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# Hong Kong Law Issue 57

## SFC Proposes To Mandate Electronic Submission Of Disclosure Of Interests Notices And Licensed Corporations' Financial Returns

### Introduction

The SFC has recently published two consultation papers setting out its proposals to:

* make electronic submission of Disclosure of Interests (**DI**) notices under Part XV of the Securities and Futures Ordinance mandatory; and
* require all SFC licensed corporations to submit their financial returns under the Securities and Futures (Financial Resources) Rules (the **FRR**) electronically.

The proposals are set out in the Consultation Paper on the Proposal to Mandate Electronic Submission of Disclosure of Interests Notices and the Consultation Paper on Electronic Submission of Financial Returns which are available on the SFC website at [http://www.sfc.hk](http://www.sfc.hk/web/EN/index.html). The following is a summary of the proposals.

### Consultation Paper On The Proposal To Mandate Electronic Submission Of DI Notices

#### The Current Filing System

Currently, DI notices may be submitted to The Stock Exchange of Hong Kong Limited (**SEHK**) either electronically or in hard copy form. Over 80% of DI filings are presently submitted in hard copy form which requires SEHK to retype them for posting on the website of HKEx. This typically takes one to two days. The proposed requirement for electronic filing is intended to significantly improve the timeliness of publication of DI information to the market.

#### The Proposal

Electronic submission of DI notices to SEHK will be made mandatory. SEHK will in turn forward electronic copies of the DI notices to the listed corporations. In order to receive and forward DI notices, listed corporations and SEHK will have to maintain a specific email account dedicated for dealing with DI notices.

It is also proposed that copies of information received by listed corporations pursuant to their power to investigate ownership of interests in their shares and the reports prepared on the conclusion of such an investigation will also have to be submitted electronically to SEHK and the SFC, and the Hong Kong Monetary Authority, if appropriate.

#### Publication of DI Notices on HKEx's Website

It is proposed that HKEx will retain its existing practice of updating the DI pages on its website only once a day at approximately 5 pm on a business day. This practice will however be reviewed when HKEx changes its practice on the publication of price sensitive information during market trading hours.

#### Requirements relating to Registers of Interests and Short Positions kept by Listed Corporations

Listed corporations are required by the SFO to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions. The corporation is required to record the information in the respective registers within 3 business days after the day on which the duty arises. The listed corporation must also keep an index of the names recorded in each register (unless the register itself constitutes an index). The index must be updated within 10 business days of a name being entered in or removed from the register. The listed corporation is further obliged to make the registers available for inspection by any member of the corporation free of charge or by any other person on payment of a fee.

The SFC considers that provided that listed corporations keep these registers up-to-date and maintain them in proper order, it may not be necessary to impose strict requirements as to timing and how they are being kept, nor to impose a right of inspection by the public. Views are invited as to whether the specific requirements for registers of interests and short positions should be reduced and how this should be progressed.

Comments on the Consultation Paper should be submitted by 11 January 2008.

### Consultation Paper On Electronic Submission Of Financial Returns

Currently, licensed corporations can submit their financial returns electronically (either through FinNet or by sending a computer diskette to the SFC) or in hard copy form. Under the proposal, e-submission of financial returns will be mandatory and will have to be made either via FinNet or the Internet. The SFC will also provide for the signing of the financial return by attaching a SFC issued e-certificate (similar to the e-certificate of Hong Kong Post and Digi-Sign) which will be issued free in the names of persons nominated by the respective licensed corporations.

## HKEx Signs MOU With Hochiminh And Mongolia Stock Exchanges

HKEx signed memoranda of understanding aimed at boosting cooperation and information exchange with the Hochiminh Stock Exchange and Mongolian Stock Exchange at the beginning of December. The entering of these memoranda is significant in terms of HKEx's policy of encouraging issuers from more overseas jurisdictions to list on the Hong Kong Stock Exchange. Under the HKEx/SFC Joint Policy Statement Regarding the Listing of Overseas Companies published in March 2007, the existence of regulatory co-operation between the securities regulators of a listing applicant's home jurisdiction and those of Hong Kong is one of the factors HKEx will take into account in determining the acceptability of a listing applicant's jurisdiction of incorporation. HKEx has also been promoting Hong Kong as a listing venue in Vietnam and Mongolia.

The purpose of this note is to provide a summary only of recent regulatory developments in Hong Kong. Specific advice should be sought in relation to any particular situation.

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