

Guidelines on revised procedures for applications
for Exempt Principal Trader (EPT) status
under the Code on Takeovers and Mergers (Code) by principal traders
that form part of complex international financial groups

1. The Executive has revised and simplified the procedures (**Revised Procedures**) in respect of applications for EPT status by principal traders that form part of complex international financial groups. Recognising the complexity for these institutions of the Guidelines on Exempt Principal Traders (**Guidelines**) issued in April 2001, changes have been made in order to simplify and accelerate the application process without compromising its underlying purpose.
2. The concept of EPT status recognises that principal trading activities within certain multiservice organisations may be conducted on a day-to-day basis quite separately from the other activities of that organisation including in particular its corporate finance activities. Essentially this separation is achieved by efficient Chinese Walls and compliance procedures. In recognition of such separation the Code provides the Executive with the power to grant one-off exemptions (i.e. EPT status) in respect of certain dealing and disclosure requirements in the Code. Once granted, EPT status normally means that a principal trader will no longer be regarded as acting in concert with the corporate finance operations of its organisation or with the corporate finance operation's clients. However, for the avoidance of doubt, notwithstanding the grant of the EPT status, EPTs are still bound by Rules 21, 22 and 35 of the Code.
3. The purpose of EPT status is to allow suitable entities to be exempted from certain requirements under the Codes in respect of dealings relating to derivative arbitrage or hedging activities. Typical examples of an EPT's exempt dealing activities would normally include closing out existing derivatives, delta hedging in respect of existing derivatives and index product or tracker fund arbitrage. For further information regarding EPT status please refer to [Practice Note 9](#) which is available on "Prospectus, Takeovers & Mergers" – "Takeovers & Mergers" – "Exempt Status (EFM/EPT)" section of the SFC website.
4. If you are a principal trader which forms part of a complex international group and you wish to apply for EPT status, please contact the Executive to ascertain whether the Revised Procedures apply. Other applicants should refer to the [Guidelines](#) posted on "Prospectus, Takeovers & Mergers" – "Takeovers & Mergers" – "Exempt Status (EFM/EPT)" section of the SFC's website.

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