

13 October 2026

Circular to licensed corporations carrying out sponsor work and engaging in bookbuilding and placing activities

1. This circular provides an update on the Securities and Futures Commission's (SFC) observations concerning the resources of licensed corporations carrying out sponsor work (Sponsors) and the capacity of Principals¹ following the January Circular². It also highlights red flags associated with dubious initial public offerings (IPO) and post-IPO arrangements and reminds Sponsors, overall coordinators (OCs) and capital market intermediaries (CMIs) of their responsibilities to identify, examine, escalate and report concerns arising from such arrangements to the regulators.

Background

2. Following the issuance of the January Circular, the SFC has observed constructive market responses and improvements in Sponsor resources and Principal capacity. Sponsors have generally cooperated with the SFC's supervisory engagement and have taken practical steps to address resource constraints and improve the allocation of Sponsor work. These include engaging additional Principals, reallocating engagements among Principals, and reassessing Active Listing Engagements³ to cease or postpone certain engagements where appropriate. The following observations suggest that the January Circular has had a positive effect in promoting more appropriate resource planning and greater Management⁴ attention, while also highlighting areas where further improvement remains necessary.
3. At the same time, during its vetting of listing applications and supervision of intermediaries involved in Sponsor work, bookbuilding and placing activities, the SFC has identified certain dubious arrangements that may have created suspicious orders or artificially inflated investor demand for shares offered in IPOs. The SFC is concerned that such arrangements may undermine the quality and integrity of Hong Kong's capital market and prejudice investors' interests.

Observations on Principal Capacity

4. The numbers of active listing applications, Sponsors and signing Principals all increased during the first nine months of 2026. As of 30 September 2026, over 610

¹ Pursuant to paragraph 17.15(l) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct), "Principal" means an individual that meets the criteria stipulated under the Sponsor Guidelines appointed by a Sponsor to act as a Principal; in respect of a listing assignment, a Principal means an individual appointed by a Sponsor to supervise the Transaction Team. Pursuant to paragraph 17.15(s) of the Code of Conduct, "Transaction Team" means the staff appointed by a Sponsor to carry out a listing assignment. "Sponsor Guidelines" means additional competence requirements for corporations and individuals engaging in sponsor and compliance adviser work, which is Appendix A to the Guidelines on Competence.

² See the [Circular to licensed corporations carrying out sponsor work](#) dated 30 January 2026 (January Circular).

³ See footnote 10 of the January Circular.

⁴ Pursuant to paragraph 17.15(i) of the Code of Conduct, "Management" includes a Sponsor's Board of Directors, Managing Director, Chief Executive Officer, Responsible Officers, Executive Officers and other senior management personnel.

active listing applications were in the pipeline⁵, involving 64 Sponsors and 325 signing Principals, up from over 420 such applications, involving 53 Sponsors and 261 signing Principals as of 30 January 2026.

5. Sponsor work also became less concentrated. The share of active listing applications in the pipeline involving the five most active Sponsors decreased from around 77% as of 30 January 2026 to around 65% as of 30 September 2026. This suggests Sponsor work has become more broadly distributed across the market.
6. Average workload for signing Principals improved despite the increase in Active Listing Engagements. Based on information available to the SFC, the number of Active Listing Engagements increased from over 520 as of 30 January 2026 to over 660 as of 30 September 2026, while the average number of such engagements per signing Principal involved decreased from 3.4 to 3.0. The improvement was particularly evident among the five most active Sponsors, whose number of Active Listing Engagements increased by over 4.1%, the number of signing Principals involved increased by over 12.7%. As a result, the average number of Active Listing Engagements per signing Principal among these Sponsors fell from 5.3 to 4.9 over the same period.
7. Sponsors' responses pursuant to the January Circular suggest that the market has responded constructively to the SFC's concerns and that the most acute resource strains have eased. Between 30 January and 30 September 2026, both the number of Sponsors with Strained Principals⁶ and the number of Strained Principals decreased by 78%, from 9 to 2 Sponsors and from 45 to 10 Principals, respectively.
8. Given the above observations, the SFC is of the views that the January Circular has encouraged more appropriate resource planning and helped ease the more serious cases of resource strain. The SFC appreciates the constructive response of many Sponsors and supports their continued efforts to strengthen resources and Principal capacity.

