



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Fit and Proper Guidelines

適當人選的指引

**Hong Kong
October 2013**

香港
2013年10月

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1. Introduction

- 1.1 In most financial markets throughout the world, intermediaries providing securities, futures and foreign exchange services are required to be authorized by a regulatory authority. This requirement arises from the need for market participants generally, and investors in particular, to have confidence that the people and organizations with whom they deal are competent, honest, financially sound, and will treat them fairly.
- 1.2 Persons applying for licences and registrations under the Securities and Futures Ordinance, Cap. 571 (“SFO”) must satisfy and continue to satisfy after the grant of such licences and registrations the Securities and Futures Commission (“SFC”) that they are fit and proper persons to be so licensed or registered.
- 1.3 In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.
- 1.4 The Fit and Proper Guidelines are made under section 399 of the SFO to replace the Fit and Proper Criteria issued in December 2000. They outline a number of matters that the SFC will normally consider in determining whether a person is fit and proper. The matters set out in these Guidelines are not exhaustive. These Guidelines do not have the force of law and should not be interpreted in a way that would override the provisions of any applicable laws, codes or other regulatory requirements.
- 1.5 These Guidelines should be read in conjunction with the Guidelines on Competence and the Guidelines on Continuous Professional Training, which set out the initial and continuous competence requirements expected of a person.

2. Who needs to comply with the “fit and proper” guidelines

2.1 The Fit and Proper Guidelines apply to a number of persons including the following:

- (a) an individual who applies for licence or is licensed under Part V of the SFO;
- (b) a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;
- (c) a corporation which applies for licence or is licensed under Part V of the SFO;
- (d) an authorized financial institution which applies for registration or is registered under Part V of the SFO;
- (e) an individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority (“HKMA”) under section 20 of the Banking Ordinance (“relevant individual”); and
- (f) an individual who applies to be or has been given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance.

3. Determination of “fit and proper”

- 3.1 Section 129(1) of the SFO sets out a number of matters that the SFC or the HKMA (as the case may be) shall have regard to in assessing a person’s fitness and properness, which include his:
- (a) financial status or solvency;
 - (b) educational or other qualifications or experience having regard to the nature of the functions to be performed;
 - (c) ability to carry on the regulated activity competently, honestly and fairly; and
 - (d) reputation, character, reliability and financial integrity.
- 3.2 The above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorized financial institution).
- 3.3 In addition, section 129(2) of the SFO empowers the SFC or the HKMA (as the case may be) to take into consideration any of the following matters in considering whether a person is fit and proper:
- (a) decisions made by such relevant authorities as stated in section 129(2)(a) or any other authority or regulatory organization, whether in Hong Kong or elsewhere, in respect of that person;
 - (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within the group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;
 - (c) in the case of a corporation licensed under section 116 or 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:-
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and

- (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
 - (d) in the case of a corporation licensed under section 116 or 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
 - (e) the state of affairs of any other business which the person carries on or proposes to carry on.
- 3.4 The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that he is a fit and proper person to be licensed. The onus is on the applicant to make out a case that he is fit and proper to be licensed for the regulated activity. In relation to an application to be registered under section 119 of the SFO by an authorized financial institution, the SFC is obliged to have regard to the advice given to it by the HKMA as to whether it has been satisfied that the applicant is a fit and proper person and the SFC may rely on such advice wholly or partly.
- 3.5 Paragraphs 4 to 7 below set out matters, whether taken place in Hong Kong or elsewhere, that are likely to give rise to concerns about the fitness and properness of a person. Where “recency” of a matter of concern is mentioned in the paragraphs, it is normally taken to mean within the last 5 years for all persons.
- 3.6 Notwithstanding that a person fails to comply with all individual elements set out in these Guidelines, the SFC may nonetheless be satisfied that the person is fit and proper. The SFC will look to the substance of the requirements and the materiality of any failure to meet them. Persons who are unsure whether they meet the substance of any criteria or believe that failure to meet any requirements may not be material to their own case are encouraged to discuss their concerns with the SFC’s Licensing staff before submitting an application.
- 3.7 Persons applying for licence or approval to engage in regulated activities may be asked to attend interviews with SFC’s Licensing staff as appropriate.

