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SFAT Upholds SFC Decision on New Sponsor Guidelines

17 May 2007

The Securities and Futures Appeals Tribunal (SFAT) has dismissed an appeal made by SBI-E2 Capital (HK) Limited (Note 1) against a decision by the SFC to impose a condition on its licence restricting it from acting as a sponsor (Note 2).

The SFC imposed the licensing condition on SBI-E2 on 15 January 2007. The SFC was of the view that SBI-E2 had failed to demonstrate that it met all of the eligibility criteria set out in the Guidelines for Sponsors and Compliance Advisers. The guidelines specify that a principal (Note 3) should be a responsible officer of the sponsor who is engaged on a full time basis to discharge his/her role in supervising the IPO transaction team (Note 4). The SFC was not satisfied that the principals nominated by SBI-E2 would be able to meet these requirements since they were already principals of another company within the SBI-E2 group and were not its responsible officers at the time of the application.

SBI-E2 lodged an appeal to the SFAT against the condition. Following a contested hearing on 23 April 2007, the SFAT confirmed the SFC's decision to impose a condition on SBI-E2's licence. In the SFAT determination that was issued today, the SFAT said that the SFC's decision was "obviously carefully made in light of undisputed facts, and within the application of proper principle" (Note 5).

Mrs Alexa Lam, SFC's Executive Director of Intermediaries and Investment Products, said: "The new sponsor regime aims to raise the quality of Hong Kong's financial market and enhance investor protection. Only intermediaries that have met appropriate eligibility requirements are allowed to continue their sponsor/compliance advice work. The SFC welcomes the determination which confirms the SFC's interpretation of the Sponsor Guidelines and the decision taken in this case."

Ends

Notes:

1. SBI-E2 is licensed under the Securities and Futures Ordinance to carry on Types 1 and 6 regulated activity.
2. SBI-E2 may continue to carry out sponsor or compliance adviser work which has been taken up before the imposition of the licensing condition. For transitional arrangements, please see [SFC circular to intermediaries licensed or registered for Type 6 regulated activity dated 15 December 2006](#).
3. The Sponsor Guidelines are at Appendix 1 to the [Fit and Proper Guidelines](#). In the Sponsor Guidelines, "principal" means a responsible officer or an executive officer appointed by a licensed corporation or registered institution to be in charge of the supervision of the transaction team.
4. This requirement is set out at paragraph 1.3.1 of the Sponsor Guidelines.
5. The SFAT's determination will be available at <http://www.sfat.gov.hk>.

Page last updated : 1 Aug 2012