

Question 1:

In DCM space, for public offering, we usually call it underwriting. Placing is more for private placement. The activities covered in the Proposed Code of Conduct is clear and sufficient otherwise.

Questions 2:

As there is no bookbuilding process for private placement, I assume private placement is not covered in the Proposed Code of Conduct for DCM?

Question 3:

Yes

Question 4:

As described in the Proposed Code of Conduct, CMI basically contribute orders to the transaction. Under most of the circumstances, their fee is related to the final allocation, and hence, it sounds quite impossible to decide the fee before bookbuilding, as at that stage, their final allocation is still undecided.

Is email counted as written agreement? We usually see issuer inform underwriter group and the legal counsel of the appointment via email. This mostly happens to JBR appointment. Does it count as a written agreement as set out in the Proposed Code of Conduct?

Question 5:

- (i) The fact is, we can always advise on the syndicate membership, especially when we know which are fake orders or inflated orders. However, in reality, whether issuer listens is quite another thing.
- (ii) and (iii) We have been advising on fee arrangements, marketing strategy, pricing and allocation etc.

Question 6: Agree should not pass on the rebate to investors.

Question 7: Agree. We have been following this rule.

Question 8: Could you please clarify placing orders on an omnibus basis? Do you refer to placing order in its own name, which might be a combination of proprietary orders and client's order? If that is the case, information about the underlying investors should definitely be provided to OCs and the issuer to avoid duplicate orders. Specially, if purpose of the Proposed Code is to provide an effective secondary market, I believe that allocation is the key. And an effective allocation cannot be achieved without knowing the underlying investors.

Question 9: It should not be difficult to remove duplicated orders. For the old-school way of allocation process, there is always a call between JGC, or what we call OCs here, to check the proposed allocation for all investors line by line. Despite that the whole process takes long, and a number of calls are expected, I believe it is an effective way to remove duplicated orders.

It's not easy to identify irregular or unusual orders however, especially when client's order is hidden behind the underwriter's order.

Question 10: It is not easy for us to identify whether the order is inflated.

Question 11: The order book is transparent when everyone is using bookbuilding system. However, it is not easy for JBR, or what we call CMI here, as bookbuilding system is quite costly per usage. Sometimes, the commission cannot even cover the cost. We do not usually use bookbuilding system when we act as JBR in the transaction.

Question 12: Yes, should prohibit x orders to maintain the transparency of the order book.

Question 13: For almost all our past transactions, we have seen similar patterns, and understand the rationale behind. Generally speaking, properties, state-owned enterprises and local government financial vehicles, financial institutions have their own investors and allocation features, and the allocation follows issuer's objectivity. Allocation policies have been drafted by market practice and implemented by heart across syndicate for the past years, until recently, market practice somehow be broken by some desks (typically small and relatively new desks). Hence, I think if it is really required, allocation policies can always be established and implemented.

Question 14: Yes.

Question 15: Yes. According to our experience, proprietary orders are usually anchor orders and at least 10% of the deal. Sometimes, these large orders are less price-sensitive. Given the goal of

the Proposed Code is to provide a secondary market, we agree that proprietary orders being price takers, so that price discovery process would be more effective.

Question 16: Not really. We see cases whereby some investors request strongly to segregate its own funds and portfolio managed on behalf of external investors. Most of the time, the investment mandate and goal is different.

Question 17: Nowadays, almost the entire market uses IHS IssueNet bookbuilding system. Usually we just rely on the system for the records. And from time to time, we download the orderbook in excel format just to keep record. Alongside with IssueNet, I assume OC and CMIs can refer to Bloomberg chatroom or email to record the order change.

Question 18: Agree

Question 19-24: Not applicable to DCM