4. Financial status or solvency

4.1 The SFC is not likely to be satisfied that a person is a fit and proper person if that person:

4.1.1 *In the case of an Individual*

- (a) is an undischarged bankrupt, is currently subject to bankruptcy proceedings or is a bankrupt who has recently been discharged;

Note: In considering whether to license a bankrupt who has been discharged, the SFC would have regard to the circumstances of the discharge and the recency of the discharge.

- (b) is subject to receivership or other similar proceedings;
- (c) has failed to meet any judgment debt.

Note: The SFC would have regard to the circumstances of the failure to meet a judgment debt and the recency of the failure.

4.1.2 *In the case of a Corporation or an Authorized Financial Institution*

- (a) is subject to receivership, administration, liquidation or other similar proceedings;
- (b) has failed to meet any judgment debt;

Note: These are requirements aimed at identifying corporations or institutions of dubious financial status or solvency. As with the same requirements in respect of individuals, the SFC would have regard to the circumstances of the failure to meet a judgment debt and the recency of the act.

- (c) is unable to meet any financial or capital requirements applicable to it.

5. Educational or other qualifications or experience

5.1 In considering the educational or other qualifications or experience, the SFC will take into account the nature of the functions which the person will perform. A person is unlikely to meet the fit and proper requirement if that person:

5.1.1 *In the case of an Individual*

- (a) applying for licence as a representative or whose name is to be entered in the register maintained by the HKMA, is under 18 years of age;
- (b) has failed to demonstrate that he is competent to perform the regulated activities efficiently and effectively.

Note:

(i) *The general expectations are set out in the Guidelines on Competence.*

(ii) *Competence is assessed with reference to the person's academic and industry qualifications together with relevant experience. Persons should be equipped with the skills, knowledge and professionalism necessary to perform their duties. The level of knowledge expected varies according to the level of responsibility and the type of regulated activity to be carried out. Persons are generally expected to be able to display an understanding of:*

- *the general structure of the regulatory framework that applies to their proposed activities;*
- *the particular legislative provisions, codes, guidelines and exchange rules that apply to the functions that they would perform;*
- *the fiduciary obligations owed to clients and the general obligations owed to their principals or employers; and*
- *the financial products they deal in or advise upon and the market in which the service is provided.*

6. Ability to carry on the regulated activity competently, honestly and fairly

6.1 A person has to demonstrate the ability to carry on the regulated activity competently, honestly and fairly; and in compliance with all relevant laws, codes and guidelines promulgated by the SFC and other regulators (where applicable). The SFC is not likely to be satisfied that a person is a fit and proper person if that person:

6.1.1 *In the case of an Individual*

- (a) has ever been a patient as defined in section 2 of the Mental Health Ordinance to the extent that in the opinion of the SFC, after having taken into account such relevant factors including that of the person's past training, experience and qualifications, that person would be unable to carry out the inherent requirements of the regulated activity;
- (b) has evidenced incompetence, negligence or mismanagement, which may be indicated by the person having been disciplined by a professional, trade or regulatory body; or dismissed or requested to resign from any position or office for negligence, incompetence or mismanagement.

Note: Competence and efficiency are key elements to being fit and proper. However, the weight given to events of the types listed above in considering whether a person is fit and proper will depend on a number of factors, such as the time since the event, the seriousness of the event, and the responsibility to be undertaken. As well, the source and quality of evidence will be taken into account.

6.1.2 *In the case of a Corporation or an Authorized Financial Institution*

- (a) has non-executive directors, key personnel (such as manager, officer, director, chief executive), substantial shareholders or other controllers who fail to meet the Fit and Proper Guidelines other than that on competence to perform regulated activities (unless such requirements are otherwise applicable);

Note: The SFC believes that all persons involved in the management or control of licensed corporations and registered institutions must be honest and fair.

