

Hong Kong Capital Markets Update

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HKEX announces enhanced guidance for overseas companies seeking to list in Hong Kong

On 29 October 2019, the Stock Exchange of Hong Kong Limited (the Exchange) [published](#) certain materials to facilitate listing applications from overseas companies under the current listing regime.

Highlights

The Exchange enhances guidance for overseas companies seeking to list in Hong Kong:

- Publish alternative procedures for companies with an offering of a security subject to Regulation S of the US Securities Act
- Publish a standardised template for first movers from jurisdictions new to listing in Hong Kong
- Simplify information relating to the Central Clearing and Settlement System (CCASS) as well as provide frequently asked questions and revised CCASS admission forms on the Hong Kong Exchanges and Clearing Limited (HKEX) website

Background

As part of the strategic focus to improve access to Hong Kong's markets, the Exchange and Hong Kong Securities Clearing Company Limited (HKSCC) announced enhancements to guidance materials for overseas companies seeking to list in Hong Kong to assist them under the current listing regime.

We summarise those enhancements as follows:

Alternative procedures for US “domestic issuers” that are not “reporting Issuers”

US “domestic issuers” within the meaning of Regulation S (Regulation S) under the United States Securities Act of 1933 (US Securities Act) who wish to offer their equity securities (Regulation S Securities) in “offshore transactions” within the meaning of, and in reliance on the safe harbour provided by, Regulation S must fulfil the requirements set out in Rules 903(a) and 903(b)(3) of Regulation S (Regulation S Category 3 Requirements).

Given the manner in which securities are traded and settled on the Exchange, it would not be feasible for such “domestic issuers” and their underwriters to comply strictly with certain of the Regulation S Category 3 Requirements in connection with a listing of Regulation S Securities on the Exchange. The Exchange has therefore formulated certain [alternative procedures](#) (Alternative Procedures) for use by US “domestic issuers” to address the underlying policy concerns.

Template for Acceptable Jurisdiction applications

The Joint Policy Statement regarding the Listing of Overseas Companies ([JPS](#)) issued by the Securities and Futures Commission and the Exchange (last updated in April 2018) sets out guidance for overseas companies seeking to list in Hong Kong. The JPS, among other things, provides that overseas applicants incorporated in jurisdictions which have not been accepted for listing in Hong Kong must demonstrate that their domestic laws, rules and regulations, amongst others, meet the key shareholder protection standards of at least those provided in Hong Kong (Acceptable Jurisdiction).

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To assist these overseas applicants to compare and ensure the key shareholder protection standards of their home jurisdictions are at least equivalent to those provided in Hong Kong, the Exchange has published a [standardised template](#) for issuers from a jurisdiction new to listing in Hong Kong in making an Acceptable Jurisdiction application.

Updated CCASS information materials

To be considered an Acceptable Jurisdiction, the applicant must demonstrate to the Exchange and HKSCC that the securities seeking to be listed in Hong Kong are also eligible to be admitted to Central Clearing and Settlement System (CCASS). To assist overseas applicants to understand the workflow for clearing and settlement and CCASS requirements for admission of securities, the following information materials have been introduced:

- Simplified CCASS-related information and revised CCASS admission forms available on the [HKEX website](#); and
- [Frequently asked questions](#) with respect to CCASS services, shareholding structure within CCASS and CCASS admission criteria.

If you have any questions about the matters discussed in this publication, please feel free to contact the following capital markets partners and directors.

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