

## Preface

When I took the job as the Chairman of the Securities and Futures Commission in October 1998, I was struck by the fact that there was no single source of reference on the regulation and supervision of the securities industry in Hong Kong. In producing this book, we seek to fill this gap for market participants, investors, professionals, academia, students and media who are interested to know more about the what, why and how of securities regulation in Hong Kong.

The book is largely a collection of selected speeches by members of the Securities and Futures Commission and Chairmen of the Stock Exchange of Hong Kong and Hong Kong Futures Exchange, that mark the history of the securities markets in Hong Kong since 1989. It begins with an excerpt of Chapter 3 of Robert Fell's book *Crisis and Change* that describe first hand the evolution of the stock exchanges in Hong Kong until their unification in 1986. Then, following the stock market crash of October 1987, excerpts of the 1988 "Davison Report" provide the context of its recommendations to reform the securities industry in Hong Kong and the establishment of the Securities and Futures Commission in 1989.

The people of Hong Kong are proud of its tradition of the rule of law. As the custodian and the guardian of the rule of law in the securities and futures area, we are conscious of the importance of institutions, their history and the context in which any institution operates within the framework of markets. Transparency and protecting the property rights of individuals under clear, transparent and fair rules of the game are the primary objectives of any market, most of all in the dynamic and volatile securities and futures markets.

To prepare for the uncertain future, we need to understand the lessons of history, our traditions and our environment.

These speeches contain important perspectives of key leaders of the securities community in Hong Kong. Their views, which do not necessarily represent the views of the Commission, help the reader to understand how policy of securities regulation is formulated and

implemented. The speeches highlight how key persons emerged within their time to create, innovate, regulate and operate the securities markets through fascinating times.

The objective of securities regulation is to foster liquid, efficient, transparent and fair markets, and in so doing protect the investor. Over the years, we have tried to clarify the role and mission of the Commission. There are numerous roles, including regulation, market development and protection of the investor. But in the end, what is the Commission here for? The simple answer is that we are here for the investor.

How we perform our job of securities regulation is a complex but interesting story. This book helps the reader understand our work better.

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*Hong Kong, May 2002*