- (b) has failed to demonstrate that it is competent to perform the regulated activities efficiently and effectively.

Note: The general expectations are set out in the Guidelines on Competence. The competence of a person is generally assessed with reference to its organizational structure and personnel. References should be made to Appendix A of the Guidelines on Competence. The SFC is unlikely to be satisfied that the person is competent if:

- (i) *its organizational structure and personnel are unable to comply with the relevant legislative or regulatory requirements; or*
- (ii) *it lacks the infrastructure and internal control systems to manage risk effectively, avoid conflict of interest and provide proper audit trail.*

7. Reputation, character, reliability and financial integrity

7.1 The SFC is not likely to be satisfied that a person is fit and proper if that person:

7.1.1 *In the case of an Individual*

- (a) was found to be of poor reputation, character or reliability, lacking in financial integrity, or dishonest. The weight given to events of the types listed below will depend on a number of factors, such as the time since the event, the seriousness of the event, and the level of responsibilities to be undertaken. Instances which, if remained unexplained, might result in the person being regarded as having failed to meet this test are where the person has been:
- (i) found by a court or other competent authority for fraud, dishonesty or misfeasance;
 - (ii) convicted of a criminal offence or is the subject of unresolved criminal charges which are of direct relevance to fitness and properness;
 - (iii) censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession;
 - (iv) refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorization is required by law;
 - (v) disqualified by a court of competent jurisdiction from being a director;
 - (vi) found culpable of market misconduct by the Market Misconduct Tribunal, or failed to abide by any codes and guidelines promulgated by the SFC, other regulators or any relevant exchanges in Hong Kong or overseas (if applicable);

- (vii) a director, substantial shareholder, or involved in the management, of a corporation or business that:
 - (A) was wound up (otherwise than by a solvent members' voluntary dissolution) or was otherwise insolvent or had a receiver or administrator appointed, however described;
 - (B) was found guilty of fraud;
 - (C) has not met all obligations to clients, compensation funds established for the protection of investors, or inter-member guarantee funds;
 - (D) has been found to have committed the acts described in (i), (ii), (iii), (iv) or (vi) above.

Note: The extent of the person's involvement in the relevant events, and the person's behaviour at that time, will have a substantial impact on the weight that the SFC attaches to the events in considering the person's fitness and properness.

- (b) has been a party to a scheme of arrangement or entered into any form of compromise with a creditor involving a considerable amount.

Note: Where the amount involved is in excess of HK\$100,000 or equivalent, the SFC would have regard to the recency of, and the circumstances leading to, the event.

7.1.2 In the case of a Corporation or an Authorized Financial Institution

- (a) was found to be of poor reputation or reliability, or lacking in financial integrity. Similar considerations will be given to the events described in 7.1.1(a) (i), (ii), (iii), (iv), (vi) and (vii) and 7.1.1(b) above;
- (b) has been served with a winding up petition.

8. Continuing requirements

- 8.1 A person licensed or registered under the SFO, or a relevant individual or an executive officer of a registered institution must continue to be fit and proper.
- 8.2 The SFO empowers the SFC to take disciplinary actions, pursuant to section 194 or section 196 of the SFO, against a regulated person² of a licensed person or registered institution respectively if:
- (a) the person is, or was at any time, guilty of misconduct; or
 - (b) the SFC is of the opinion that the person is not a fit and proper person to be or to remain the same type of regulated person.
- 8.3 A range of sanctions is available to the SFC under the SFO. These include:
- revocation or suspension of the licence or registration of all or part of the regulated activities (only applicable to licensed persons and registered institutions);
 - revocation or suspension of approval granted as a responsible officer (only applicable to individuals);
 - public or private reprimand;
 - prohibition from applying for a licence or registration;

² Regulated person is defined: -
in section 194(7) in respect of licensed persons as any one of the following:-

- a licensed person;
- a responsible officer of a licensed corporation; or
- a person involved in the management of the business of a licensed corporation.

in section 196(7) in respect of registered institutions as any one of the following:-

- a registered institution;
- an executive officer of a registered institution;
- a person involved in the management of the business constituting any regulated activity for which a registered institution is or was registered; or
- an individual whose name is or was entered in the register maintained by the HKMA under section 20 of the Banking Ordinance as that of a person engaged by a registered institution in respect of a regulated activity.

