

# Two Decades of Change

Change has been a constant factor in both the global and Hong Kong securities and futures industry over the past 20 years. As Hong Kong's financial industry evolved, the SFC has been meeting market demands and charting new courses. What was founded in 1989 as a regulator to rectify structural deficiencies in the industry has evolved into a multi-tasked public body that encourages market development, prevents systemic risks, educates the investing public, and above all, helps to preserve Hong Kong's financial stability. Without the dedication of our staff, such a transformation would not have been possible.

Our 20th anniversary is an opportunity to look back and reflect. Who better to do this than those who have served with the SFC over the past two decades? In the following pages, all of our previous chairmen, several alumni and some colleagues who have been with the SFC since its formation, share their recollections and views of life at the SFC.



From our formation in 1989 until 2005, we saw four full-time Chairmen. In 2006 the role was then split, in line with emerging best practice, into a full-time Chief Executive Officer and non-executive Chairman, both of whom remain in office today.

Having served at various stages in the organisation's development, our past Chairmen contributed in different ways to meet the needs of the times. Just as they applied their expertise to the job, they also left their mark on the evolution of the SFC. Here they share some thoughts on their own tenure.

## Founding chairman's reflections

Robert Owen was no stranger to starting an organisation from scratch, having helped set up Lloyds Merchant Bank in the United Kingdom in 1984. However, nothing could have completely prepared him for the challenge of implementing extensive regulatory reforms over the then rather "wild East" securities and futures markets of Hong Kong, when

he took up the task of overseeing the creation of the SFC in 1988.

"When I first arrived, a veteran Hong Kong banker I met told me that trying to regulate the Hong Kong securities market would be like trying to get a band of marauding Visigoths (a barbaric tribe that invaded the Roman Empire) to stop at the traffic lights," recalls Mr Owen, the SFC's first chairman. "And it was a bit like that at the start."

Mr Owen describes establishing the SFC as the start of a long process of changing market behaviour and attitudes. Getting the new regulatory regime accepted by the market was the greatest challenge during his time. Laissez-faire principles were deeply embedded in the city's culture. Many brokers and listed companies saw tighter regulation as a threat. Some launched media campaigns against the SFC, claiming that "over-regulation" was

## Robert Owen Chairman 1989-1992

“ A regulator is a natural lightning rod for criticism and will generally be accused of either over-regulating or under-regulating. That is the fate of regulators. If people say nothing, that should be taken as a compliment. A regulator should not expect praise or thanks. ”

Mr Robert Owen relaxes with his dogs, Samba and Shadow, at home in England.



## Our Previous Chairmen

killing the Hong Kong market. Several times, Mr Owen remembers, people quoted him the Chinese proverb – “Clean water breeds no fish”.

Sometimes pressure on the new SFC came from very influential sources. Mr Owen recalls one listed company’s attempts to get itself exempted from the Takeover Code. “In that case, the media were largely on our side. The SFC was seen to be doing the right thing,” he recalls. “We stood our ground.”

Looking back over the 17 years since leaving the SFC, Mr Owen is pleased to observe that despite the sweeping

changes that have taken place in the marketplace and rapid expansion of the industry, the core principles behind its foundation have remained the same. The SFC has largely fulfilled the vision set some 20 years ago. Its determination to make Hong Kong a much more international and substantial market has been fully justified. “The market has evolved in the direction we tried to make it evolve, but I never dreamed it could acquire the scale it has, in fact, done,” Mr Owen says.

Hong Kong’s efficient and stimulating business culture “also poses challenges for a regulator”. “We had to adapt and

be flexible and strike a balance between the demands of international and local audiences,” he says. As an expatriate, he felt able to be fully objective and to apply the rules without fear or favour. It was partly with that in mind that he deliberately tried to get “a broad spread of international experience” to fill the SFC’s key posts.

Even though the public has learned to welcome the role of a regulator over the years, the first Chairman takes a rather philosophical view. “If a regulator is taken for granted, then it means the system is working,” he says. “A regulator should never expect praise or thanks.”

### Thoughts from other past chairmen



#### **Robert Nottle**

Chairman 1992-1994

“ I think the litmus test for a regulatory authority is whether it is able to read the ‘market tone’ of the time and within this environment achieve the appropriate balance between facilitating market development and protecting investors. I believe the SFC successfully passed this litmus test over the period 1992 to 1994 as a cohesive, tightly knit, harmonious group of professionals with clear and comprehensive plans, which set the framework for pursuing both in Hong Kong and through IOSCO the various activities necessary to strike this balance. ”

#### **Most memorable development**

Tsingtao Brewery became the first China-based enterprise to go public in Hong Kong on 19 July 1993, establishing a “solid foundation stone and growth path” for the “explosive growth” of capital raising by Mainland businesses in Hong Kong.

Mr Robert Nottle, who now spends a fair amount of time tending vines in his own Melbourne vineyard, dresses up for a social function.



## Anthony Neoh

Chairman 1995-1998

“ What helped me and my colleagues weather those difficult times (of the Asian financial crisis) was our strong faith in the resilience and rationality of the Hong Kong people. The bombardment of negative media reporting and the angry demonstrators outside our doors put relentless pressure on everyone at the SFC. But we knew that the only way to bring our financial system back to health was the application of good management and regulation and that Hong Kong people would recognise the SFC’s efforts in better times. We had a motto from Lu Xun’s famous poem Self-mockery: “It will be possible to face calmly a thousand pointing fingers if one lowers one’s head to plough on like a dedicated water buffalo.” ”

### Greatest achievement

By becoming the chair of the Technical Committee of IOSCO, the SFC gained international recognition for the Hong Kong securities market, while also establishing closer ties with the Mainland financial regulators following Hong Kong’s return to Mainland rule, paving the way for Hong Kong’s position as the international capital market of choice for Mainland enterprises.

Mr Anthony Neoh loves the company of his dog Pa Pa (meaning, crawl, crawl).



## Andrew Sheng

Chairman 1998-2005

“ One cannot afford to stand still in this competitive age. Laws are only as effective as their enforcement, so the challenge for the SFC is always to enforce the law effectively, fairly and transparently to maintain investor confidence. ”

### Most memorable developments

At an organisational level: The Securities and Futures Ordinance, which consolidated and enhanced separate ordinances covering regulation of securities and futures activities in Hong Kong, became effective on 1 April 2003, giving the SFC new regulatory powers.

At a personal level: Senior management pulled an all-nighter to decide whether and how to keep the stock exchange open the day after the “9/11” attack.

Mr Andrew Sheng takes a break from travels for his consultancy work.

