

## Achievements and Work in Progress

We are pleased to present a summary of our achievements during the year and the major initiatives that are in progress. Items in achievements marked # were included as work in progress in our last annual report and have been progressed over the past 12 months.

### Regulation

#### Achievements in 2006-07

- Introduced eligibility criteria and ongoing requirements to raise standards for sponsors and compliance advisers #
- Published consultation conclusions informing the market of the latest approach to giving statutory backing to certain listing rules #
- Implemented measures to strengthen the regulation of derivative warrants #
- Advanced proposals to reform the prospectus regime #
- Revised the rules on securities margin financing to address risks arising from the pooling and re-pledging of clients' collateral #
- Reviewed and reported on Hong Kong Exchanges and Clearing Ltd's (HKEx) performance in its regulation of listing matters
- Uncovered three cases of misappropriation by brokers and took prompt action to protect their clients' interests
- Implemented a three-pronged action plan to minimise broker misappropriation
- Jointly inspected with the US Securities and Exchange Commission (SEC) hedge fund managers in Hong Kong that were also registered with the SEC
- Concluded 664 enforcement cases, 509 of them within one year of the commencement of the cases
- Six cases referred to the Insider Dealing Tribunal (IDT) following SFC investigations were concluded
- Successfully prosecuted 51 entities, including the first case for breaching the SFO's secrecy provisions
- Disciplined 80 licensees or their management, including banning a record 18 licensees, a case on sponsor failure, the first action with Hong Kong Monetary Authority on unlicensed activities, and concluded disciplinary action with an investment adviser which agreed to make record ex-gratia payments, funded by its holding company, to investors
- Obtained for the first time a bankruptcy order against a person who failed to pay costs awarded to the SFC
- Exchanged side-letters with the China Securities Regulatory Commission (CSRC) to strengthen cross-border enforcement
- Introduced a time recording system and other measures to enhance the efficiency of the investigation process

#### Work in Progress

- Work with the Government on proposed legislative amendments to give statutory backing to certain listing rules
- Implement further proposals to strengthen the regulation of derivative warrants
- Work with the Government on legislative amendments to implement the prospectus regime reform
- Monitor compensation payments to clients of brokers who defaulted last year
- Consider regulatory responses to address concerns about product mis-selling
- Continue the investigation of the 181 cases and 115 disciplinary proceedings carried forward as at 31 March 2007

## Achievements and Work in Progress

### Facilitation

#### Achievements in 2006-07

- Implemented initiatives under the Economic Summit Report: adjusted the position limits of H-shares index futures and options, facilitated the launch of Callable Bull/Bear Contracts (CBBs) # and Hang Seng China H-Financials Index futures contract, and facilitated the listing of overseas companies
- Facilitated the first simultaneous offering of A shares and H shares of a company in Shanghai and Hong Kong
- Approved the rules to abolish the listing requirement for companies to publish paid advertisements in newspapers
- Approved rules to enhance the Stock Segregated Account services
- Authorised innovative products including the first open-ended China A-share fund, the first commodities futures index exchange traded fund, the first REIT with exposure to Grade A offices in Central and the first hotel REIT in Hong Kong #
- Streamlined the application process of Undertakings for Collective Investment in Transferable Securities III funds with special features
- Released findings of a survey on the hedge funds industry in Hong Kong which showed that the aggregate assets managed by licensed hedge fund managers and advisers had grown 268% over a two-year period
- Renewed fidelity insurance scheme offering additional investor protection for clients of stock and futures exchanges participants
- Successfully hosted the International Organization of Securities Commissions (IOSCO) Annual Conference 2006
- Received awards for disclosure and governance for the Annual Report 2005-06
- Reduced transaction levies on securities and futures trading by 20%

#### Work in Progress

- Review other initiatives recommended in the Economic Summit Report including position limit adjustments for HSI futures and options contracts, transfer of HKEx trading rights, the possibility of setting up a commodity futures market in Hong Kong and the introduction of more Mainland related products
- Implement proposals to simplify the disclosure requirements of interests in listed securities
- Review the advertising guidelines and authorisation process of marketing materials for retail funds
- Review and streamline the licensing process to discharge our functions more efficiently and effectively

### Education

#### Achievements in 2006-07

- Produced two new TV dramas and one radio series as part of the 2006 investor education (IE) campaign to remind investors to ask the right questions before investing #
- Conducted three investor surveys on stock investing, dealing with investment advisers and investing in structured products #
- Expanded IE to all local universities
- Introduced IE theme 2007: "Know your risk"
- A record 10,130 people attended our seminars throughout the year
- Answered 5,944 investor enquiries and handled 1,056 complaints

#### Work in Progress

- Publish a new series of IE publications
- Enrich the content and improve the navigation of the InvestEd website
- Take forward a proposal to form a new body providing IE across the whole of the financial sector