Observations on the Quality of Principal Submissions and Eligibility

9. The quality of Principal submissions is an important indicator of whether Sponsors have adequate resources and effective internal controls to support their Sponsor work. Between 30 January and 30 September 2026, the SFC received 210 Principal submissions, of which 50 were returned to or withdrawn by Sponsors for various reasons. Most cases involved incomplete information or fundamental issues that prevented the SFC from forming a preliminary view on eligibility. As of 30 September 2026, there were 495 Principals, representing a net increase of 35 from 31 December 2025.
10. In addition, the SFC has facilitated Sponsors' efforts to strengthen their Principal capacity by expeditiously processing new Principal submissions. The number of

⁵ This figure includes additional active listing applications due to the waiver of The Stock Exchange of Hong Kong Limited (SEHK) extending the validity period of new listing applications referred to in paragraph 17 of this circular.

⁶ "Strained Principals" means a Principal who is simultaneously supervising or participating in six or more Active Listing Engagements.

approvals granted for new Principals between 30 January and 30 September 2026 increased by 65% compared with the same period in 2025.

11. While these developments may help strengthen Sponsor resources and oversight, the quality of recent Principal submissions remains uneven. The SFC has observed the following deficiencies recur in recent Principal submissions:
- (a) Competence of Responsible Officers (ROs): Some proposed Principals seeking approval as RA 6⁷ ROs did not meet the applicable competence requirements, such as passing the relevant regulatory examinations;
 - (b) IPO experience: Some claims of IPO experience appeared overstated, were not supported by proper records, or did not clearly distinguish the proposed Principal's responsibilities from those of other Transaction Team members; and
 - (c) Corporate finance experience: Some proposed Principals did not adequately demonstrate that they had at least five years of relevant corporate finance experience, as required under the Sponsor Guidelines.

Observations on the Quality of Listing Applications and Sponsor Conduct

12. In parallel with its review of Sponsor resources and Principal eligibility, the SFC continued to monitor the quality of listing applications and Sponsor conduct. Following the issuance of a joint letter in December 2025 by the SFC and SEHK to 13 Sponsors (Concerned Sponsors) citing specific concerns from 57 listing applications, further supervisory engagement has been undertaken where specific concerns persisted. The vetting process for 65 listing applications was suspended between January and September 2026, and 14 of these had resumed as at 1 October 2026 after the initial concerns had been resolved to the satisfaction of the regulators.
13. In addition, up to 30 September 2026, the SFC issued further written communications to 11 Sponsors, including six Concerned Sponsors, citing specific concerns identified in 13 listing applications. These concerns related to both the substance of listing applicants' businesses and the adequacy of Sponsors' due diligence and responses. They included:
- (a) acquisitions of new businesses during the track record period that raised questions over suitability and eligibility for listing;
 - (b) grossly insufficient information about major products, revenue growth, research and development activities and business model;
 - (c) inadequate responses to the regulators' requests for sufficient due diligence on significant outstanding issues, major customer and supplier transactions and the genuineness of revenue;

⁷ Type 6 (advising on corporate finance) regulated activity.

- (d) concerns about the sustainability of the applicant's business considering its persistent losses and prolonged cash conversion cycle;
- (e) concerns about the legality of a listing applicant's business;
- (f) listing timetables structured to achieve technical compliance without a realistic basis for implementation; and
- (g) concerns about the representativeness of a listing applicant's track record results after a pre-IPO reorganisation without reasonable bases.