- prohibition from applying for approval as a responsible officer of a licensed corporation or to be given consent to act or continue to act as an executive officer of a registered institution (only applicable to individuals);
- prohibition from having his name entered in the register maintained by the HKMA under section 20 of the Banking Ordinance (only applicable to individuals); and
- ordering the payment of a pecuniary penalty.

Appendix I: Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers (“Sponsor Guidelines”)

Explanatory Notes

The Sponsor Guidelines apply to all corporations and authorized financial institutions applying or continuing to act as sponsors¹ and compliance advisers²; as well as licensed individuals accredited to such corporations and relevant individuals engaged by authorized financial institutions (where applicable) for the performance of such activities.

The Sponsor Guidelines are an elaboration of the Fit and Proper Guidelines and the Guidelines on Competence. Where relevant, provisions within these guidelines are also applicable to sponsors and compliance advisers. The Sponsor Guidelines provide additional competence requirements for corporations and authorized financial institutions applying or are already licensed or registered to act as sponsors and compliance advisers and do not replace the provisions set out in other sections of the Guidelines on Competence.

Sponsors and compliance advisers are also reminded that in addition to the Sponsor Guidelines, they must also comply with all other relevant codes, guidelines and regulations prescribed by the SFC, such as the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“Code of Conduct”) and the Corporate Finance Adviser Code of Conduct. These other codes and guidelines are not diminished in any way by the more specific competence requirements set out in the Sponsor Guidelines.

¹ “Sponsor” means a licensed corporation or registered institution licensed or registered under the SFO for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a Sponsor appointed to act as a sponsor in respect of an application for the listing of any securities on a recognized stock market under the Listing Rules of the Stock Exchange of Hong Kong Limited (“SEHK”). A recognized stock market means a stock market operated by a company recognized as an exchange company under section 19(2) of the SFO.

² “Compliance adviser” means a licensed corporation or registered institution licensed or registered under the SFO for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as Sponsor appointed to act as compliance adviser under the Listing Rules of the SEHK.

I. SPONSORS

1. Competence

The SFO requires that all licensed or registered persons must be fit and proper. In assessing whether a person is fit and proper as a licensed or registered person or to be licensed or registered with the SFC, the person's competence is one of the factors that should be taken into account. Specific competence requirements on sponsors and certain staff employed by them are set out below.

1.1 [Repealed]

1.2 [Repealed]

1.3 Principals³

1.3.1 It is the responsibility of the Management⁴ to ensure that Principals appointed by the firm meet the criteria required in the Sponsor Guidelines. The Management should ensure that there are sufficient Principals engaged in a full-time capacity to discharge its role in supervising the Transactions Team(s)⁵, taking into account the volume, size, complexity and nature of the sponsor work that is undertaken by a sponsor. A sponsor should have at least 2 Principals that have satisfied the eligibility criteria under paragraph 1.4.1 and at least one of the Principals has satisfied the eligibility criteria under Option 1 of paragraph 1.4.1 at all times. Records of the appointment of a responsible officer or an executive officer as a Principal and assessments made by the Management, the cessation of such appointment, and the decision-making process of such appointment should be properly kept to demonstrate its compliance with the Sponsor Guidelines.

1.3.2 In making the appointment, the Management is required to provide a written endorsement to the SFC, on behalf of the licensed corporation or registered

³ "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.

⁴ "Management" includes a sponsor's Board of Directors, Managing Director, Chief Executive Officer, Responsible Officers, Executive Officers and other senior management personnel.

