

Lectures, seminars, workshops conducted

Topics	Total training hours 2011/12	Total training hours 2010/11	Change vs previous year
Technical skills and market updates	17,103	9,364	83%
Management skills	5,091	5,321	-4%
Language, technology and other skills	3,196	6,120	-48%

Acknowledging good performance

Our remuneration strategy is reviewed each year to ensure that we can attract and retain the right talent to meet our organisational goals. We also recognise individuals and teams for their outstanding contribution to the organisation through the annual SFC Employee Awards. During the year, seven employees received individual awards and eight teams were awarded for completing projects successfully through cross-divisional collaboration.

Enhancing process efficiency

Initiatives made

In addition to helping industry participants raise process efficiency through the SFC Online Portal (see also page 32), we took initiatives to streamline both regulatory and supportive workflow as follows:

- Case review efficiency improved – The Case Management System was launched to process more efficiently the reporting, review and status updating of enforcement cases. Also, the system supports portable devices to review case documents in digital format, thus reducing the use of paper.
- Cross-divisional systems integrated – Using Document Management System, a centralised document management platform, we improved workflow and encouraged information sharing regarding two major lines of our work, ie, investigations and investment products.
- Intranet upgraded – The revamped Intranet uses the latest technology to integrate various business systems and document repositories, once again, to promote sharing of information. Staff also can manage their work more productively using a personalised work page and an upgraded search capability in the new portal.

Other enhancements

- Information security enhanced – Our information security policy was revised to offer additional coverage on personal data privacy, information sharing principles and information security classification, helping staff integrate essential information security practices into daily operations. This was followed by a campaign to raise information security awareness among staff.
- Corporate site being revamped – To meet the changing demand on the use and search of online information, we are revamping the corporate Web site with focuses on improving its functionality, user-friendliness and search capability. The revamp is scheduled for completion in 2012.

Office accommodation

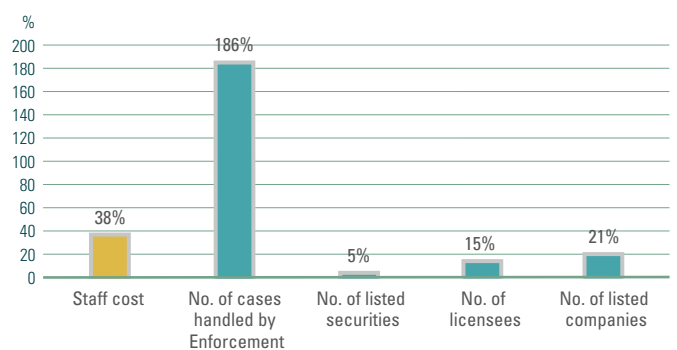
To ensure that we have adequate office space to cope with our operational expansion, we reviewed our office accommodation strategy with a view towards consolidating all operations into a single location. The first phase of office relocation was completed in December 2011; the second phase is scheduled for early 2013.

Financial performance explained

Expenditure

	2011/12	2010/11	2009/10
Staff costs	72.1%	72.4%	72.5%
Premises and related expenses	11.4%	11.4%	11.3%
Other expenses	12.0%	10.9%	11.6%
Depreciation	4.5%	5.3%	4.6%
	100%	100%	100%

Changes in staff costs vs level of market activities (2007/08-2011/12)



We managed to keep the costs of our ongoing regulatory activity at \$901.6 million, \$153.6 million below our original budget of \$1,055.2 million. Staff is our most valuable asset and accounted for over 70% of our total expenditures. Over the past five years, our staff costs increased just 38% although the number of cases handled by enforcement, listed securities, licensees and listed companies rose 186%, 5%, 15% and 21% respectively.

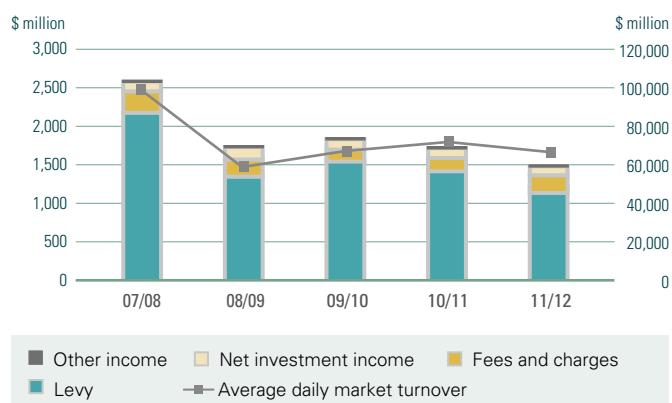
Funding

We are funded mainly by transaction levies and fees from market participants. The reduction of the levy on 1 October 2010 brought the levy down to the current rate of 0.003% of securities transactions, significantly lower than the rate of 0.0125% when the mechanism was first set up. Our fees are charged on the principle that users pay. Although our fee income is below the attributable costs of the fees, we have not raised our fees and charges since 1994/95.

Total revenue for the year was \$1.45 billion, down 13.7% from \$1.68 billion a year ago. Owing to the decline in the securities market turnover and reduction of the levy rate, our levy income dropped by 20.4% to \$1.09 billion from \$1.37 billion a year ago.

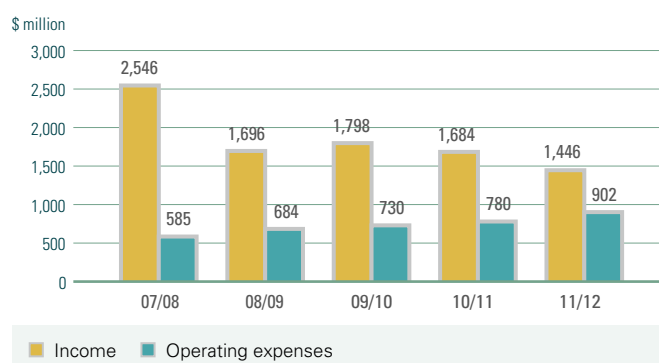
	2011/12	2010/11	2009/10
Levies	75.6%	81.6%	83.3%
Fees and charges	15.9%	10.2%	8.6%
Net Investment Income	8.0%	7.6%	7.6%
Others	0.5%	0.6%	0.5%
	100%	100%	100%

Income vs market turnover



The ratio of average expenses to income for the past five years was 40.1% and the average increase on expenses was 10.8%, and on income was 9.4%.

Income vs operating expenses



	11/12	10/11	09/10	08/09	07/08	5 year average
Expenses to income ratio	62.4%	46.3%	40.6%	40.3%	23.0%	40.1%

Surplus for the year amounted to \$544 million, down from \$903 million last year. At 31 March 2012, our reserves had accumulated to \$7.5 billion, which we managed in strict accordance with investment guidelines approved by the Financial Secretary.