Supervisory Expectations on Sponsor Resources and Work Quality

14. Sponsors are expected to maintain sufficient resources, properly deploy them, and uphold the quality of their Sponsor work. In particular, Sponsors should:
 - (a) prioritise quality over quantity and exercise professional scepticism when assessing a listing applicant's suitability and eligibility for listing; they should focus on substantive due diligence and provide tailored advisory services to listing applicants, rather than adopting a process-driven approach;
 - (b) ensure that Principal submissions are complete, well-supported and made only for individuals who satisfy the applicable eligibility criteria; before filing, Management should critically assess the available information and supporting documents to ensure that the proposed Principals satisfy the relevant eligibility criteria. Submissions for unqualified individuals impose an unnecessary burden on both Sponsors and the SFC and unduly prolong the assessment process;
 - (c) maintain sufficient resources to discharge their obligations; Principals should have sufficient capacity to supervise Transaction Teams and participate in listing engagements, and Management should ensure that Sponsor work is properly allocated and overseen; and
 - (d) remain ultimately responsible for their work and ensure that the quality of their own due diligence does not decrease because of reliance on experts and third parties; they should avoid overreliance on experts and third parties to perform specific tasks without adequately assessing their competence and resources or considering whether their work provides a proper basis for discharging the Sponsors' due diligence obligations.
15. A Sponsor's failure to meet the above supervisory expectations may call into question the effectiveness of its systems and controls, sufficiency of resources and Management oversight, as well as its fitness and properness to conduct Sponsor work. The SFC will continue to scrutinise Sponsor conduct and the effectiveness of any remedial action through its supervisory tools, including thematic inspections and written communications on specific concerns identified in listing applications. In assessing Principal submissions, the SFC will give priority to submissions from Sponsors with a demonstrated track record of proposing qualified Principals and providing complete, credible and well-supported applications. The SFC may also bring the matter to the

attention of the relevant Sponsor's group-level senior management and the SFC's regulatory counterparts.

16. The SFC has observed increased involvement by headquarters and group-level senior management based outside Hong Kong in the oversight and management of Hong Kong Sponsor activities. Such involvement may strengthen group accountability, resource allocation and oversight of the Hong Kong Sponsor business. Where the actual functions performed by an individual amount to carrying on RA 6 in Hong Kong, that individual must obtain the appropriate licence or approval before carrying on those activities. Sponsors should assess the substance of the functions performed by headquarters and group-level senior management, rather than relying solely on job titles, reporting lines or work location, and identify and address any licensing implications in a timely manner.

Guidance on Active Listing Engagement

17. Following SEHK's temporary waiver extending the validity period of new listing applications from six months to 12 months⁸, the SFC sets out below its further guidance on when a listing application should be regarded as an Active Listing Engagement. It aims to promote a consistent approach across the market and facilitate effective management and deployment of regulatory resources as well as Sponsor resources and Principal capacity.
18. For the purpose of footnote 10(b) of the January Circular, the SFC wishes to clarify that, in general, a listing engagement may be regarded as inactive where Sponsors have received both a hearing bundle letter from SEHK and a no comment letter from the SFC in respect of a listing application. However, this is subject to any subsequent developments or new information that may give rise to material regulatory concerns under the SMLR⁹ or the Listing Rules¹⁰ requiring further regulatory assessment, in which case the listing application may again be regarded as an Active Listing Engagement.
19. Prior to receiving a hearing bundle letter from SEHK and a no comment letter from the SFC, a listing application is generally regarded as active. Where a listing applicant decides to postpone its listing timetable for various reasons after submitting its initial listing application, the Sponsors should notify the regulators in writing of the postponement and any revised timetable. The Sponsors should also indicate that they will not provide any further submissions (including responses to outstanding comments or interim financial updates) in respect of the relevant listing application until a later date, which they should notify the regulators in a timely manner. In setting any revised timetable, Sponsors have to take into account the time reasonably required by the regulators to review all updates to the listing application materials and complete a regulatory assessment. The engagement may be regarded as inactive during such period until the Sponsors notify the regulators of the reactivation of the vetting process

⁸ See SEHK's regulatory announcement "[The Exchange to Extend Validity Period of New Listing Applications](#)" dated 21 August 2026.

⁹ Securities and Futures (Stock Market Listing) Rules.

