

## SFC's Six Deal Rule: A Sponsor's Compliance Playbook

### Executive Summary

The Securities and Futures Commission (SFC) circular SFO/IS/004/2026, issued on 30 January 2026 by the Singapore SFC, fundamentally shifts IPO sponsorship from a principles-based regime to one defined by hard operational constraints. The circular imposes a strict workload benchmark: any Sponsor Principal supervising or participating in **six or more active listing engagements** is generally regarded as having "strained" resources.<sup>1</sup> This threshold is not merely a guideline; breaching it triggers a "Sponsor with Strained Principals" categorization, mandatory internal reviews, and potential license restrictions.<sup>1</sup>

Beyond capacity, the circular enforces rigorous documentation standards, setting a general 300-page limit for the main body of prospectuses to combat "overly voluminous" submissions.<sup>1</sup> It also introduces personal accountability for senior management, requiring Managers-In-Charge (MICs) of Overall Management Oversight (OMOs) to personally certify resource adequacy for new Type 6 license applications.<sup>2</sup>

### 1.1 Top 5 Compliance Priorities

Priority	Deadline	Action Required	Owner
1. <b>Immediate Staff Reporting</b>	6 Feb 2026	Submit list of all individuals engaged in IPO sponsor work who have not passed HKSI LE Paper 16. <sup>2</sup>	Head of Compliance
2. <b>Principal Workload Audit</b>	13 Feb 2026	Report names of all Principals and the number of active listing engagements each supervises. <sup>1</sup>	Head of Compliance / COO
3. <b>Capacity Freeze &amp; Audit</b>	Immediate	Audit all Principals against the "six-deal" benchmark. Freeze new allocations to any Principal currently at 4 or 5 engagements pending review. <sup>1</sup>	MIC (OMO)
4. <b>Document Quality Review</b>	Immediate	Review all live drafts against the 300-page limit. Identify "boilerplate" disclosures for removal to avoid vetting suspension. <sup>1</sup>	Transaction Team Leaders
5. <b>Internal Review Initiation</b>	30 Apr 2026	If categorized as a "Concerned Sponsor" or "Sponsor with Strained Principals," complete the mandatory comprehensive internal review. <sup>1</sup>	Internal Audit / External Counsel

## 2. Legal Obligations

The circular SFO/IS/004/2026 codifies sponsor duties into enforceable standards. Non-compliance exposes the firm to business restrictions, including caps on the number of active engagements.<sup>1</sup>

### 2.1 Ultimate Responsibility and Non-Delegation

Sponsors bear ultimate responsibility for the due diligence process. This duty cannot be abrogated through reliance on third-party experts (lawyers, accountants, valuers) or technological tools like AI.<sup>1</sup>

- **Standard:** Sponsors must perform substantive assessments of the competency, qualifications, and resources of any experts engaged.
- **Prohibition:** The circular explicitly criticizes "process-driven" or "blind reliance" approaches. Sponsors must corroborate expert opinions rather than accepting them at face value.<sup>1</sup>

## 2.2 Principal Workload Limits

The circular establishes a quantitative definition for resource adequacy regarding Sponsor Principals.

- **The "Six-Deal" Rule:** A Principal supervising or participating in **six or more** active listing engagements is regarded as lacking adequate resources.<sup>1</sup>
- **"Active Engagement" Definition:** This includes:
  1. Applications expected to be filed within two months.
  2. Filed applications that remain valid (addressing comments).
  3. Lapsed applications expected to be re-filed within two months.
  4. Paused or suspended applications.<sup>1</sup>
- **Supervision Standard:** Principals must demonstrate "demonstrable, documented involvement" in key decisions. Roles limited to "client relationship" or "sector coverage" are insufficient to meet supervisory standards.<sup>1</sup>

## 2.3 Document Quality and Disclosure Standards

To combat information overload, the SFC and HKEX have imposed strict quality controls.

- **Page Limit:** The main body of a listing document should generally not exceed **300 pages** (excluding appendices like expert reports).<sup>1</sup>
- **Vetting Suspension:** Regulators may suspend the vetting process for documents deemed "unreasonably lengthy" or "severely deficient" without sufficient justification.<sup>3</sup>
- **Content Quality:** "Boilerplate," "copy-and-paste" summaries, and marketing language are flagged as red flags indicating substandard due diligence.<sup>1</sup>

## 3. Practical Compliance Rules

These rules translate the circular's obligations into enforceable internal controls.

