
REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations which are relevant and material to Yu Ming's business. As this is a summary, information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to Yu Ming.

THE SECURITIES AND FUTURES COMMISSION

Set up in 1989, the SFC is an independent statutory body governed by the SFO, responsible for regulating the securities and futures markets in Hong Kong. The SFC works to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre.

As a statutory body, the SFC's work is defined and governed by the SFO which sets out its powers, roles and responsibilities. The SFC derives its investigative, remedial and disciplinary powers from the SFO and subsidiary legislations. The SFC is operationally independent of the Hong Kong Government and is funded mainly by transaction levies and licensing fees.

As set out in the SFO, the SFC's regulatory objectives include:

- to develop and maintain competitive, efficient, fair, orderly and transparent securities and futures markets;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- to minimise crime and misconduct in the markets;
- to reduce systemic risks in the industry; and
- to assist the Government in maintaining Hong Kong's financial stability.

The SFC is the only Hong Kong financial regulator given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre was formed as an SFC subsidiary to educate the public on a broad range of retail financial products and services.

The SFC is divided into 5 operational divisions: Corporate Finance, Enforcement, Investment Products, Supervision of Markets and Intermediaries (including Licensing and Intermediaries Supervision). The SFC is also supported by the Legal Services and Corporate Affairs division.

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SECURITIES AND FUTURES ORDINANCE

Effective from 1 April 2003, the SFO consolidated and modernised the 10 previous ordinances regulating the securities and futures market in Hong Kong, including the regulation of securities, futures, leveraged foreign exchange and derivative markets as well as credit ratings, intermediaries and their conduct of regulated activities and the offering of investments to the public in Hong Kong.

To achieve the regulatory objectives under the SFO, the SFC regulates the following participants, including investors, in the securities and futures markets:

- (i) brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in the sub-section headed “Types of regulated activities” below
- (ii) investment products
- (iii) listed companies
- (iv) Hong Kong Exchanges and Clearing Limited
- (v) automated trading service providers
- (vi) approved share registrars
- (vii) Investor Compensation Company Limited
- (viii) market participants (including investors)

Types of regulated activities

“Intermediary” means a licensed corporation or a registered institution under Schedule 1 Interpretation and General Provisions of the SFO.

Schedule 5 to the SFO stipulates 12 types of regulated activities that can be carried on by intermediaries and provides a detailed definition for each of them.

These regulated activities are:

- Type 1 Dealing in securities
- Type 2 Dealing in futures contracts
- Type 3 Leveraged foreign exchange trading
- Type 4 Advising on securities
- Type 5 Advising on futures contracts

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- Type 6 Advising on corporate finance
- Type 7 Providing automated trading services
- Type 8 Securities margin financing
- Type 9 Asset management
- Type 10 Providing credit rating services
- Type 11 Dealing in OTC derivative products or advising on OTC derivative products ^{Note 1}
- Type 12 Providing client clearing services for OTC derivative transactions ^{Note 2}

Notes:

1. Not yet in operation.
2. The new Type 12, Part 1, Schedule 5 added by the Securities and Futures (Amendment) Ordinance 2014 (6 of 2014) came into operation on 1 September 2016, in so far as it relates to paragraph (c) of the new definition of excluded services in Part 2 of Schedule 5 of the SFO.

Persons conducting business in such regulated activities are generally required to be licensed or registered with the SFC. The regulated activities that they are permitted to carry out are specified on their licences or certificates of registration.

Details of licensed individuals are available at the SFC's online Public Register of Licensed Persons and Registered Institutions. The SFC issues printed licences for licensed corporations and certificates of registration for registered institutions and these licences must be exhibited prominently at their places of business.

Types of intermediaries regulated by the SFC

According to the SFO, the types of intermediaries comprise the following:

1. Licensed corporation:

A corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under section 116 of the SFO; and

Temporary licensed corporation:

A corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period not exceeding 3 months, one or more than one regulated activity under section 117 of the SFO.

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2. *Responsible officer:*

A licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he is accredited.

3. *Licensed representative:*

An individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited;

Provisional licensed representative: an individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited (prior to the grant of his licence under section 120(1) of the SFO); and

Temporary licensed representative:

An individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under section 116 or 117 to which he is accredited.