⁵ "Transaction Team" means the staff appointed by a sponsor to carry out a listing assignment.

institution that individuals proposed to be appointed to be Principals have met the respective requirements set out in paragraphs 1.3 and 1.4.

- 1.3.3 As a general guidance, a Principal is expected to be in charge of the supervision of the Transaction Team(s). The Principal should be involved in the making of the key decisions relating to the work carried out by the Transaction Team and must be aware of the key risks in such work and responsible for the measures to address them. For example, in respect of conducting due diligence review on a listing applicant, the sponsor should ensure that the Principal is involved in determining the breadth and depth of the due diligence review, the amount of resources to be deployed for carrying out such work, making a critical assessment of the results of the due diligence and overall assessment of the adequacy of the due diligence review, and ensuring that steps have been taken to properly resolve all issues arising out of such review. The Principal is also expected to be fully conversant with the key issues in each sponsorship appointment and be able to respond and react promptly to requests of the regulators (such as the SFC and/or the SEHK) on such issues and to properly advise the applicant.

Note:

The Principal should maintain an effective reporting line and communication between the Transaction Team(s) and other members in the Management regarding the sponsor work undertaken. Where circumstances require, a Transaction Team may appoint more than one Principal who, together, shall be jointly and severally responsible in discharging their roles as Principals.

- 1.3.4 A sponsor should notify the SFC in writing of any changes in its appointment of Principals within 7 business days after making such changes; and, in the case of appointment of a Principal, file an endorsement pursuant to 1.3.2 above. The endorsement should include information, as required by the SFC that demonstrates how the Principal has met the eligibility criteria.

1.4 Eligibility Criteria for Principals

- 1.4.1 In order to qualify as a Principal, an individual who must be a responsible officer of the licensed corporation to which he is accredited or an executive officer of the registered institution that has appointed him, should demonstrate that he has fulfilled one of the following eligibility criteria:

(A) Option 1

- (1) has acquired a minimum of 5 years of corporate finance experience in respect of companies listed on the Main Board and/or GEM Board of the SEHK preceding the appointment as a Principal; and
- (2) in the 5 years immediately preceding his appointment, has played a substantial role in advising a listing applicant as a sponsor in at least 2 completed initial public offering (“IPO”) transactions on the Main Board and/or GEM Board of the SEHK.

(B) Option 2

- (1) is highly experienced in the area of due diligence as a result of leading IPO transactions in Australia, the United Kingdom, or the United States of America;
- (2) is highly experienced in the area of corporate finance in respect of companies listed in Australia, the United Kingdom, or the United States of America;
- (3) has completed a refresher course or special examination on ethics, sponsor work, and the legal and regulatory requirements governing the conduct of IPO transactions in Hong Kong within the 6 months preceding the appointment by a sponsor as a Principal; and
- (4) is accredited to a sponsor that has at least one other individual who is approved as a Principal pursuant to Option 1 above.

(C) Option 3

- (1) has participated actively and substantially in due diligence work in at least 4 completed IPO transactions in Hong Kong within the 5 years preceding the appointment as a Principal;
- (2) has acquired a minimum of 5 years of corporate finance experience in respect of companies listed on the Main Board and/or GEM Board of the SEHK preceding the appointment as a Principal;
- (3) has passed a special examination on ethics, sponsor work, and the legal and regulatory requirements governing the conduct of IPO transactions in Hong Kong within the 6 months preceding the appointment by a sponsor as a Principal; and

- (4) is accredited to a sponsor that has at least one other individual who is approved as a Principal pursuant to Option 1 above.

