

# Achievements and Work in Progress

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**The SFC has four operational divisions: Corporate Finance, Intermediaries and Investment Products, Enforcement, and Supervision of Markets. Each division is headed by an Executive Director and supported by the Legal Services Division and Corporate Affairs Division.**

# Excluding 12 additional posts for dual filing:  
• Corporate Finance: 6 executives and 1 non-executive  
• Enforcement: 3 executives and 1 non-executive  
• Legal Services: 1 executive

\* The Corporate Affairs Division includes the Chairman's Office, Commission Secretariat, Finance and Administration, Human Resources, Training and Development, Information Technology, Investor Education and Communications, and Corporate Communications.

## Corporate Finance

26 executives and 10 non-executives#

- Administer Takeovers and Mergers Code, and Share Repurchases Code
- Oversee the Stock Exchange's listing-related functions and responsibilities
- Administer securities and company legislation relating to listed and unlisted companies

## Intermediaries and Investment Products

77 executives and 49 non-executives

- Devise and administer licensing requirements for securities, futures, and leveraged foreign exchange trading intermediaries
- Monitor and supervise the financial viability and business conduct of intermediaries
- Regulate the public marketing of investment products

## Enforcement

64 executives and 19 non-executives#

- Conduct market surveillance work
- Enforce securities laws and conduct inquiry into alleged breaches
- Inspect books and records of listed companies if impropriety is suspected
- Report suspected insider dealing cases to the Financial Secretary
- Co-operate with domestic and overseas regulatory bodies in investigations

## Supervision of Markets

17 executives and 5 non-executives

- Supervise and monitor activities of the exchanges and clearing houses
- Encourage development of the securities and futures markets
- Promote and develop self-regulation by market bodies
- Oversee and manage the investor compensation funds

## Legal Services and Corporate Affairs\*

53 executives and 41 non-executives#

- Provide legal services to the Commission
- Provide finance, human resources and training, information technology, management and corporate services, strategic planning and co-ordination to the Commission
- Educate investors on their rights and responsibilities
- Promote effective communication with stakeholders including the media

## Achievements in 2002-2003

- Issued guidelines and introduced two class exemptions for prospectuses to facilitate offers of securities
- Issued a joint consultation paper with the Government on proposed amendments to the Companies Ordinance
- Issued the Price Stabilising Rules
- Participated in various initiatives to enhance corporate governance, including promulgation of the Stock Market Listing Rules which introduce the new dual filing regime for listed company disclosure

- Prepared for the implementation of the new licensing regime and facilitated market transition
- Facilitated business with streamlined processes, exemptions in competence, and flexibility and choice in training requirements
- Took proactive regulatory actions on intermediaries to protect investors
- Strengthened the risk management of margin financing intermediaries
- Supervised a record 2,457 investment products
- Issued authorisation guidelines for hedge funds and consulted the public on Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs)

- Concluded 344 investigations of which 276 were completed within 12 months
- Prosecuted three cases of market manipulation and 33 entities for breaches of various ordinances
- Referred four cases of suspected insider dealing to the Financial Secretary; concluded two other cases resulting in penalties etc of \$21.3 million
- Concluded 90 disciplinary inquiries and disciplined 86 registrants or concerned persons
- Referred 15 cases of fraud and corruption to Police and ICAC and an additional 32 boiler room cases to Police

- Streamlined regulatory regime for derivative warrants and other structured products
- Relaxed short selling regulation
- Moved closer to a scripless market
- Oversaw the development of advanced market infrastructure under SCEFI recommendations
- Finalised the new single investor compensation scheme under the SFO
- Developed procedures for authorisation of Automated Trading Services

- Gazettal of 40 pieces of subsidiary legislation within a short timeframe to enable SFO commencement
- Prepared resources and provided training to staff, investors and practitioners to aid SFO compliance
- Reduced operating expenditure and contained deficit at half of the budgeted amount
- Revamped business systems to prepare for SFO commencement
- Reached out to more investors with new education initiatives
- Strengthened communication with investors and other stakeholders

## Work in Progress

- Implement dual filing rules
- Improve corporate governance through Listing Rules changes and involvement in the Standing Committee on Company Law Reform
- Participate in Listing Rules reviews (i) concerning the eligibility and obligations of listing sponsors; and (ii) relating to initial and continuing listing criteria as well as delisting procedures
- Review existing laws and regulations relating to public offerings of securities
- Work with the Government and the Stock Exchange to follow up on the work of the Expert Group review of the operation of the securities and futures market regulatory structure

- Implement the new licensing regime and assist intermediaries' compliance
- Review the issue of conflicts of interests facing investment analysts
- Develop a robust risk-focused financial regulatory framework for intermediaries
- Strengthen communication with market participants
- Issue a code on REITs and guidelines on ETFs

- Target investigations on areas of corporate misgovernance, serious misconduct by intermediaries and market misconduct
- Conduct more effective inspections into listed companies with extension of powers under the SFO
- 73 cases subject to disciplinary proceeding; 10 entities awaiting hearing in Magistrates' Court; and two cases currently before Insider Dealing Tribunal
- Continue five listed company investigations
- Strengthen domestic and international co-operation, especially against cross-border fraudulent activities

- Introduce an appropriate scripless model in Hong Kong and implement other SCEFI recommendations
- Work with HKEx to facilitate the introduction of new products and services, and to improve and enhance existing ones
- Monitor HKEx's comprehensive fees review
- Monitor the launch of an integrated derivatives trading and clearing system, the common collateral management system and common risk management system
- Implement the new investor compensation arrangements and support existing investor compensation cases

- Work on legislative initiatives in relation to market reforms and further refinement of subsidiary legislation under the SFO
- Promote understanding of the SFO within the SFC and among stakeholders including investors
- Explore means to achieve further savings
- Further strengthen communication with investors and other stakeholders including continuous improvements to the SFC website