¹⁰ Rules Governing the Listing of Securities on SEHK (MB Rules) and Rules Governing the Listing of Securities on GEM of SEHK (GEM Rules, collectively, Listing Rules).

with an updated timetable or provide the outstanding responses and/or updated business and financial information, whichever is earlier.

Observations on Dubious Arrangements relating to IPO and Post-IPO Activities

20. The SFC is seriously concerned about dubious arrangements that may create suspicious orders or artificially inflate investor demand for shares offered in IPOs. In some cases, the SFC has identified instances where listing applicants may have entered into undisclosed arrangements with investors, including funding their subscriptions for placing shares or guaranteeing their returns. Such arrangements may involve the concentration of placing shares among designated investors who have undisclosed arrangements with the listing applicant concerning their holdings or post-listing trading of the shares, including market capitalisation maintenance or turnover generation. Corporate funds may be channelled by listing applicants to investors or parties connected or associated with investors before or after listing. Taken together, these arrangements may indicate that investor demand and allocation were pre-arranged or artificially inflated and may form part of a broader arrangement extending into manipulative post-listing trading activities. The arrangements may also result in false, misleading or incomplete disclosures concerning material developments after the track record period or the latest practicable date stated in the listing document; raise questions about the genuineness of investor demand and compliance with public float requirements; and undermine price discovery and post-listing market integrity.
21. To help market participants identify such dubious arrangements, the following non-exhaustive red flags are provided below as examples:
- (a) substantial payments, prepayments, loans or investments made by the listing applicant directly or indirectly in favour of investors or parties connected or associated with investors, particularly those made shortly before listing (e.g., after the latest practicable date stated in the listing document)¹¹;
 - (b) investors that appear to be related to the listing applicants¹², including investors introduced or procured by the listing applicant, its directors, existing shareholders or their close associates, as well as existing or prospective service providers, suppliers or business partners whose commitments are apparently made for business cooperation, investments or continued engagement;
 - (c) active involvement by the listing applicant in investor selection, bookbuilding or allocation beyond its ordinary role, including directing CMLs to approach or allocate shares to particular investors, or resulting in an investor composition and

¹¹ Pursuant to paragraph 17.6(a) of the Code of Conduct, a Sponsor should conduct due diligence in order to have a thorough knowledge and understanding of a listing applicant and to satisfy itself in relation to the disclosure in the listing document. A Sponsor should exercise reasonable judgement on the nature and extent of due diligence work needed in relation to a listing applicant having regard to all relevant facts and circumstances. Pursuant to paragraph 13(c) of the Practice Note 21 of the MB Rules and Practice Note 2 of the GEM Rules, typical due diligence inquiries in respect of each new applicant and the preparation of its listing document and supporting information include assessing whether there has been any change since the date of the last audited balance sheet included in the listing document that would require disclosure to ensure the listing document is complete and not misleading.

¹² Paragraph 21.4.4(a)(i) of the Code of Conduct requires that an OC should make enquiries with CMLs which have placed orders on behalf of their investor clients, themselves or their group companies which appear unusual or irregular, for example, orders which appear to be related to the issuer client.

spread¹³ inconsistent with the agreed marketing, investor targeting or allocation strategy; for example, the majority of placing shares are concentrated among a limited number of investors at the direction of the listing applicant, despite a different strategy proposed by the OCs; in addition, these investors might have recently opened or maintained accounts with one or a small number of CMIs;

- (d) unusual subscription orders, including substantial orders shortly before the close of order book despite limited prior engagement during the bookbuilding process, or order sizes incommensurate with the investors' financial profile¹⁴;
- (e) arrangements that may conceal the identities¹⁵ of the ultimate investors, including derivatives arrangements that provide exposure to the IPO shares with returns guaranteed by the listing applicant, its controlling shareholders or other related parties, as well as multiple investors with accounts operated by the same person/entity or share the same correspondence address; and
- (f) pre-agreed commitments with pre-IPO investors or other undisclosed arrangements leading to insufficient adjustments to the offer size and timetable despite weak genuine investor demand.

