

SFC identifies regulatory concerns on sponsor work amid surge in Hong Kong IPO activity

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On 30 January 2026, the Securities and Futures Commission (SFC) issued a circular highlighting what it described as “highly concerning issues” identified in certain listing applications amid the recent surge in IPO activity. This client update identifies the key regulatory concerns and action points for sponsors.

Introduction

On 30 January 2026, the Securities and Futures Commission (SFC) issued a circular highlighting what it described as “highly concerning issues” identified in certain listing applications amid the recent surge in IPO activity. The circular followed a December 2025 joint letter from the SFC and the Stock Exchange of Hong Kong (SEHK) to 13 sponsors citing specific cases of concerns (Joint Letter).

The circular pointed to perceived “serious deficiencies” in certain draft listing documents and responses to regulatory comments, as well as concerns over inadequate resourcing at some sponsor firms. The SFC observed that the declining quality of listing documents and sub-standard sponsor conduct coincided with the sharp increase in new listing applications. The SFC further noted that such conduct may have constituted non-compliance with relevant rules and regulations.

As expressed by Ms. Julia Leung, Chief Executive Officer of the SFC, a key regulatory concern is that the gatekeeping role of sponsors in the listing process – critical to maintaining the quality of Hong Kong’s capital market and sustaining investor confidence in new listings – “may have been eroded” in sponsors’ eager pursuit of deal volume, particularly where sponsors over commit without ensuring that their resources are commensurate with their obligations.

Of course, the significant rise in volume of new listings is, naturally, strongly supported by the Hong Kong Government. In a speech only a few days earlier, on 26 January 2026, Hong Kong’s Chief Executive said:

As you would know, companies turn to Hong Kong for many reasons but our prowess as a financial hub is certainly a key factor. Hong Kong’s financial regulatory system is robust, and our financial market stands out for its deep liquidity, innovative products and world-class investor protection. We also boast a highly educated workforce, a welcoming environment for global talent and transparent financial regulations aligned with international standards.

These strengths are widely recognised. We ranked third, globally, and first in Asia, in the most recent Global Financial Centres Index. And we placed third in the 2025 World Competitiveness Yearbook, up two places over the previous year.

Over the past year, we introduced a series of measures to enhance Hong Kong's listing mechanism and stock market. The results are clearly encouraging: the Hang Seng Index surged about 30 per cent last year, while average daily turnover rose to over US\$32 billion.

And Hong Kong ranked No.1 in the world last year in initial public offerings, raising some US\$36 billion.

...

To boost our status as an international financial centre, we are focused on three main areas.

First, we are working to reinforce Hong Kong's strengths. That includes deepening our equity market, expanding our bond market and advancing the asset management and wealth management sector.

To boost our stock market, we introduced the Technology Enterprises Channel. It helps Mainland and international technology companies raise funds in Hong Kong.

To elevate our status as one of the world's leading fundraising and investment hubs, we will optimise the Main Board's regimes for listing and issuing products."

In this context, the SFC's circular should be viewed as an important part of a balanced regulatory approach: on the one hand, robust enforcement action by the SFC in serious cases, involving fraud or reckless and significant resultant investor losses; but, on the other hand, relatively light touch regulation, actively working with sponsors, and pushing them, to meet existing requirements fully, and enhanced requirements in respect of resourcing sponsor work, with the prospect, as a last resort, if steps are not taken sufficiently actively, of restricting the number of IPOs handled by sponsors.

Immediate requirements

- **The circular imposes immediate requirements on sponsors, including:**
- **Reporting to the SFC** by all sponsors, identifying:
 - a. within two weeks, all appointed sponsor principals and the active listing engagements¹ that each was engaged in as of the date of the circular; and
 - b. within one week, any individual(s) engaged in sponsor work who have not passed the requisite licensing examination within the stipulated period in the licensing requirements.
- **Internal reviews** to be completed within three months by selected sponsors, including:
 - a. the **13 sponsors addressed in the Joint Letter** (and any additional sponsors who receive written communication from the SFC and/or SEHK about specific cases of concern) (Concerned Sponsors), focusing on the concerns cited, any material non-compliance related to internal controls and the corresponding remedial actions; and
 - b. the **"Sponsors with Strained Principals"** i.e., sponsors with principals supervising or participating² in six or more active listing engagements simultaneously, focusing on the sponsor's resources available and the preparation of a rectification and resource plan.

