

Milestones

1989

Founded on 1 May as an independent statutory body to regulate the securities and futures industry following the market crash of 1987, the Securities and Futures Commission (SFC) was tasked to strengthen the regulatory framework, to foster orderliness in the market and to protect investors.



The Report of the Securities Review Committee.

1990

A set of "fit and proper" criteria was formulated as a basis to license intermediaries and supervise their conduct.

1991

The SFC devolved the day-to-day administration of all listing matters to The Stock Exchange of Hong Kong Ltd (SEHK) to remove regulatory duplication, and signed a memorandum of understanding with SEHK to set out the listing-related functions of the two entities. This enabled the SFC to perform its supervisory role over SEHK more effectively.

Regulations governing disclosure of directors' interests and price-sensitive information were introduced to improve market transparency.

New guidelines were developed for authorising unit trusts and mutual funds. The authorisation regime facilitated



MOU signed with SEHK to clarify listing matters.

the healthy development of the fund industry, paving the way for Hong Kong becoming an Asian asset management hub.

1992

This year saw two firsts: the first prosecution for market manipulation in the trading of listed shares, and the first investor education campaign on television, "Know your Broker".

The Codes on Takeovers and Mergers and Share Repurchases were rolled out to afford fair treatment for shareholders affected by takeover and merger transactions and share repurchases.



Collaboration sought from Indonesian regulator.

1993

Amendments to the Listing Rules were approved and a regulatory co-operation agreement was signed with the Mainland regulatory authorities, enabling the launch of H shares and red chips on SEHK.

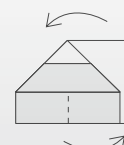
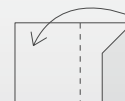
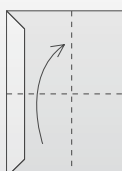
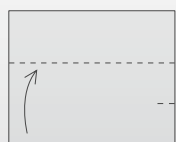


Hong Kong as a platform for Mainland capital activities.

Financial Resources Rules for licensed intermediaries were introduced to improve prudential monitoring of the industry.

1994

A statutory provision was enacted to empower the SFC to inspect books and records of listed companies in circumstances that suggest fraudulent management or failure to disclose information to shareholders.



A regulatory framework was set up to supervise the retail business of the leveraged foreign exchange trading industry.



A visit by the last Governor.

1996

A draft Securities and Futures Bill was published for public consultation.

The SFC's international standing was recognised with the appointment of the then Chairman Anthony Neoh to head the Technical Committee of the International Organization of Securities Commissions. The fourth Chairman Andrew Sheng took on the same role in 2004.

A new investor education unit was set up to explain regulatory protection, product risks and what investors need to do to safeguard their interests. To kick-start a series of education initiatives, free

bilingual publications were produced, followed by the first television programme "All about Investing" and publication of real-life investor stories in newspapers.

1998

A television commercial featuring Mrs Ewe and a herd of sheep was aired to remind investors not to blindly follow the crowd.

1999

In the aftermath of the Asian financial crisis, the SFC worked with the Government on major market reforms, including proposals to demutualise and merge the two exchanges and related clearing houses and to upgrade market infrastructure.



10th anniversary celebrations at Government House.

2000

Supervision of all securities and futures intermediaries was transferred from the exchanges to the SFC upon the founding of Hong Kong Exchanges and Clearing Ltd, the merged entity.



Active participation in global financial forums.

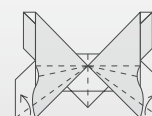
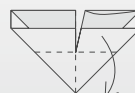
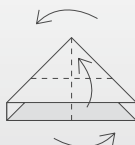
2002

For the first time, the court imposed immediate custodial sentences on persons convicted of stock manipulation following the SFC's prosecution.

Following consultation and issuance of the hedge fund guidelines, Hong Kong became one of the first markets in the world to offer hedge funds to the retail public.

2003

The implementation of the Securities and Futures Ordinance (SFO) marked the end of a decade-long effort to consolidate and modernise 10 ordinances regulating the securities and futures markets in Hong Kong, bringing the city's regulatory framework in line with international standards. The SFO gives the SFC wider regulatory scope, including powers under a dual filing system to review and object to listing applications as appropriate, powers to require more transparent disclosure of interests by substantial shareholders, powers to initiate civil proceedings via a Market Misconduct Tribunal to combat misconduct in addition



to criminal prosecutions, and powers to impose proportionate sanctions to deter malpractices of licensed persons. Educating the investing public was also made a statutory duty.



Securities and Futures Bill and Ordinance.

A new regulatory regime to authorise Automated Trading Services providers was introduced to facilitate the development of electronic trading services. In addition, a new Investor Compensation Fund that offered greater investor protection was introduced, along with a streamlined licensing regime that brought market practitioners cost-effective benefits.

An understanding was reached with the China Securities Regulatory Commission to mutually recognise the qualifications of each other's market practitioners under the Closer Economic Partnership Arrangement.

2005

The first Real Estate Investment Trust in Hong Kong and the first bond index-tracking exchange-traded fund in Asia were authorised for listing.

2007

The sponsor regime with stringent eligibility criteria and ongoing requirements for sponsors and compliance advisers was introduced.

The first disqualification of a director for misconduct under the SFO was obtained.



Investment by Mainland banks facilitated.

Under a memorandum of understanding signed between the SFC and the China Banking Regulatory Commission, Hong Kong became the first market for overseas investment by Mainland commercial banks.

2008

A regulatory co-operation agreement of understanding was signed with the China Insurance Regulatory Commission, which was the first agreement on regulatory co-operation and information exchange on the use of Mainland insurance funds outside of the Mainland.

The first criminal conviction for insider dealing under the SFO was obtained.

Following the collapse of Lehman Brothers (LB), the SFC commenced multiple investigations into the conduct of all distributors of LB Minibonds and made recommendations to the Government on possible reforms to enhance Hong Kong's regulatory system.

2009

The first TV game show, "Outsmart", was launched as a new approach to further investor education.



A star-studded game show, "Outsmart".

For the first time, the SFC exercised its statutory power under the SFO to apply to intervene in the privatisation proposal of a listed company, PCCW Ltd, through court proceedings following complaints of vote-rigging in the court meeting to approve the privatisation proposal.

The District Court passed the first jail sentence for insider dealing following the transfer of the first indictable prosecution for such an offence under the SFO. This marked a major regulatory development in deterring the misconduct.