4. *Registered institution:*

An authorised financial institution which is registered to carry on one or more than one regulated activity under section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

Licensing regime under the SFO

The SFC acts as a gatekeeper of standards for individuals and corporations who seek to enter the securities and futures markets of Hong Kong, and its functions include the following:

- grant licences to those who are appropriately qualified and can demonstrate their fitness and properness to be licensed under the SFO;
- maintain a public register of licensed persons and registered institutions;
- monitor the on-going compliance of licensing requirements by licensees, substantial shareholders of licensed corporations and directors of licensed corporations and substantial shareholders; and
- initiate policies on licensing issues

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The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (as defined in section 2(1) of the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) and is:

- (a) carrying on a business in a regulated activity (or holding itself out as carrying on a regulated activity); or
- (b) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry on the regulated activities, unless one of the exemptions under the SFO applies.

Fit and proper criteria

Section 116(3) of the SFO provides that the SFC shall refuse to grant a licence to carry on a regulated activity unless the applicant for licence satisfies the SFC that, inter alia, the applicant is a fit and proper person to be licensed for the regulated activity.

Section 129(1) of the SFO provides that in considering whether a person, an individual, corporation or institution, is fit and proper for the purposes of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regard to the following:

- financial status or solvency;
- educational or other qualifications or experience having regard to the nature of the functions to be performed;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and
- reputation, character, reliability and financial integrity of the applicant and other relevant persons as appropriate.

It is also provided that the above criteria must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

The Fit and Proper Guidelines apply to a number of persons including the following:

1. an individual who applies for licence or is licensed under Part V of the SFO;
2. a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;

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3. a corporation which applies for licence or is licensed under Part V of the SFO;
4. an authorised financial institution which applies for registration or is registered under Part V of the SFO;
5. an individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance; and
6. an individual who applies to be or has been given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance.

Furthermore, section 129(2) of the SFO empowers the SFC to take into consideration any of the following matters in considering whether a person is fit and proper:

- (a) decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within the group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;
- (c) in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (d) in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (e) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse to grant a licence or registration if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

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Licensed corporation

For application as a licensed corporation, the company has to satisfy the SFC that it has a proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**The SFC Code of Conduct**”);
- Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission (“**The Internal Control Guidelines**”);
- Corporate Finance Adviser Code of Conduct.

To comply with the regulatory requirements of the SFC as mentioned above, Yu Ming was granted licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities by the SFC since 6 December 2005.

Yu Ming’s licences as published on the SFC’s Public Register of Licensed Persons and Registered Institutions is subject to the following condition which, in the view of the Proposed Directors, has no material impact on the businesses of Yu Ming:

In respect of Type 6 (advising on corporate finance) regulated activity, with effect from 1 January 2007, Yu Ming shall not act as sponsor in respect of an application for the listing on a recognized stock market of any securities.

In respect of Type 9 (asset management) regulated activity, Yu Ming shall not provide a service of managing a portfolio of futures contracts for another person.

There is no condition imposed by the SFC on Type 1 (dealing and securities) and Type 4 (advising on securities) licence granted to Yu Ming.

Responsible officers

For each regulated activity, a licensed corporation should appoint not less than two responsible officers to directly supervise the said regulated activity, at least one of the proposed responsible officers must be an executive director of the licensed corporation. For each regulated activity for which the licensed corporation applies, the licensed corporation should have at least one responsible officer available at all times to supervise the business. The same individual may be appointed to be a responsible officer for more than one

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regulated activity provided that he is fit and proper to be so appointed and there is no conflict in the roles assumed. All executive directors must seek SFC's prior approval as responsible officers.

Qualification and experience required for being a responsible officer

A person who intends to apply to be a responsible officer must demonstrate that he fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activity or activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

Where an individual applies to carry on a Type 6 (advising on corporate finance) regulated activity and intends to give advice on matters falling within the ambit of the Takeovers Code, he should satisfy the SFC that he has sufficient experience in this area. If the SFC is not satisfied that he is competent to acting on his own to advise on Code-related matters, certain conditions may be imposed on his licence limiting the scope of his work.

Licensed representative

An individual is required to be a licensed representative if he/she is performing a regulated function for his/her principal which is a licensed corporation in relation to a regulated activity carried on as a business, or if he/she holds himself/herself out as performing such a function.

Qualification and experience required for being a licensed representative

A person who intends to apply to be a licensed representative must demonstrate his/her competence. An applicant has to establish that he/she has the requisite basic understanding of the securities market in which he/she is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a licensed representative, the SFC will have regard to the applicant's academic and industry qualifications and regulatory knowledge.

