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# In Hong Kong's IPO boom, Chinese banks face talent crunch test

By Selena Li

February 12, 2026 11:02 AM GMT+8 · Updated 39 mins ago

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Bull statues stand in front of screens showing the Hang Seng stock index and stock prices outside Exchange Square in Hong Kong, China, August 18, 2023. REUTERS/Tyrone Siu/File Photo/File Photo [Purchase Licensing Rights](#)

## Summary Companies

- SFC warns banks over IPO application deficiencies
- Chinese banks dominate Hong Kong IPO market share
- Top 5 Chinese banks hold 70% of listing fee pool

HONG KONG, Feb 12 (Reuters) - A shortage of talent risks undercutting Chinese investment banks' booming listing business in Hong Kong and tests their ability to meet new regulatory rules on the number of mandates they can accept, said industry sources and analysts.

Hong Kong Securities and Futures Commission (SFC) last month warned 13 banks over "serious deficiencies" in IPO applications, asking them to conduct a comprehensive review and cap the number of deals a signing principal can work on simultaneously at six.

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The regulator didn't name the banks, but it said the listing applications filed by the 13 investment banks accounted for around 70% of the market share in the Asian financial hub.

The development puts a spotlight on cutthroat competition in the lucrative IPO business in Hong Kong, where Chinese banks, leveraging local market credentials, have expanded market share in competition with Goldman Sachs, Morgan Stanley, and UBS.

A persistent margin squeeze in equity capital markets has intensified the pressure on banks to compete for listing mandates, said Sid Sibal, managing director of Aster Recruiting.

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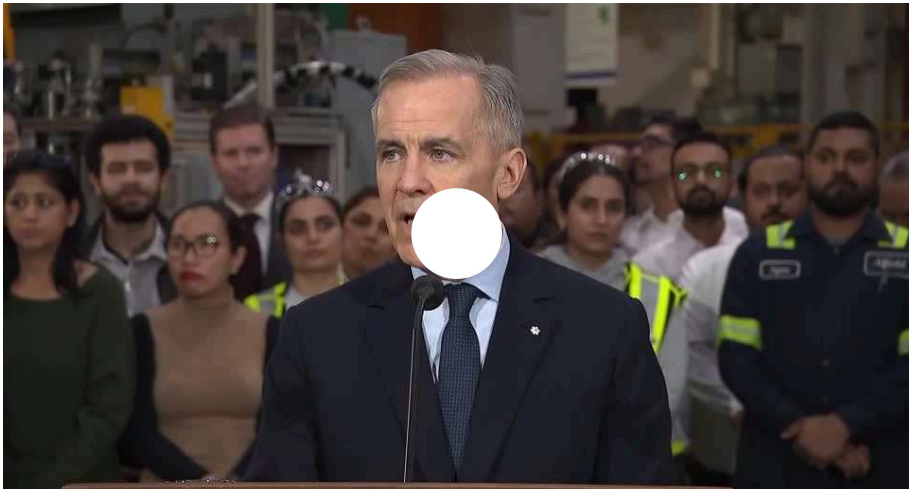
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"Firms must execute more deals to justify their cost bases and generate sufficient revenue. As a result, we're seeing several bulge-bracket and Asian banks actively hiring sponsor principals, sparking a short-term talent war in this niche," he added.

The latest regulatory move came after the SFC and the local bourse issued a letter in December to listing sponsors - banks that play leading roles in an IPO - in what was viewed by the sector as a rare warning over applications not being up to standard.

The SFC issued warnings last month to those investment banks that took the sponsor role in most listing applications, said a person with knowledge of the matter, but declined to be named as the deliberations were private.

The rush to raise capital in Hong Kong intensified in recent months - the number of IPO applications more than doubled from 160 in June last year to 414 as of Monday, including 96 new applications lodged in January alone, exchange data shows.



Chinese investment banks, with a strong presence in their home market, are dealing with a swelling number of clients, according to Kenny How, councillor of industry guild Hong Kong Securities & Futures Professional Association (HKSFPA).

The banks, including CICC , CITIC Securities and Huatai International, have increased their market share and dominated the listing business in Hong Kong over the last few years. They are followed by China Securities International and Guotai Junan International (1788.HK) , according to data compiled by Reuters based on filings.

Chinese banks accounted for nearly 70% of Hong Kong's listing fee pool of \$579 million last year, LSEG data showed, up from 48% in 2019. CICC, CITIC Securities, Huatai, China Securities International and Guotai Junan International did not respond to Reuters request for comment.

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A SFC spokesperson declined to comment further, referring to the regulator's latest circular issued on January 30.

BANKS STRUGGLE WITH ADEQUATE IPO SUPERVISION

A strong rebound in IPOs in Hong Kong is not only a test to the capacity of their most senior bankers, but also to overall staffing as sizable deals require more input from bankers and lawyers, HKSFPA's How said. CITIC, CICC and many foreign investment banks have cut their investment banking headcount in Asia, including those working on China-related deals, since 2023, as the industry reeled from a slowdown in deals.

Some recent hiring in the industry has not kept pace with a sharp rebound in deals since late 2024, said bankers and headhunters.

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Investment banks are scrambling to win IPO mandates, but are struggling to come up with resources, including adequate supervision, to ensure the quality of application documents, according to industry sources.

The main five Chinese banks have 19, 21, 15, 5 and 7 signing principals, respectively, registered with the SFC to perform the duties of listing sponsors, public data showed.

Faced with surging deals and fewer resources, some Chinese investment banks are tapping their mainland investment banking staff or relocating some of them to Hong Kong, two industry sources told Reuters.

That practice has resulted in the SFC tightening scrutiny - it said in its warning last month all individuals engaging in IPO sponsor work would be subject to stricter examinations, as some banks were found to have allowed ineligible staff to do so.

Reporting by Selena Li in Hong Kong and Yantoultra Ngui in Singapore; Editing by Sumeet Chatterjee and Shri Navaratnam

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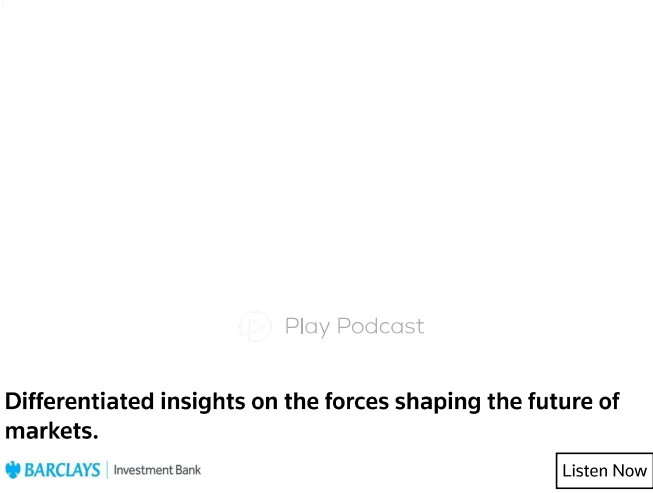
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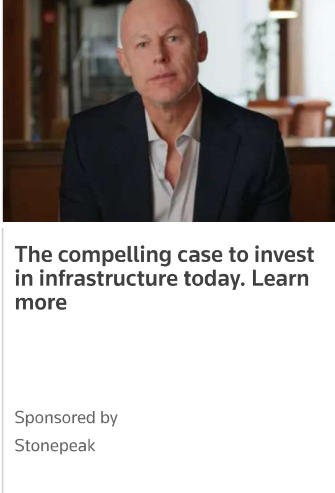


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