

## Summary of Our Operations

	CORPORATE FINANCE	INTERMEDIARIES AND INVESTMENT PRODUCTS
<b>Our People (Actual)</b>	<ul style="list-style-type: none"> <li>❖ 20 Executives</li> <li>❖ 12 support staff</li> </ul>	<ul style="list-style-type: none"> <li>❖ 55 Executives</li> <li>❖ 31 support staff</li> </ul>
<b>Our Function</b>	<ul style="list-style-type: none"> <li>❖ Responsible for regulating takeovers and mergers and share buy-backs of public companies</li> <li>❖ Administer securities legislation relating to listed companies</li> <li>❖ Supervise listing-related activities of the SEHK</li> </ul>	<ul style="list-style-type: none"> <li>❖ Administer licensing requirements</li> <li>❖ Supervise licensed dealers and investment advisers</li> <li>❖ Regulate the marketing to the public of investment products</li> </ul>
<b>Achievements in 1998-99</b>	<ul style="list-style-type: none"> <li>❖ Derivative warrant holders now able to exercise warrants via clearing system with settlement within five days</li> <li>❖ Revised the Takeovers Code</li> <li>❖ Public consultation on review of SDIO</li> <li>❖ Public consultation on treasury shares</li> <li>❖ SEHK public consultation on improving financial disclosure by listed companies</li> <li>❖ Assisted SEHK with development of rules for GEM</li> </ul>	<ul style="list-style-type: none"> <li>❖ Published surveys on the business activities of registrant firms</li> <li>❖ Conducted a review of the licensing regime in Hong Kong</li> <li>❖ Assisted in the drafting of the Securities (Margin Financing) (Amendment) Bill 1999</li> <li>❖ Conducted more than 380 inspections of intermediaries and more than 280 inspections of Year 2000 compliance audits</li> <li>❖ Assisted the fund industry to deal with Malaysian capital controls</li> <li>❖ Worked with MPFA to ensure prompt implementation of the MPF system</li> <li>❖ Authorised 332 unit trusts and mutual funds</li> </ul>
<b>Plans for 1999-2000</b>	<ul style="list-style-type: none"> <li>❖ Assist SEHK with amendment of Listing Rules relating to discloseable transactions, including connected transactions</li> <li>❖ Recommend changes to Listing Rules to introduce block listing regime following public consultation on treasury shares</li> <li>❖ Review of Takeovers Code taking account of market developments and significant changes made to the London Takeovers Code</li> <li>❖ Assist SEHK with development of rules for GEM</li> </ul>	<p>Continue to promote public confidence in the Securities and Futures markets through effective surveillance and high standards of disclosure with special projects including</p> <ul style="list-style-type: none"> <li>❖ Developing Guidelines for review of internal controls and systems of trustees/custodians and implementing Code of MPF products</li> <li>❖ Monitoring new share margin finance regulations and new Financial Resources Rule</li> <li>❖ Introducing new licensing procedures and policies</li> </ul>

ENFORCEMENT	SUPERVISION OF MARKETS	OTHER SERVICES*
<ul style="list-style-type: none"> <li>❖ 50 Executives</li> <li>❖ 22 support staff</li> </ul>	<ul style="list-style-type: none"> <li>❖ 13 Executives</li> <li>❖ 7 support staff</li> </ul>	<ul style="list-style-type: none"> <li>❖ 40 Executives</li> <li>❖ 44 support staff</li> </ul>
<ul style="list-style-type: none"> <li>❖ Undertake inquiries into alleged breaches of relevant Ordinances and Codes, including possible insider dealing and market manipulation offences</li> <li>❖ Institute disciplinary proceedings for misconduct by licensed intermediaries</li> <li>❖ Conduct market surveillance to identify improper or illegal activities for further investigation</li> </ul>	<ul style="list-style-type: none"> <li>❖ Supervise and monitor activities of the exchanges and clearing houses</li> <li>❖ Encourage development of the securities and futures markets</li> <li>❖ Promote and develop self-regulation by market bodies</li> <li>❖ Manage the investor compensation funds</li> </ul>	<ul style="list-style-type: none"> <li>❖ Provide legal services to the Commission</li> <li>❖ Maintain and foster effective communications with the media, stakeholders and investors</li> <li>❖ Provide information technology, management and corporate services to the Commission</li> </ul>
<ul style="list-style-type: none"> <li>❖ Concluded 228 investigations</li> <li>❖ Commenced major investigation into short selling on 27 and 28 August 1998 following Government's intervention in the stock market</li> <li>❖ Prosecuted 52 persons for unregistered activities, breaches of the SDIO, and short selling</li> <li>❖ Referred four cases of suspected insider dealing to FS for the Insider Dealing Tribunal</li> <li>❖ Concluded 39 disciplinary actions</li> <li>❖ Amended the SFC Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>❖ Continued efforts to ensure rectification of the Year 2000 computer problem and related contingency planning</li> <li>❖ Issued guidelines on internet trading</li> <li>❖ Implemented the compensation arrangements for the clients of CA Pacific and other defaulting brokers of SEHK</li> <li>❖ Issued a public consultation paper for the restructuring of the Unified Exchange Compensation Fund and new compensation arrangements</li> <li>❖ Undertook a review of floor trading on the HKFE</li> <li>❖ Advised on revisions to the selection criteria of Designated Securities for short selling</li> </ul>	<ul style="list-style-type: none"> <li>❖ Conducted research for cross-market surveillance and policy purposes</li> <li>❖ Celebrated 10th Anniversary of the Commission through various activities</li> <li>❖ Assisted in drafting new Composite Bill</li> <li>❖ Widely disseminated to the public the message that "it is unwise to follow the crowd" when investing</li> <li>❖ Rebuilt two major operational systems and installed an Investor Hotline</li> <li>❖ Maintained an efficient, productive, stable and motivated workforce</li> </ul>
<p>Continue to convey the regulatory message that misconduct will not be tolerated in the markets by</p> <ul style="list-style-type: none"> <li>❖ Referring suspected cases of insider dealing to the FS for possible referral to the Insider Dealing Tribunal</li> <li>❖ Prosecuting a wide range of offences under the relevant Ordinances</li> <li>❖ Taking disciplinary action against intermediaries who have acted improperly</li> </ul> <p>With the introduction of a new computerised surveillance system the surveillance of trading on the securities market will be significantly enhanced</p>	<ul style="list-style-type: none"> <li>❖ Monitor new system developments and risk management measures at the exchanges and clearing houses, including those related to the merger</li> <li>❖ Facilitate the development of a single clearing arrangement and straight-through processing capability for securities and futures markets</li> <li>❖ Complete the Year 2000 rectification and contingency planning efforts within the regulated markets</li> <li>❖ Complete plans for new compensation arrangements for Hong Kong's retail investors</li> </ul>	<ul style="list-style-type: none"> <li>❖ Implement the Information Technology Modernisation Programme</li> <li>❖ Continue efforts in investor education including the development of a web-based Investment Resources Centre</li> <li>❖ Work with Hong Kong Securities Institute to provide education and training to intermediaries and the industry</li> <li>❖ Training and development for staff to meet new challenges ahead</li> <li>❖ Research on strategic and market development issues to support SFC's work and policies</li> </ul>

\* Chairman's Office, Corporate Resources, Legal Services