Thematic inspections and other measures

The circular announced other measures and foreshadowed upcoming regulatory actions:

- on-site thematic inspections "in the near future" of the Concerned Sponsors and Sponsors with Strained Principals;
- heightened licensing application and eligibility requirements for sponsor principals and Type 6 individuals;
- potential suspension of vetting of listing applications (or the returning of applications) where the listing application is severely deficient or unreasonably lengthy, or responses to regulatory comments are materially incomplete or unsatisfactory, echoing the message from the October 2024 Joint Statement on Enhanced Timeframe for New Listing Application issued by the SFC and SEHK that sub-standard applications would be subject to "a longer process";
- potential restrictions on a sponsor's business scope or the number of active listing engagements that the sponsor may undertake; and
- investigation and/or disciplinary action in serious cases of misconduct.

SFC's key concerns and regulatory expectations

The SFC identified five categories of concerns and provided case examples and/or details of each in an Appendix.

Serious deficiencies listing documents and responses to regulatory comments and failures at the offer stage

The SFC identified the following issues:

Poor quality of draft listing documents

The SFC noted the increasing number of listing documents that fail to provide sufficient particulars and information for investors to form a valid and justifiable opinion of the listing applicant and lack sufficient disclosure demonstrating the applicant's eligibility and suitability for listing. The circular highlighted the common issues of:

- “unclear and convoluted descriptions of business models”;
- “excessive use of marketing or promotional language”; and
- “selective presentation of industry data aimed to overstate the applicant's market position”.

The SFC also expressed concern about:

- the “unreasonably lengthy listing documents” due to extensive repetition;
- the “copy-and-paste” of information into the “summary” section; and
- the inclusion of boilerplate disclosures.

In this regard, the SFC highlighted the SEHK's discretion to suspend the vetting of listing applications that do not comply with SEHK's Guide for New Listing Applicants, including the recommended page limits for specific sections of a listing document. The SFC also made clear its general expectation is that the main body of a listing document should not exceed 300 pages.

Failure to address regulatory comments despite clear guidance

The SFC expressed dissatisfaction with sponsors' failure to provide complete and satisfactory responses to regulatory comments, despite clear regulatory guidance and explicit undertakings by the sponsors.

Again, the SFC highlighted the possibility of suspending the vetting process, where sponsors provide materially incomplete and/or unsatisfactory responses to regulators' comments.

Failure to attend to processes and procedures at the offer stage

The SFC noted sponsors' failure to allocate sufficiently experienced senior staff to attend to key regulatory processes during the offer stage, such as the review and clearance of placees and announcements of allotment results, which resulted in the failure to adhere to deadlines under the shortened T+2 settlement period and the FINI system.

The SFC emphasized that sponsors are expected to act as the overall manager of a public offer and to allocate sufficient resources to ensure the proper execution of a public offer.

Over-reliance on experts and third parties without adequate assessments

The SFC expressed concern with sponsors' reliance on experts and third parties, including legal advisers, accountants, valuers and others, to perform specific tasks, such as the drafting of the listing document, without adequate assessment of those third parties' competency and resources to perform those tasks.

While the SFC has scrutinized sponsors' reliance on third party experts' work in prior thematic inspections and the March 2018 circular on the expected standard for sponsor work, the SFC's current concern appears to be focused on specific tasks delegated to third parties without proper assessment of whether those third parties and experts are appropriately qualified and resourced for those tasks. The SFC emphasized that sponsors remain responsible for any tasks delegated to third party experts.

Insufficient capacity of sponsor principals

The SFC noted that a concerning number of sponsor principals were simultaneously undertaking six or more active listing engagements, including in most serious cases, up to 19 engagements.

SFC made clear that unless under "very exceptional circumstances with valid justifications to the satisfaction of the SFC", it generally regards any sponsor with principals simultaneously supervising or participating in six or more active listing engagements as lacking adequate or appropriate resources to carry out sponsor duties, indicating for the first time a clear expectation that a sponsor principal should take on no more than five active engagements. This reflects intensifying regulatory concern over sponsor principal capacity, after the SFC first raised concerns over the ability of a sponsor principal to adequately supervise six active listing engagements in its 2018 thematic review.

As noted above, all sponsors are required to report to the SFC whether it has sponsor principals with six or more active listing engagements, and if so, undertake a comprehensive internal review and submit a rectification and resource plan. This may result in a need to adjust the timetable of the active listing engagements, i.e. listing applications to be filed/ re-filed within the next two months.

In addition, all Type 6 licensing applications for individuals intending to engage in IPO sponsor work must now be accompanied by a document, signed off by Managers-In-Charge of the Overall Management Oversight (OMOs) of the sponsor, demonstrating that no principal is involved in six or more active listing and that appropriate resource arrangements are put in place.

Attempts to appoint sponsor principals that are not suitably qualified

The SFC expressed dissatisfaction with:

- attempts to appoint principals whose experience was limited to "client relationship or high-level management roles"; and
- sponsors' inability to provide written records evidencing the individual's actual involvement in past listing engagements.