Note:

“Corporate finance experience” includes experience from providing advice on one or more of the following matters:

- (i) IPO transaction;*
- (ii) notifiable or connected transactions as defined in the SEHK Listing Rules⁶;*
- (iii) a rights issue or open offer by a listed company in accordance with the SEHK Listing Rules;*
- (iv) takeovers and share repurchases subject to the Codes on Takeovers and Mergers and Share Repurchases; and*
- (v) any other significant transactions or equity-fund raising exercises not listed in the above.*

And in demonstrating that a Principal has the relevant experience, the sponsor has to satisfy the SFC as to the following:

- (a) the appointee for the role of a Principal (the “Appointee”) has acquired a majority of the 5 years’ corporate finance experience from transactions that have an element of equity-fund raising by the listed issuers from the public, and the Management has to be satisfied that such experience is sufficiently recent;*
- (b) the Appointee may acquire some (but not all) of the corporate finance experience in markets other than Hong Kong provided that these markets have comparable legal and regulatory standards for listing of companies and the public offers of securities, conduct regulation on sponsors or their functional equivalents and enforcement of rules and regulations governing these respective areas. The Appointee has to demonstrate to*

⁶ “Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange (“Main Board Listing Rules”); references to the Main Board Listing Rules in this paragraph should be taken also to refer to the equivalent GEM Listing Rules.

the satisfaction of the SFC how the corporate finance experience has been met if the Appointee's experience is mainly acquired overseas, and the SFC may impose such conditions on the sponsor as it considers appropriate; and

- (c) the sponsor should avoid attributing the experience of all the Appointees of the firm to the same transaction in meeting the requirements.*

1.4.2 The SFC may seek further details from intermediaries and individuals to substantiate their submissions. The provision of false or misleading information in response to such a request is likely to constitute a criminal offence under the SFO and might also have resulting fitness and properness implications.

Note:

- (1) Apart from the factors set out in paragraph 1.3.3, the following matters will be taken into account in establishing whether an individual intending to be appointed as a Principal has been engaged in a substantial role in an IPO:*
 - (a) whether the individual was responsible for leading and supervising due diligence and participated in due diligence meetings and discussions with the listing applicant and other professional parties appointed;*
 - (b) whether the individual was responsible for making key decisions relating to due diligence work carried out by the Transaction Team and was fully aware of key risks involved;*
 - (c) whether the individual was responsible for signing off for the sponsor that due diligence had been completed;*
 - (d) whether the individual was responsible for certifying the referral of any issues arising from due diligence or issues raising reputational risks or material changes in circumstances to the appropriate committee or senior management of the sponsor;*
 - (e) whether the individual was responsible for determining the scope, review, and sign off of major documentation submitted to the SEHK and the SFC e.g. the prospectus and formal notice of the IPO, Listing Application Form (Form A1), Sponsors' Declaration and Sponsor's Undertaking to the SEHK and any waiver applications;*

- (f) *whether the individual had a supervisory leading role in advising the client on IPO requirements under the Listing Rules including;*
 - (i) *advising the listing applicant on corporate and financial structure and compliance with the Listing Rules;*
 - (ii) *formulating listing timetable and related plans; and*
 - (iii) *supervision of the transaction, including due diligence and IPO execution.*

- (2) *The SFC may exercise its discretion, on a case-by-case basis, to grant a dispensation from strict compliance with the requirements on eligibility of Principals under Option 1 of paragraph 1.4.1 if the firm can demonstrate that there are valid and justifiable grounds for such dispensation, which will not prejudice the overall protection of investors' interests. In considering an application for such dispensation, the SFC may take into account, without limitation, the following:*
 - (a) *the nature and structure of the business of the group companies to which the sponsor belongs and internal resources and support that the group is able to provide in the carrying out of the sponsor work;*
 - (b) *the governance of the sponsor and/or its group companies by securities regulators in other leading and well-regulated markets;*
 - (c) *the standards of internal controls and risk management of the sponsor and/or its group of companies; and*
 - (d) *the compliance record of the sponsor in Hong Kong and other jurisdictions.*

The SFC may impose such conditions, or require the provision of undertakings by a sponsor and/or its group of companies as it considers appropriate in granting a dispensation abovementioned.

