

SFC lifts suspension of UBS Securities Hong Kong Limited acting as sponsor

14 Jan 2020

The Securities and Futures Commission (SFC) today lifted the suspension of UBS Securities Hong Kong Limited (UBS Securities Hong Kong) to act as a sponsor for listing applications on the Stock Exchange of Hong Kong Limited (SEHK).

The licence, which allows UBS Securities Hong Kong to act as a sponsor, was suspended for one year as part of the SFC's disciplinary action against UBS AG and UBS Securities Hong Kong (collectively, UBS) when they were sanctioned on 14 March 2019 for their failures to discharge their obligations as one of the joint sponsors of three listing applications (Note 1).

As agreed, UBS has engaged and cooperated with an independent reviewer to review its policies, procedures and practices in relation to the conduct of its sponsorship business (relevant area) (Note 2).

The reviewer conducted a 10-month review of UBS's enhanced governance processes from the acceptance of a sponsorship mandate to the listing of a listing applicant and concluded that UBS's governance and control processes applicable to the relevant area are generally well-designed, and that its assessment took account of a number of key controls, including:

- a framework of processes, reviews, governance and oversight within the first line of defense to support the transaction team's compliance in the relevant area and to enable effective management oversight;
- policies setting out specific responsibilities for dedicated first line of defense control functions of the sponsor business with respect to quality assurance, control monitoring and testing, as well as issue reporting and escalation, to ensure compliance with internal and regulatory requirements and expectations in the execution of listings;
- adequate and appropriate forums for escalation of material issues identified across the entire deal cycle for discussion with management senior to the sponsor principal (including managers-in-charge) on a specific mandate;
- adequate involvement of the independent second line of defence, ie, the compliance and operational risk functions; and
- an audit programme designed and executed by internal audit as the third line of defense, which is adequate to sufficiently discharge their responsibility and perform annual assessments to ensure that both UBS and its systems and controls remain effective and compliant with the relevant regulatory requirements.

As part of the review, the reviewer also looked at UBS's sponsor work in its two most recent listing applications, which were completed in 2017 and 2018, respectively. UBS was found to have implemented the abovementioned controls in the two listing applications and performed adequate and effective due diligence in discharging its sponsor responsibilities as required by the relevant legal and regulatory requirements.

In arriving at the decision to lift the suspension, the SFC has assessed the reviewer's findings of UBS, including obtaining from the reviewer the supporting documents for its findings, as well as seeking from the reviewer explanations for its conclusions about the adequacy and effectiveness of UBS's governance framework and control processes.

The SFC would like to make clear that the standards assessed in the case of UBS are equivalent to those that are expected to be adopted by all licensed sponsors. In addition, it is important that all licensed sponsors understand that regulatory compliance ultimately depends on the ability of a firm to apply and operate these controls effectively in practice when executing all IPO mandates, which requires close management attention and supervision.

The SFC is satisfied after its own assessment that UBS has clear requirements and procedures in place to enable staff members to understand and properly perform their responsibilities, and that there are adequate and effective systems, controls, policies and procedures to enable compliance with all applicable Hong Kong legal and regulatory requirements in relation to its sponsor business.

End

Notes:

1. Please refer to the SFC's press release dated [14 March 2019](#).
2. According to UBS, it has been enhancing its systems and controls in relation to the conduct of its sponsorship business since 2009. Up to 2018, the areas of enhancement included the primary areas of the SFC's concerns which led to its disciplinary action against UBS on 14 March 2019, ie, UBS's practice in conducting due diligence interviews with customers and suppliers of the listing applicant, inspection of the material assets of the listing applicant, and the maintenance of records to demonstrate how UBS verified the identity of the persons interviewed, the places where interviews were conducted and the existence and general condition of the material assets inspected.

Page last updated : 14 Jan 2020