

The Hong Kong Stock Exchange's Consultation Paper on the Listing Regime for Debt Issues to Professional Investors Only

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The Stock Exchange of Hong Kong Limited (the SEHK) recently published a consultation paper (the **Consultation Paper**)¹ seeking feedback on its proposals to enhance the SEHK's listing regime for debt issues to professional investors only (the **Professional Debt Regime**). The Consultation Paper sets forth a number of proposals and is intended to strike a balance between the need to safeguard investors while simultaneously maintaining an effective and appropriate listing platform for the continued development of the bond market in Hong Kong.

The SEHK is seeking responses to the Consultation Paper by 7 February 2020.

Background

Since 2011, Chapter 37 of the Listing Rules (**Chapter 37**) has been offering an expedient and streamlined process for debt issues to professional investors only. The Professional Debt regime has no prescribed disclosure requirements, with vetting limited to the fulfilment of eligibility requirements and the inclusion of a prescribed disclaimer and certain statements in the listing documents.

However, in response to market developments and the concern that retail investors are increasingly gaining access to Chapter 37 debt securities through the secondary market, the SEHK is seeking the market's views in order to ensure that the current regime still commands

market support and to explore certain proposals intended to enhance the investor protections afforded by the existing rules.

Proposals

The SEHK has made the following key proposals:

- raising the existing issuer's minimum net assets requirement from HK\$100 million to HK\$1 billion;
- introducing a minimum issuance size of HK\$100 million;
- requiring issuers to state explicitly in the listing document that the intended investor market in Hong Kong are professional investors only;
- requiring publication of listing documents on the Exchange's website on the listing date;
- issuing disclosure guidance on certain specified features in Chapter 37 debt securities and other disclosure-related matters; and
- enhancing the regulatory oversight of issuers and guarantors in terms of their continuing obligations.

In addition, the SEHK has proposed to make a number of other amendments to Chapter 37 to improve the operation of the rules.

¹ The Consultation Paper is available [here](#).

Market participants are encouraged to submit their comments on the proposals by the 7 February 2020 deadline. For further information, please speak to your usual Slaughter and May contact.



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