

Achievements and Work in Progress

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| <p>Corporate Finance</p> | <p>34 executives and 13 non-executives</p> <ul style="list-style-type: none"> ■ Administer the Takeovers and Mergers Code and Share Repurchases Code ■ Oversee the SEHK's listing-related functions and responsibilities ■ Review and recommend changes to the Listing Rules, laws and regulations and facilitate the development of effective, fair and efficient capital markets ■ Administer securities and company legislation relating to listed and unlisted companies ■ Administer the Dual Filing regime to enhance the quality of corporate disclosure |
| <p>Intermediaries and Investment Products</p> | <p>90 executives and 42 non-executives</p> <ul style="list-style-type: none"> ■ Devise and administer licensing requirements for corporations and individuals engaged in regulated activities ■ Monitor and supervise the financial position and business conduct of intermediaries ■ Regulate the public marketing of investment products |
| <p>Enforcement</p> | <p>69 Executives and 20 non-executives</p> <ul style="list-style-type: none"> ■ Conduct market surveillance and enforce laws relating to the securities and futures industry, leveraged foreign exchange trading, and collective investment schemes ■ Inspect books and records of listed companies if impropriety is suspected ■ Report suspected civil market misconduct to the Financial Secretary ■ Discipline dishonest, incompetent and financially unstable regulated intermediaries ■ Co-operate with domestic and overseas regulatory bodies in investigations in Hong Kong and overseas |
| <p>Supervision of Markets</p> | <p>18 executives and 5 non-executives</p> <ul style="list-style-type: none"> ■ Facilitate the development of and encourage participation in the Hong Kong markets ■ Supervise and monitor activities of the exchange controller, exchanges and clearing houses ■ Regulate approved share registrars ■ Supervise and monitor activities of the independent Investor Compensation Company Ltd (ICC) ■ Manage Hong Kong's investor compensation funds |
| <p>Legal Services and Corporate Affairs *</p> | <p>61 executives and 40 non-executives</p> <ul style="list-style-type: none"> ■ Provide legal, 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 |

Numbers of executives/non-executives refer to permanent established posts.

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

Achievements in 2003-2004

- Implemented Dual Filing
- Participated in the revision of the SEHK's Listing Rules covering corporate governance matters, initial listing criteria and continuing listing obligations
- Issued a joint Consultation Paper with the SEHK on Regulation of Sponsors and Independent Financial Advisers
- Participated in the Code on Corporate Governance Practices for listed companies exposed by the SEHK
- Introduced the Companies (Amendment) Bill 2003 containing proposed amendments to the prospectus regime to the LegCo
- Participated in the Government's Consultation on Proposals to Enhance the Regulation of Listing

- Implemented the single licensing framework
- Agreed with the CSRC to mutually recognise market practitioners' professional qualifications
- Completed the Report of the Working Group on Review of the Financial Regulatory Framework for Licensed Corporations
- Approved 65 subordinated loans and 32 modifications and waivers of statutory requirements
- Stepped up supervision of hedge fund managers
- Supervised 2,414 investment products and facilitated product innovation
- Issued the Code on REITs and Guidelines for Regulating Index-tracking ETFs
- Signed a co-operation agreement with ASIC

- Concluded 990 investigations of which 910 were completed within 12 months
- Prosecuted 60 entities for breaches of various ordinances including seven entities for market manipulation
- Concluded 69 disciplinary inquiries and disciplined 78 licensees or concerned persons
- Referred 32 cases of fraud and corruption to Police and ICAC including six boiler room cases to Police

- Authorised the first group of five ATS providers
- Set up the ICC and monitored its operations
- Monitored the development and launch of advanced market infrastructure under SCEFI recommendations, including the clearing systems CCASS/3 and DCASS
- Relaxed further the short selling regulation
- Streamlined regulations on position limits and reporting requirements of futures and options contracts

- Helped ensure the smooth implementation of the SFO and formulated amendments to subsidiary legislation
- Conducted significantly more successful prosecutions for regulatory offences
- Continued stringent cost control and achieved a surplus
- Moved to new offices
- Strengthened employee relations and communication and provided more customised training
- Formed Security Committee and revised the Information Security Policy
- Strengthened communication with investors and other stakeholders
- Participated actively in community work and voluntary services

Work in Progress

- Participate in finalisation of proposals concerning the eligibility and obligations of listing sponsors and IFAs
- Conduct an overall review of existing laws and regulations relating to public offerings of shares and debentures
- Consider amendments to Takeovers Code to account for development in Hong Kong and overseas
- Work with the Government and HKEx to follow up on the Consultation Conclusions on Proposals to Enhance the Regulation of Listing

- Fine tune the licensing framework and ensure continued smooth migration of licensees
- Work on Code of Conduct amendments to address analyst conflicts of interest
- Consult on regulatory measures proposed by the Working Group on Review of the Financial Regulatory Framework for Licensed Corporations
- Analyse findings from a questionnaire on fund trading practices and develop regulatory approach towards fund manager conduct
- Review authorisation criteria for retail hedge funds
- Monitor the implementation of the new European Directive on investment funds (UCITS III) / liberalisation of the investment markets and evaluate their implications

- Target investigations on areas of corporate misgovernance, market crimes and serious misconduct by intermediaries
- Conduct more effective inspections into listed companies and continue 12 listed companies inspections
- 99 cases subject to disciplinary proceeding; 17 cases awaiting hearing in Courts and three cases currently before Insider Dealing Tribunal
- Strengthen domestic and international co-operation, especially against cross-border fraudulent activities

- Introduce an appropriate scrippless model in Hong Kong and implement other SCEFI recommendations
- Work with HKEx to facilitate the introduction of new products and services and to enhance existing ones
- Monitor HKEx's comprehensive fees review
- Monitor the launch of DCASS and the common collateral management system
- Monitor the implementation of the claims handling procedures of ICC

- Ongoing maintenance of the SFO and subsidiary legislation
- Continue refinement of subsidiary legislation under SFO
- Work on legislative initiatives to fulfil policy aims and to address market needs
- Revamp of the SFC corporate website and the eIRC
- Continue to strengthen employee relations and communication
- Provide remote access IT solution for staff off-site operational needs and contingency purpose