The SFC emphasized that it is the responsibility of management to ensure that appointed principals meet the eligibility criteria, and that records of the assessments made by management and the decision-making process of such appointment are properly kept.

The SFC noted that going forward, the fitness and properness of sponsors and principals will be assessed with regard to their listing application record, including whether their listing applications have been subject to adverse comments. Listing applications with cited concerns cannot be used as supporting cases for principal submissions.

The SFC further noted that principal submissions that are incomplete or lack proper support will be returned, and that repeated substandard principal submissions by a sponsor will negatively impact any further submissions.

Insufficient staff with appropriate levels of knowledge, skills and experience

The SFC expressed concerns with the considerable reliance on junior and temporary staff, in particular itinerant professionals (ITPs), to conduct sponsor work. The examples provided by the SFC suggest that the following are considered problematic: (a) transaction teams comprised of 40%-50% or more of either ITPs or individuals with less than one year of Hong Kong IPO experience, and (b) senior ITPs at the rank of vice president or above with less than one year of Hong Kong IPO experience.

Going forward, in addition to requiring all Type 6 licensing applications be accompanied by a document detailing appropriate resource arrangements, SFC will require all Type 6 applicants to have passed the relevant licensing

examinations no more than three years prior to their first IPO work engagement, removing the six-month period within which licensed Type 6 individuals could still complete the requisite examination after beginning to engage in sponsor work. For individuals currently engaging in sponsor work but have not passed the requisite examination even after the six-month window, they should be removed from transaction teams with immediate effect.

The SFC also reiterated (i) sponsors' obligation to maintain adequate records to substantiate the basis for appointing transaction teams and demonstrate the allocation of sufficient resources to each listing engagement, and (ii) management's ultimate responsibility for supervising sponsor work, which cannot be abrogated by delegation to operational staff. The SFC emphasized its expectations that the Board of Directors and key group personnel of a sponsor, including the Managing Director, Chief Executive Officer, Responsible Officers, Executive Officers and other senior management personnel, "play a critical role" in overseeing compliance with all relevant obligations.

Key takeaways

- Sponsors, in particular the Concerned Sponsors and Sponsors with Strained Principals, should ensure all relevant issues are properly identified and remediated to address the SFC's concerns. Sponsors should be alert to the risk of potential enforcement action as thematic inspections have frequently triggered formal investigations and/or disciplinary actions in the past.
- Sponsors should proactively review past and active listing engagements in anticipation of heightened scrutiny. Special attention should be given to (i) the capacity of sponsor principals and their actual involvement in sponsor work, (ii) the resources allocated to each listing engagement and the composition, experience and qualification of transaction teams, and (iii) management oversight and governance of sponsor work and the efficacy of related reporting lines.
- Going forward, sponsors should assess their resources and capacity in planning IPO sponsor work and consider the potential implication on the timelines of upcoming listing applications. This is to ensure adherence to SFC's expectation that no principal is involved in six or more active listing engagements, unless there are exceptional circumstances.
- Sponsors should also be mindful of their "gatekeeping role" in the listing process and their fundamental obligation under the Listing Rules to critically assess the listing applicant's (and its directors') eligibility and suitability for listing and follow up on all "red flag" issues in that regard before submitting a listing application.
- Sponsors must maintain overall responsibility for ensuring the quality of listing documents and exercise caution in delegating the drafting of listing documents to third parties. The circular confirms it is the sponsor's duty to achieve a thorough understanding of the listing applicant and its industry, and to critically assess the readiness of companies for listing rather than adopt a process-driven approach to the preparation of listing applications.
- Sponsors should pay attention to and ensure compliance with the SFC's recommended overall and section-specific page limits of the listing document – including the "Summary", "Industry Overview", "Regulations, and History and Development" – as set out in the SEHK's Guide for New Listing Applicants. This is to avoid unnecessary delays in the vetting process, and to maintain the quality and clarity of disclosure in the listing documents.
- All principal submissions submitted to the SFC should be supported by written records evidencing the eligibility of the appointed principal, taking into account the principal's listing application record. Artificial arrangements should not be made for different individuals to claim experience from the same IPO transaction(s). Sponsors should be alert to the risk of antagonizing SFC if repeated substandard submission are made.

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- ¹ For the purpose of this circular, "active listing engagement" is defined to cover a listing application that is (1) is expected to be filed within two months, (2) has lapsed, but with re-submission or re-filing expected within two months, or (3) has been filed, and with regulatory comments being actively addressed.
- ² The circular does not specify the degree of "participation" by a principal that brings a listing engagement within scope, but its meaning should be construed in light of SFC's regulatory purpose of preventing the overstretching of principals.