

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