### 3.1 Five Core Rules for Sponsors

1. **The Hard Cap:** No Sponsor Principal may supervise or participate in six or more active listing engagements simultaneously.<sup>1</sup>
- **Legal Rationale:** Exceeding this threshold automatically categorizes the firm as a "Sponsor with Strained Principals," triggering mandatory reporting and potential license restrictions.<sup>1</sup>
2. **The Pre-Clearance Gate:** Any allocation of a 5th engagement to a Principal requires formal written approval from the MIC of Overall Management Oversight.

3. **The 300-Page Budget:** Draft listing documents must undergo a "page count check" prior to submission. Any draft exceeding 300 pages requires a written justification memo detailing investor benefit.
4. **Expert Verification:** No expert report may be included without a documented assessment of the expert's competence and resources, signed off by the Principal.<sup>1</sup>
5. **AI Disclosure:** Any use of AI in drafting must be disclosed internally, and human verification of AI output must be documented. "Blind reliance" on AI is prohibited.<sup>1</sup>

### 3.2 Likely Regulator Interpretation

- **Legal Interpretation:** The SFC is likely to interpret the "six-deal" benchmark as a hard limit rather than a soft guideline.
- **Rationale:** The imposition of immediate reporting deadlines (13 Feb 2026) and the explicit threat to restrict business scope suggest a zero-tolerance approach to resource over-commitment.<sup>1</sup>

## 4. Template Legal Clauses and Sign-Offs

### 4.1 Principal Banker Declaration (Workload)

I, [Principal Name], hereby declare that as of [Date]:

1. I am currently supervising or participating in [Number] Active Listing Engagements.
2. I have reviewed the definition of "Active Listing Engagement" under Circular SFO/IS/004/2026 and confirm this count includes all filed, to-be-filed (within 2 months), and suspended applications under my purview.
3. I confirm that I have sufficient capacity to discharge my supervisory duties for the [Issuer Name] transaction.

### 4.2 Sponsor Sign-Off (MIC OMO Certification for Type 6 Applications)

**Note:** Required for new license applications.

**To be signed by ALL MICs of Overall Management Oversight.**

In connection with the application for a Type 6 license for [Sponsor Firm Name], we, the undersigned Managers-In-Charge of Overall Management Oversight, hereby certify that:

1. No Sponsor Principal employed by the firm is supervising or participating in six or more active listing engagements as of [Date].
2. The firm's resource arrangements, including its systems and controls for monitoring workloads and ensuring adequate Principal supervision, are appropriate and align with the requirements of Appendix Paragraph 47 of the circular dated 30 January 2026.

<sup>1</sup> <sup>2</sup>

### 4.3 AI Usage Disclosure Clause (Internal)

The Transaction Team confirms that Artificial Intelligence tools were used in the drafting of [Section Name]. We certify that:

- a) The output was not accepted blindly;
- b) A human member of the Transaction Team has verified the accuracy and completeness of the AI-generated content; and
- c) The final disclosure remains the ultimate responsibility of the Sponsor.

## 5. Evidence and Audit Trail Checklist

Sponsors must maintain records sufficient to demonstrate compliance for at least **7 years**.<sup>4</sup>

Document / Record	Required Metadata	Retention	Owner
Principle Workload Report	Principal Name, Date, List of Active Engagements, Engagement Status (Active/Paused/Lapsed) <a href="#">2</a>	7 Years	Compliance
MIC OMO Certification	Date, Signatories, Confirmation of <6 Deal Limit, Resource Adequacy Statement <a href="#">1</a>	7 Years	Legal / Board Secretary
Expert Assessment File	Expert Name, Competency Review, Resource Check, Independence Confirmation	7 Years	Transaction Team
Staff Qualification List	Staff Name, HKSI Paper 16 Pass Date, First Engagement Date <a href="#">2</a>	7 Years	HR / Compliance

## 6. Regulatory Mapping

Compliance Rule	Regulatory Citation	Evidentiary Standard
Principle workload limit	"Six active listings" benchmark (SFO/IS/004/2026) <a href="#">1</a>	Bi-weekly report to SFC (initially); ongoing internal tracking records; MIC OMO certification for new licenses <a href="#">1</a> .
Staff Qualifications	HKSI LE Paper 16 Requirement (Circular Para 17)	List of individuals submitted by 6 Feb 2026; exam certificates.
Resource Adequacy	Code of Conduct Para 17.11; Circular Appendix Para 47	Rectification and resource plan (if "Strained"); Board minutes approving resource allocation.
Internal Review	Circular "Concerned Sponsors" Requirement	Review report signed off by OMOs; proof of submission by 30 Apr 2026 <a href="#">1</a> .

