



Comments to the Securities and Futures Commission on the Consultation paper on proposals to enhance the regulatory regime for non-corporate listed entities

Please refer below for our opinion:

Question 1:

Do you agree that Parts XIII and XIV of the SFO should be amended so that these Parts expressly cover listed entities that are not in corporate form?

Response:

Agreed. As it would provide more comprehensive investor protection as they are also considered as listed products and in line with global practise.

Question 2:

Do you agree that Part XV of the SFO should be amended so that it expressly covers listed entities that are not in corporate form?

Response:

Agreed. As it would provide more comprehensive investor protection as they are also considered as listed products and in line with global practise.

Question 3:

Do you agree that Parts VIII and X of the SFO should be amended to extend the SFC's powers under these Parts to all listed entities?

Response:

Agreed. As it would provide more comprehensive investor protection as they are also considered as listed products and in line with global practise.

Question 4:

Do you have any comments on the proposal to extend the statutory disclosure requirement for PSI in respect of listed corporations under Part XIVA of the SFO to listed CIS and other listed entities?

Response:

Agreed. As it would provide more comprehensive investor protection as they are also considered as listed products and in line with global practise.

Question 5:

Do you have any comments on the examples of events or circumstances where the management company of a listed CIS/other listed entity should consider whether a disclosure obligation of PSI would arise under the SFO?

Response:

For synthetic ETF, the disclosure requirement should be the same, if not more extensive, than listed companies. As synthetic ETFs will be exposed to additional risks (counterparty risk, default risk) when compared to normal listed stocks due to their investment in financial derivative instruments, information about the ETFs' investments and the related price-sensitive information should be provided to the public as a statutory requirement. If there is any price-sensitive information related to the issuers of the derivatives which the ETF is investing in, it should be disclosed to the public immediately.

Due to the business model of CIS or non- synthetic ETFs, since they invest in a portfolio of securities/financial instruments, they have high frequency of receiving analyst reports and news from listed company, it need to clearly defined that it should be the news releasing company's duties to report first before the CIS, and in case the CIS possess potential insider information, the SFC should have some reporting mechanism for the CIS to report the. And similar to the Guidelines on Disclosure of Insider Information, a safe harbour should be given to the CIS as well.

Question 6:

Do you have any comments on our proposal set out in paragraph 45 above?

Response:

In order to have a uniform and comprehensive database, there should be a central database system that the public can search to identify the overseas issuer, similar to the SFC database for licensed corporations.

Question 7:

Do you agree with our proposals set out in paragraphs 58 and 59 above?

Response:

Agreed, as the investment risk of debentures is low, as is an contractual agreement and the terms are fixed.

For enquiry of the comments above, please contact

Yours faithfully,

Kinetic Partners (Hong Kong) Limited

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