

## **The Code of Conduct for Share Registrars**

### **Explanatory notes**

- (a) This Code has been issued by the Commission, in consultation with the Federation of Share Registrars.
- (b) The primary purpose of this Code is to provide an orderly framework within which Share Registrars are to conduct their business.
- (c) When considering whether a Share Registrar has failed to attain any of the standards prescribed in this Code, the Commission will, pursuant to section 167(5)(l)-6(l),

disciplinary action. The Listing Rules state that only an approved Share Registrar may be employed to maintain a register of shareholders or warrant holders in Hong Kong. A Share Registrar needs to be a member of the Federation in order to be an approved Share Registrar.

- (f) The Commission may, in consultation with the Federation of Share Registrars, amend this Code from time to time.

## **General principles**

### **GP1. Honesty and fairness**

In conducting its business activities, a Share Registrar should act honestly, fairly, and in the best interests of its Clients and the integrity of the market.

### **GP2. Diligence**

In conducting its business activities, a Share Registrar should act with due s



(l)





#### **4.5 Capacity**

- (a) A Share Registrar should ensure that it has adequate systems capacity for the processing of public offering allocations and other transactions, the printing and distribution of share certificates and the updating of share registers in the event of a public offering.
- (b) A Share Registrar should have an adequate margin above its current capacity to handle its current volume and systematically establish future capacity estimates on a regular basis. In addition, a Share Registrar should conduct periodic stress tests to assess whether its systems can perform adequately in relation to

(b)



reasonable instructions of the Registered Owners of Securities relating to the inquiries are properly carried out.

## **6. Conflicts of Interest**

### **6.1 Conflicts of Interest**

A Share Registrar should at all times act in the best interests of its Clients and the integrity of the market. The Share Registrar should try to avoid conflicts of interest, and when conflicts cannot be avoided, it should ensure that the parties involved are informed of the conflict and that the interests of its Clients are fairly treated.

### **6.2 Confidentiality**

A Share Registrar should not disclose information in relation to its Clients and Registered Owners of Securities to any person or use this information for any purpose other than in the performance of its obligations as a Share Registrar unless such disclosure or use is expressly or impliedly authorised by its Clients and/or the relevant Registered Owners of Securities, or is required or permitted by any applicable laws, rules, regulations, orders or by any regulator.

## **7. Safeguarding of client assets**

### **7.1 Establishment of review processes**

A Share Registrar should establish and maintain appropriate procedures (this may include regular reconciliation) to prevent or detect errors, omissions, fraud and other unauthorised or improper activities in the operations of the Share Registrar.

### **7.2 Audit Trails**

Adequate audit trails should be maintained in accordance with the requirements of the Registrar.



and the Share Registrar should ensure that its employees and agents comply with them.

- (b) In addition, a Share Registrar should provide share registry services in a manner which enables its Clients to comply with the requirements relating to share registry services that are imposed on its Clients by the Listing Rules.
- (c) As long as a Share Registrar performs share registry services for its Clients, it shall continue to be a member of the Federation.

## **8.2 Maintenance of audit function**

- (a) A Share Registrar should maintain an audit function to report on the adequacy and effectiveness of its management, operations and internal controls. The audit function should conduct regular reviews and audits to detect activities or conditions which may breach, or contribute to non-

#### **8.4 Notification**

A Share Registrar should promptly notify the Federation and the Commission of any occurrences of material non-compliance by the Share Registrar or its staff with relevant legal and regulatory requirements, including this Code.

### **9. Responsibility of Senior Management**

#### **9.1 Responsibility of senior management**

- (h) The Committee will appoint a secretary who will be a staff member of the Commission.
- (i) Each member of the Committee and where applicable, his firm is required to comply with conflict of interest guidelines issued by the Commission from time to time.

## **10.2 Disciplinary Proceedings**

- (a) The Executive may institute disciplinary proceedings against a Share Registrar, members of its senior management or any person in its employment before the Disciplinary Committee when it considers that there has been a breach this Code.
- (b) Paragraph 10.2(a) shall not prejudice the right of the Executive to institute disciplinary proceedings in relation to breaches of this Code by a Share Registrar who was at the relevant time a Share Registrar but has since ceased to be, if the Executive considers that there are reasonable grounds to do so.
- (c) Each Share Registrar shall cooperate with the Federation, the Commission, the Executive, the Disciplinary Committee and the Disciplinary Appeals Committee and provide such assistance as they (or any of them) may require for the purposes of disciplinary proceedings and the implementation of disciplinary decisions under this Code.
- (d) The Executive may itself deal with a disciplinary matter if the party to be disciplined agrees to the disciplinary action proposed to be taken by the Executive.

## **10.3 Penalties the Disciplinary Committee may recommend**

Where the Disciplinary Committee finds that there has b

- (c) privately or publicly reprimanding the Share Registrar or member of staff of the Share Registrar;
- (d) requiring the Share Registrar to take remedial action within a prescribed period and specifying the consequences for the Share Registrar's failure to do so; and
- (e) such other action against the Share Registrar as the Disciplinary Committee

Representations by Clients of the Share Registrar under inquiry or investigation may be presented in writing and heard by the Disciplinary Committee in their absence.

- (g) If a person under inquiry or investigation fails to appear at the hearing by himself or by an authorized representative, the Disciplinary Committee shall be entitled to decide the case in his absence.
- (h) The Disciplinary Committee may at any time either on its own initiative or at the request of a party to the hearing adjourn the hearing on such terms as it considers fit.
- (i) As proceedings before the Disciplinary Committee are private, none of the parties to the proceedings shall disclose any details of the proceedings to any other person including the media and such persons shall not make use of any information acquired during the course of the proceedings for any other purpose save those connected with the proceedings or in accordance with paragraph 10.11 below.

#### **10.5 Findings and recommendation to be made to Federation**

If the Disciplinary Committee is satisfied that the allegations against a Share Registrar are proved, it shall make a finding of fact and impose a penalty against the Share Registrar or other person as it considers appropriate subject to [paragraph 10.3](#). The written finding of fact and penalty with reasons therefore shall be served on the person being disciplined and the Federation within 7 business days of the Disciplinary Committee's decision and subject to confidentiality considerations, will normally be published in accordance with [paragraph 10.11](#) below.

#### **10.6 Appeals**

- (a) Any person against whom the Disciplinary Committee has imposed a penalty may appeal to the Disciplinary Appeals Committee in respect of the penalty imposed by the Disciplinary Committee.
- (b) An appeal should be made in writing setting out the reasons and grounds for appeal and attaching a copy of the Disciplinary Committee's decision. These should be served on the Disciplinary Appeals Committee within 21 business days after the service of the Disciplinary Committee's written decision under paragraph 10.5.
- (c) The appellant shall lodge a copy of the appeal with the Federation and the Executive.

#### **10.7 The Share Registrars' Disciplinary Appeals Committee ("Disciplinary Appeals Committee")**

- (a) The Disciplinary Appeals Committee is a committee of the Commission established under section 8 of the Securities and Futures Ordinance, Cap. 571.