Supervisory Expectations on Dubious IPO and Post-IPO Arrangements

- 22. In light of the above observations, the SFC wishes to stress that Sponsors, OCs and CMIs play a critical gatekeeping role in safeguarding the integrity of Hong Kong's IPO market and should remain vigilant on the red flags described above.
- 23. Sponsors, OCs and CMIs should assess these red flags individually and collectively, having regard to the circumstances of the listing applicant, the investors, the offering and all other available information. Where red flags are identified, they should conduct further enquiries, critically assess the responses and supporting evidence provided, and properly document their enquiries, assessments and conclusions. OCs and CMIs shall reject any suspicious orders where concerns remain unresolved. Sponsors, OCs and CMIs should report any dubious IPO and post-IPO arrangements to the SFC and SEHK. They should not disregard the red flags merely because an IPO or placing may otherwise proceed.

¹³ Paragraph 21.4.3 of the Code of Conduct requires that the marketing and investor targeting strategy devised by an OC, in consultation with the issuer client, should aim to achieve an open market and an adequate spread of investors and promote the orderly and fair trading of the shares in the secondary market in accordance with the SEHK requirements. Paragraph 21.4.4(c)(ii) of the Code of Conduct requires that an OC should make allocation recommendations that ensure allocations to restricted investors comply with the SEHK requirements and be made with a view to achieving an open market, an adequate spread of shareholders and the orderly and fair trading of the shares in the secondary market. Any instances of material non-compliance with the SEHK requirements related to the placing activities conducted by itself or the issuer client should be reported by the OC to the SFC in a timely manner under paragraph 21.4.8(a)(i) of the Code of Conduct.

¹⁴ Paragraph 21.3.5(a) of the Code of Conduct requires that a CMI should make enquiries with its investor clients about orders which appear unusual, for example, an order which is not commensurate with the investor client's financial profile, before placing the order.

¹⁵ Paragraph 21.3.5(b) of the Code of Conduct requires that a CMI should disclose (whether directly or indirectly) the identities of all investor clients in an order book. Paragraph 21.4.5(a)(ii) of the Code of Conduct requires that an OC should take all reasonable steps to identify investors which are on the list of the issuer client's directors, existing shareholders, their close associates and nominees engaged by any of the above for the subscription or purchase of shares offered in the IPO and ensure that they will only be allocated shares in accordance with applicable SEHK requirements.

Sponsors

24. Sponsors are responsible for providing assurance to SEHK and the market generally that a listing applicant complies with the Listing Rules and other relevant legal and regulatory requirements¹⁶. In doing so, Sponsors should ensure that true, accurate and complete disclosure about a listing applicant is made to the public¹⁷ and should have reasonable grounds to believe that the listing document contains sufficient particulars and information¹⁸. Where a Sponsor becomes aware of material information relating to a listing applicant's non-compliance with the Listing Rules or other legal or regulatory requirements, it should report the matter to SEHK in a timely manner¹⁹.
25. Sponsors should proactively advise listing applicants of their ongoing compliance and disclosure obligations, implement robust due diligence measures to identify any pre-listing dubious arrangements, and critically assess the commercial substance of transactions, relevant fund flows and investor relationships. They should also ensure that material developments are appropriately disclosed in the prospectus, or any supplemental prospectus where necessary, thereby enabling investors to make informed investment decisions. Furthermore, the listing applicants and their Sponsors should ensure that the allotment results announcement includes a statement confirming that, except as disclosed in the listing documents, no side agreements or arrangements relating to the subscription, purchase, disposal, valuation or turnover of the shares have been entered into between the listing applicant group, any of its directors, controlling, substantial or existing shareholders, or any of their respective close associates, and any other parties.
26. In these circumstances, Sponsor due diligence should include, among other things, identifying material transactions and agreements of the listing applicant between the date of the last audited balance sheet and listing, reviewing the underlying documents and fund flows of those transactions, and assessing their commercial substance against other information obtained from their previous due diligence work. In addition, shortly before listing, Sponsors should conduct more substantive bring-down due diligence interviews with the listing applicants' controlling shareholders, executive directors and senior management, and obtain back-to-back confirmations. They should also remind each confirmer in writing to notify them of any material change in circumstances that would render the listing application materials untruthful, inaccurate or incomplete.