Minimum capital requirements and the FRR

Licensed corporations are required under section 145 of the SFO to maintain at all times a minimum level of paid-up share capital and liquid capital. Depending on the types of regulated activity that the licensed corporation is applying for, licensed corporation has to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets (the values of which are subject to adjustments to cater for factors such as illiquidity and credit risks as prescribed under Division 3 of Part 4 of the FRR) and ranking liabilities (being the sum of the liabilities on the balance sheet after adjustments to cater for factors such as market risks and contingency as prescribed under Division 4 of Part 4 of the FRR) of a licensed corporation and its liquid assets must exceed

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its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

The following table summarises the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities:

Regulated activity	Minimum paid-up share capital	Minimum amount of required liquid capital
<i>Type 1: Dealing in securities</i>		
(i) in the case where the corporation provides securities margin financing	HK\$10,000,000	HK\$3,000,000
(ii) in the case where the corporation is an approved introducing agent or trader	Not applicable	HK\$500,000
(iii) in any other case	HK\$5,000,000	HK\$3,000,000
<i>Type 4: Advising on securities</i>		
(i) in the case where the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(ii) in any other case	HK\$5,000,000	HK\$3,000,000
<i>Type 6: Advising on corporate finance</i>		
(i) in the case where the corporation acts as a sponsor:		
– hold client assets	\$10,000,000	\$3,000,000
– not hold client assets	\$10,000,000	\$100,000
(ii) in the case where the corporation does not act as a sponsor:		
– hold client assets	\$5,000,000	\$3,000,000
– not hold client assets	Not applicable	\$100,000
<i>Type 9: Asset management</i>		
(i) in the case where the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(ii) in any other case	HK\$5,000,000	HK\$3,000,000

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Minimum paid-up share capital

Yu Ming, being a corporation licensed to carry on Type 1 (dealing in securities) but does not provide securities margin financing, Type 4 (advising on securities), Type 6 (advising on corporate finance) but does not undertake sponsor work, and Type 9 (asset management) regulated activities under the SFO, is required to maintain minimum paid-up share capital at the highest amounts amongst the regulated activities it participates in, being HK\$5,000,000.

Minimum amount of required liquid capital

Pursuant to the FRR, a licensed corporation shall maintain a minimum liquid capital at all times of an amount which is the higher of (a) the amount set out in the table above; and (b) 5.0% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

Pursuant to the FRR, Yu Ming shall also maintain at all times a minimum liquid capital of HK\$3.0 million.

Payment of annual fees

Under section 138(2) of the SFO, a licensed corporation, a licensed person and a registered institution shall pay to the SFC annual fees within one month after each anniversary of the date of grant of the licence or certificate of registration (as the case may be), or on such other date as may be approved by the SFC by notice in writing. Details of the annual fees applicable to the four types of regulated activities engaged by Yu Ming are as follows:

Type of intermediary	Annual fees for regulated activities
Licensed corporation	HK\$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK\$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK\$4,740 per regulated activity

The SFC issued a circular on 24 March 2016 waiving the annual licensing fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2016 to 31 March 2018 and issued a further circular on 15 March 2018 waiving the annual license fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2018 to 31 March 2019. From 1 April 2019 to 31 March 2021, all annual licensing fees payable by each licensed corporation, registered institution, responsible officer and license representative are eligible for the concession rate of 50% of the annual licensing fees.

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CONTINUING COMPLIANCE OBLIGATIONS

Remaining fit and proper

Licensed corporations, licensed persons and registered institutions must remain fit and proper at all times and comply with all applicable provisions of the SFO and its subsidiary legislation as well as the codes and guidelines issued by the SFC.

Submission of audited accounts

A licensed corporation must submit its audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong). Such rules prescribe the contents of the annual accounts and the auditor's report of such accounts to be submitted by licensed corporations to the SFC. Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year as required under section 156(1) of the SFO.

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC except for those licensed corporations for only Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) and/or Type 10 (providing credit rating services) regulated activities and their licences are subject to the condition that they shall not hold client assets. For such excepted cases, the licensed corporations concerned shall submit semi-annual financial resources returns to the SFC as required under section 56 of the FRR.

Record keeping requirements

A licensed corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), which requires licensed corporations to keep proper records. It prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient detail relating to their businesses and client transactions for proper accounting of their business operations and clients' assets.

Notification to the SFC of certain changes and events

A licensed corporation and licensed representative must notify the SFC of certain changes and events, in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong). Such changes and events which require notification include, among others, changes in the basic information of the licensed corporation, its controlling persons and responsible officers, or subsidiaries that carry on a business in a regulated activity, changes in the capital and shareholding structure of the licensed corporation, and significant changes in business plan.

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Continuous professional training

Pursuant to section 399 of the SFO, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage.

The SFC has issued a guideline entitled “Guidelines on Continuous Professional Training” pursuant to section 399 of the SFO. There is the annual requirement that every licensed individual must undertake at least five hours each calendar year of continuous professional training for each type of regulated activity except for Type 7 (providing automated trading services) regulated activity. Failure to comply with the guidelines on continuous professional training may reflect adversely on the fitness and properness of a person to continue to carry on the regulated activity.