- (3) *For the avoidance of doubt, the requirements set out at paragraph 1.4.1 apply to Principals as initial eligibility criteria only, and are not continuing requirements. However, Principals should at all times ensure that they remain competent in their role as Principals.*

1.4A Eligibility Criteria for Type 6 licensed representative or relevant individual engaged in sponsor work

- 1.4A.1 Subject to paragraphs 1.4A.2 to 1.4A.4, Type 6 licensed representatives or relevant individuals intending to engage in IPO sponsor work are required to have passed the relevant examination for Type 6 licensed representative or relevant individual engaging in sponsor work not more than 3 years prior to and not later than 6 months after the date of their first engagement in such work.
- 1.4A.2 Individuals who have engaged in sponsor work as a Type 6 licensed representative or relevant individual within the 3 years preceding the effective date of paragraph 1.4A in at least 1 completed IPO transaction are exempted from the requirement in paragraph 1.4A.1.
- 1.4A.3 Individuals who are approved as Principals are exempted from the requirement in paragraph 1.4A.1.
- 1.4A.4 Individuals who have passed the examination or are exempted from taking the examination will not be required to take the examination again unless the individuals cease to be licensed or registered for Type 6 regulated activity for more than 3 years.
- 1.4A.5 A sponsor should ensure its staff engaging in sponsor work have satisfied or be exempted from the examination requirement pursuant to paragraphs 1.4A.1 to 1.4A.4 and that it would be able to demonstrate to the SFC its compliance with this requirement upon request.

1.5 [Repealed]

2. *Minimum capital requirements*

A sponsor should have and maintain at all times sufficient resources and meet the capital requirement prescribed pursuant to the SFO and any related subsidiary legislation or codes and guidelines. Sponsors should maintain a minimum paid-up capital of HK\$10 million at all times.

3. Continuing professional training (“CPT”)

- 3.1 *Part III of the Internal Control Guidelines provides, inter alia, that training policies shall be established with adequate consideration given to training needs to ensure compliance with the firm’s operational and internal control policies and procedures, and all applicable legal and regulatory requirements to which the firm and its employees are subject. Adequate training should be provided both initially and on an on-going basis.*
- 3.2 All responsible officers, executive officers, licensed representatives, and relevant individuals who engage in the sponsor work of a firm are required to attend training on topics that are relevant to their sponsor work, e.g. skills that are relevant to their role as sponsors and knowledge of the relevant regulatory rules and their changes. Training on these topics should constitute at least 50% of the 5 CPT hours (or any other amount of CPT hours as required by the SFC from time to time) that the responsible officers, executive officers, licensed representatives, and relevant individuals are required to undertake annually as holders of a corporate finance adviser licence/registration (Type 6 Regulated Activity).

II. COMPLIANCE ADVISERS

1. A firm must be eligible under its licence or certificate of registration to act as a sponsor (not subject to a licensing/registration condition that prohibits it from carrying out sponsor work) in order to carry out work as a compliance adviser. As corporations licensed or registered for Type 6 Regulated Activity, in addition to the requirements and obligations set out in the Sponsor Guidelines, compliance advisers are required at all times to observe the relevant codes of conduct and regulations by the SFC applicable to holders of licence/registration for Type 6 Regulated Activity. These include, without limitation, the Internal Control Guidelines, the Code of Conduct, the Corporate Finance Adviser Code of Conduct, the Fit and Proper Guidelines, and the Guidelines on Continuous Professional Training.
2. In addition, all compliance advisers must be eligible to act as sponsors at all times in order to be initially eligible and continue to be eligible to act as compliance advisers. In the event that a licensed corporation or registered institution ceases to be eligible to act as a sponsor, it shall cease to be eligible to act as a compliance adviser.
3. In case of a breach by a compliance adviser of any of the relevant codes of conduct or regulations that calls to question its fitness and properness to be a

licensed corporation or registered institution for Type 6 Regulated Activity, it may cease to be eligible to be a compliance adviser, a sponsor, and/or a licensed corporation or registered institution for Type 6 Regulated Activity.