¹⁶ Pursuant to paragraph 17.1(b) of the Code of Conduct, a Sponsor's primary role is to provide assurance to SEHK and the market generally that the listing applicant complies with the Listing Rules and other relevant legal and regulatory requirements.

¹⁷ Pursuant to paragraph 17.2(c) of the Code of Conduct, a Sponsor should take reasonable steps to ensure that true, accurate and complete disclosure about a listing applicant is made to the public.

¹⁸ Pursuant to paragraph 17.5(a) of the Code of Conduct, at the time of issue of a listing document, a Sponsor, after reasonable due diligence, should have reasonable grounds to believe and should believe that the listing document contains sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of the shares and the financial condition and profitability of the listing applicant.

¹⁹ Paragraph 17.9(c) of the Code of Conduct.

OCs and CMIs

27. OCs and CMIs play a critical role in bookbuilding and placing activities and should act at all times in the interests of maintaining market integrity²⁰. An OC should document all changes to the order book throughout the bookbuilding process²¹ and report in a timely manner any material changes to information previously provided to the SFC and SEHK, whether through FINI²² or otherwise²³. Where order book patterns, investor circumstances, funding arrangements or other available information give rise to concerns, OCs and CMIs should conduct further enquiries, critically assess the explanations and supporting evidence provided, and take reasonable steps to satisfy themselves that the integrity of the bookbuilding and placing process has not been compromised and that the market's intended price discovery, allocation and disclosure mechanisms have not been circumvented²⁴. OCs and CMIs shall reject any suspicious orders where concerns remain unresolved.
28. In these circumstances, OCs' and CMIs' enquiries should cover, among other things, the source of investors' funding, the relationships between the listing applicant and investors and their implications for the genuineness of investor demand, as well as any arrangements that may affect the accuracy of disclosures regarding the investors or compliance with the public float requirements or may undermine post-listing market integrity (for instance, by allocating a significant portion of shares among a limited number of investors designated by the listing applicant to facilitate manipulative post-listing trading activities).
29. Where concerns arise regarding the genuineness of investor demand, investor independence, funding arrangements, the accuracy of disclosures or the integrity of the bookbuilding and placing process, OCs and CMIs should promptly conduct appropriate follow-up enquiries and escalate the matter within their organisations. They should report any dubious IPO and post-IPO arrangements to the SFC and SEHK²⁵.

Regulatory Escalation

30. Where information suggests that a dubious arrangement may exist, Sponsors, OCs and CMIs should consider promptly escalating the matter to the attention of the SFC and SEHK. Early engagement would allow the regulators to assess the concerns when vetting the listing application and examining matters such as placee allocations, public float compliance, disclosure implications and the overall integrity of the IPO process. In this regard, Sponsor-OCs are well positioned to identify red flags arising from issuer conduct, investor demand, funding arrangements and allocation outcomes.

²⁰ Paragraphs 21.1.3 and 21.4.4 of the Code of Conduct.

²¹ Paragraph 21.4.7(a) of the Code of Conduct.

²² Fast Interface for New Issuance.

²³ Paragraph 21.4.8(a)(ii) of the Code of Conduct.

²⁴ Paragraphs 21.3.5(a), 21.4.4 and 21.4.4(a) of the Code of Conduct.

²⁵ Paragraphs 21.3.12 and 21.4.8(a)(i) and (iv) of the Code of Conduct.

31. Sponsors, OCs and CMIs involved in IPOs giving rise to concerns about dubious arrangements may be subject to enhanced regulatory scrutiny, including more in-depth inspections, to assess their compliance with applicable legal and regulatory requirements. Where repeated deficiencies are identified, the SFC may intensify its supervisory engagement with the relevant intermediaries and their group-level management, as well as strengthen collaboration with its regulatory counterparts.

Corporate Finance Division and Intermediaries Division
Securities and Futures Commission

End

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