Obligation for substantial shareholders

Under section 132 of the SFO, a person (including a corporation) has to apply for SFC’s approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC’s prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Accountability of senior management

Pursuant to General Principle 9 of the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct), the “senior management of a licensed or registered person should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm. In determining where responsibility lies, and the degree of responsibility of a particular individual, regard shall be had to that individual’s apparent or actual authority in relation to the particular business operations”.

Senior management of a licensed corporation includes, among others: (a) directors of the corporation, (b) responsible officers of the corporation, and (c) managers appointed by a licensed corporation to be principally responsible for managing the core functions of the corporation (the “Managers-In-Charge”).

The SFC considers that for each core function of a licensed corporation, there should be at least one fit and proper individual appointed by the corporation as its Manager-In-Charge responsible for managing that function. The core functions are:

- (i) overall management oversight
- (ii) key business line

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- (iii) operational control and review
- (iv) risk management
- (v) finance and accounting
- (vi) information technology
- (vii) compliance
- (viii) anti-money laundering and counter-terrorist financing.

A licensed corporation should submit details of the Manager-In-Charge and an organisational chart to the SFC and notify the SFC of any changes in its appointment or particulars of Manager-In-Charge. Under section 383 or 384 of the SFO, a person may commit an offence if he provides false or misleading information in support of a licence application or in relation to a notification (as the case may be).

ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of criminal proceeds in a manner which disguises their illegal origin. Terrorist financing is a term which includes the financing of terrorist acts, and of terrorist and terrorist organisations. It extends to any funds, whether from a legitimate or illegitimate source.

Licensed corporations are required to comply with applicable anti-money laundering laws and regulations in Hong Kong. The main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing include the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (the “AMLO”), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Chapter 526 of the Laws of Hong Kong). The SFC’s Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) sets out the anti-money laundering and counter-financing of terrorism statutory and regulatory requirements, and the anti-money laundering and counter-financing of terrorism standards which licensed corporations should meet in order to comply with the statutory requirements under the AMLO. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report to the compliance division of its organisation which, in turn, will be reported to the JFIU.

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TAKEOVERS AND MERGERS

In Hong Kong, any takeover, merger, privatisation and share repurchase activities affecting public companies are regulated by the Takeovers Code which is issued by the SFC in consultation with the Takeovers Panel. The primary purpose of the Takeovers Code is to afford fair treatment for shareholders who are affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code seeks to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers, mergers, privatisations and share buy-backs activities are to be conducted.

The responsibilities provided for in the Takeovers Code apply to:

- (a) directors of companies that are subject to the Takeovers Code;
- (b) management companies (and their directors) and trustees of REITs (as defined under the REIT Guidance Note in Schedule IX of the Takeovers Code) that are subject to the Takeovers Code;
- (c) persons or groups of persons who seek to gain or consolidate control of companies that are subject to the Takeovers Code;
- (d) their professional advisers;
- (e) persons who otherwise participate in, or are connected with, transactions to which the Takeovers Code applies; and
- (f) persons who are actively engaged in the securities market.

The role and responsibility of financial and other professional advisers is of particular importance given the non-statutory nature of the Takeovers Code, and it is part of their responsibility to use all reasonable efforts, subject to any relevant requirements of professional conduct, to ensure that their clients understand, and abide by, the requirements of the Takeovers Code, and to co-operate to that end by responding to inquiries from the Takeovers Executive, the Takeovers Panel or the Takeovers Appeal Committee.

The Takeovers Panel hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive at the request of any party dissatisfied with such a ruling. It also considers novel, important or difficult cases referred to it by the Takeovers Executive. It also reviews, upon the SFC's request, the provisions of the Takeovers Code and the Rules of Procedure for hearings under the Takeovers Code, and recommends relevant amendments as appropriate.

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The Takeovers Appeal Committee reviews disciplinary rulings of the Takeovers Panel at the request of an aggrieved party for the sole purpose of determining whether any sanction imposed by the Takeovers Panel is unfair or excessive.

To help the public better understand the activities of the Takeovers Panel and the Takeovers Appeal Committee, rulings and sanctions given, together with the reasons in support, are published by the SFC. The Takeovers Executive also publishes decisions or statements as and when appropriate. In addition, practice notes are issued by the Takeovers Executive to provide informal guidance as to how the Takeovers Executive normally interprets and applies certain provisions of the Takeovers Code. The practice notes are reviewed by the Takeovers Executive periodically and are published on the SFC's website.