositary 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;
- (3) a trust company registered under Part VIII of the Trustee Ordinance; or

- (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.

- 15A.50 In the case of an issue of collateralised structured products, the issuer must submit to the Exchange legal opinions upon the legally binding effect and enforceability of the proposed trust or other security arrangements.

### **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 issue between the issuer and 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) and any substantial shareholder of the company whose securities underlie the structured product.

### **Further Issue**

- 15A.52 An issuer may make 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. The issuer must comply with the following requirements for a Further Issue:
- (1) An issuer must demonstrate that 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.
- (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.
- (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.
- (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.
- (8) The listing fee prescribed in Appendix 8 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.

## **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, release publicity material in relation to 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.

## **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 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 be restricted from launching structured products until the base document has been finalised. One hard copy (dated and signed by a duly authorized officer of the issuer) and one electronic copy of each of the English language version and the Chinese language version of the base listing document must be supplied to the Exchange. If the base listing document is signed by an agent or attorney, a certified copy of the authorisation for such signatory should be provided to the Exchange.
  - (2) An issuer using a stand alone listing document 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.

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 stating the information set out in rule 15A.59 must be published on the web site of the Exchange once the Exchange has confirmed it has no comments thereon as soon as possible 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:

- (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 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.

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 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 Part D of Appendix 1; and

- (2) a completed checklist (obtainable from the Exchange) which specifies the information required by this Chapter and Part D of Appendix 1 regarding the issuer and the issue;

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;
- (2) a remittance in respect of the listing fee, transaction levy and trading fees as determined pursuant to Appendix 8;
- (3) one electronic copy of each of the English language version and the Chinese language version of the supplemental or stand alone listing document;
- (4) where any document referred to in (3) above is signed by an agent or attorney, a certified copy of the authorisation for such signatory;
- (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;
- (6) a certified copy of every letter, report, financial statement, statement of adjustments, valuation, contract, agreement, resolution or other document any part of which is extracted or referred to in the listing document;
- (7) a certified copy of the written consent by an expert to the issue of the listing document with the inclusion therein, in the context in which it is included, of a statement purporting to be a copy of or extract from or summary of or reference to a report or valuation or other statement by such expert in the form and context in which they are included. Where a written consent by an expert relates to information included in a base listing document the written consent need only be provided to the Exchange when the base listing document is filed with the Exchange.

## **Placing**

- 15A.65 Where structured products are listed on the Exchange by way of a placing, the guidelines set out in Appendix 6 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 must contain all of the specific items of information which are set out in this Chapter and Part D of Appendix 1 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 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 Part D of Appendix 1 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.
- 15A.68 If an issuer uses a base listing document, it shall be supported by a “supplemental listing document” containing the information required by this Chapter and Part D of Appendix 1 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 must together contain all the information required by this Chapter and Part D of Appendix 1 in relation to the issuer 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 submits its annual accounts to the Exchange in accordance with rule 15A.21 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 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.

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, 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.
- 15A.78 Subject to rule 15A.79 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.
- 15A.80 An issuer shall ensure, so far as it is able, that its structured products remain Eligible Securities.
- 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.

### **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 web site of the Exchange 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) 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 group.
- 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.
- 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.

### **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 Appendix 8.

### **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 compliance department of the issuer or the guarantor (if any).