

Achievements and Outlook

SFC Divisions and their Roles

The SFC has four operating divisions: Corporate Finance, Intermediaries and Investment Products, Enforcement and Supervision of Markets. Each is headed by an Executive Director and supported by the Chairman's Office, Corporate Resources and Legal Services Division.

Corporate Finance

21 executives and 10 support staff

- ◆ Regulate takeovers and mergers and share buy-backs of public companies
- ◆ Administer securities legislation relating to listed companies
- ◆ Supervise listing-related activities of the SEHK

Intermediaries and Investment Products

62 executives and 39 support staff

- ◆ Administer licensing requirements
- ◆ Supervise licensed dealers and investment advisers
- ◆ Regulate the marketing to the public of investment products
- ◆ Service the Committee on Unit Trusts

Achievements in 1999-2000

- ◆ Merger of the exchanges under HKEx completed on 6 March 2000
- ◆ GEM Listing Rules approved in July 1999
- ◆ Listing Rules increasing financial disclosure by listed companies completed
- ◆ Completed house-keeping review of the Takeovers and Mergers Code
- ◆ An addendum to the Memorandum of Understanding governing listing matters was signed with the SEHK in relation to GEM

- ◆ Reviewed the licensing regime for securities, futures and leveraged foreign exchange trading intermediaries
- ◆ Established a dedicated team to deal with disciplinary action and complaints against registered intermediaries
- ◆ Took over the surveillance of the conduct of intermediaries from HKEx
- ◆ Assisted in laying down the legislative framework for companies providing margin finance
- ◆ Authorized 358 collective investment schemes, including the Tracker Fund of Hong Kong
- ◆ Issued SFC Code on MPF Products
- ◆ Assisted MPFA in licensing of intermediaries and authorization of MPF products

Plans for 2000-2001

- ◆ Review the law and regulations relating to the offering of securities and other investments
- ◆ Review the GEM Listing Rules in the light of experience since the commencement of GEM's operations
- ◆ Ongoing review of the Takeovers and Mergers Code
- ◆ Ongoing review of the Stock Exchange Listing Rules
- ◆ Introduce a system for electronic submissions and applications to Corporate Finance and for return of comments on documents submitted

- ◆ Implement the new licensing arrangements to facilitate business and raise standards
- ◆ Introduce a program of electronic lodgement for applications and returns
- ◆ Successfully assume responsibility for front-line supervision of exchange participants and take over the responsibility for disciplinary matters involving the conduct of exchange participants
- ◆ Update the approach to approval, offering and advertising of collective investments to the public of Hong Kong
- ◆ Strengthen the co-operation with overseas regulators on cross-border supervision of investment management activities
- ◆ Revise the Code on Unit Trusts



| <h3>Enforcement</h3> <p>50 executives and 21 support staff</p> <ul style="list-style-type: none"> Undertake inquiries into alleged breaches of relevant ordinances and codes, including possible insider dealing and market manipulation offences Institute disciplinary proceedings for misconduct by licensed intermediaries Conduct market surveillance to identify improper or illegal activities for further investigation | <h3>Supervision of Markets</h3> <p>12 executives and five support staff</p> <ul style="list-style-type: none"> Supervise and monitor activities of the exchanges and clearing houses Encourage development of the securities and futures markets Promote and develop self-regulation by market bodies Manage the investor compensation funds | <h3>Corporate Services*</h3> <p>44 executives and 48 support staff</p> <ul style="list-style-type: none"> Provide legal services to the Commission Maintain and foster effective communications with the media, stakeholders and investors Provide information technology, management and corporate services to the Commission Provide strategic planning and corporate co-ordination on Commission work |
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| <ul style="list-style-type: none"> Concluded 238 investigations Prosecuted 37 entities for short selling, unregistered activities and breaches of the Protection of Investors Ordinance Successfully prosecuted three cases of market manipulation The hearings of two cases of suspected insider dealing concluded before the Insider Dealing Tribunal Concluded disciplinary action in respect of 83 registered persons Upgraded the surveillance system introduced for monitoring both the market and the Internet | <ul style="list-style-type: none"> Worked closely with the Government, exchanges and clearing houses on the legislative changes for the merger and demutualization of exchanges and clearing houses Monitored the migration of the Hang Seng Index futures and options to the automated trading environment Co-ordinated the Y2K issue and to put in place procedures to ensure a smooth rollover Worked closely with the SEHK towards the implementation of AMS/3 Monitored the implementation of measures to strengthen the HKFE open outcry trading system | <ul style="list-style-type: none"> Produced the Securities and Futures Bill for a three-month public consultation Securities (Margin Financing) (Amendment) Bill passed by LegCo Implemented electronic workflow Put in place the SFC Intranet Advised the public to learn the rules before investing Kept the SFC's expenditure 9% below budget |
| <ul style="list-style-type: none"> Continue to convey the regulatory message that misconduct will not be tolerated in the markets Refer suspected cases of insider dealing to the Financial Secretary for possible referral to the Insider Dealing Tribunal Prosecute a wide range of offences under the relevant ordinances Take disciplinary action against intermediaries who have acted improperly | <ul style="list-style-type: none"> Monitor new system development and risk management measures at the exchanges and clearing houses Facilitate the development of a single clearing arrangement, scripless market and straight-through processing capability for securities and futures markets Facilitate the development of on-line trading and electronic initial public offerings Develop guidelines for the approval of automated trading systems and recognition of overseas exchanges Monitor the implementation of AMS/3 and extension of HKATS to HSI33 trading Complete plans for new compensation arrangements for Hong Kong's retail investors | <ul style="list-style-type: none"> Introduce the Securities and Futures Bill into the Legislative Council To complete the Information Technology Modernization Programme Develop a web-based Investor Resources Centre (eIRC) Revamp the SFC web site <p>*Chairman's Office, Corporate Resources, Legal Services Division</p> |