## 6. Risk Matrix

Risk	Likelihood	Impact	Mitigation Steps
Principle Over-commitment	<b>High</b> <a href="#">2</a>	<b>Severe:</b> "Strained" designation; license restrictions; mandatory rectification plan <a href="#">2</a> .	Implement centralized, real-time tracking of engagements. Require OMO pre-approval for any 5th engagement. Conduct regular audits of workload reports <a href="#">5</a> .
Vetting Suspension	<b>Medium</b>	<b>High:</b> Deal delay; reputational damage; loss of mandate.	Enforce 300-page limit. Red-team drafts for "boilerplate" content.
Unqualified Staff	<b>High</b>	<b>Medium:</b> Regulatory breach; removal of staff from teams.	Immediate audit of HKSI Paper 16 status (Deadline: 6 Feb 2026).

## 8. One-Page Quick Guide for Board and Senior Partners

**Objective:** Immediate strategic alignment with SFC Circular SFO/IS/004/2026.

### Key Obligation: Personal Liability

A critical new obligation for Managers-In-Charge of Overall Management Oversight (MICs) is the requirement to **personally sign a declaration** for every new Type 6 license application. This declaration certifies that no Sponsor Principal is supervising six or more active IPOs and that resources are adequate [3](#).

## Strategic Implication

This circular shifts the regime from "guidance" to "hard rules." It directly constrains firm capacity (the "Six-Deal Rule") and increases compliance costs. Non-compliance will result in business restrictions, such as caps on the number of deals the firm can undertake <sup>3</sup>.

## Immediate Actions Required (Next 30 Days)

1. **Acknowledge the Cap:** Formally adopt the "Six-Deal Rule" as firm policy.
2. **Brief MICs:** Ensure all OMOs understand the personal liability attached to the new certification requirements.
3. **Meet Deadlines:** Ensure the 6 Feb (Staff Quals) and 13 Feb (Principal Workload) reports are accurate and submitted on time.
4. **Assess Status:** Determine if the firm is a "Concerned Sponsor" or has "Strained Principals." If so, initiate the mandatory internal review due 30 April 2026.
5. **Enforce Quality:** Mandate a "quality over quantity" approach to drafting to avoid the 300-page vetting suspension trap <sup>3</sup>.

## 9. Implementation Checklist (First 30 Days)

1. **Staff Qualification Audit (Due Feb 6):** Identify and submit list of all individuals engaged in sponsor work who have not passed HKSI LE Paper 16 <sup>2</sup>. **Owner:** Head of Compliance
2. **Principal Workload Report (Due Feb 13):** Submit names of Principals and count of active engagements to SFC Case Officers <sup>1</sup>. **Owner:** Head of Compliance
3. **Dashboard Implementation (Day 1-10):** Establish a real-time tracker for "Active Engagements" (including paused/pre-filing deals) accessible by OMOs. **Owner:** COO
4. **MIC Briefing Session (Day 1-15):** Conduct a formal briefing for OMOs on the new certification requirements and "Strained Principal" risks. **Owner:** General Counsel
5. **Resource Plan Review (Day 15-30):** If any Principal is at 5 or 6 deals, draft the "Rectification and Resource Plan" in anticipation of SFC inquiry. **Owner:** Head of Sponsor Business

## References

- [1] [Hong Kong SFC Sponsor Circular to Licensed ...](#)
- [2] [Circular to licensed corporations carrying out sponsor work](#)
- [3] [Circular to licensed corporations carrying out sponsor work](#)
- [4] [Code of Conduct for Persons Licensed by or Registered ...](#)
- [5] [Fetched web page](#)

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