

Consultation Document on the Draft Securities and  
Futures (Leveraged Foreign Exchange Trading –  
Arbitration) Rules

**Consultation Conclusion**

Securities and Futures Commission  
Hong Kong

April 2002

## **INTRODUCTION**

1. On 28 March 2002, the Securities and Futures Commission (“SFC”) released a Consultation Document on the Draft Securities and Futures (Leveraged Foreign Exchange Trading – Arbitration) Rules’ (“Consultation Document”). The Consultation Document contained proposed rules to prescribe the procedure for the settlement by arbitration of any dispute between a client and a licensed corporation in relation to leveraged foreign exchange trading.
2. The consultation period lasted until 16 April 2002.
3. The purpose of this document is to provide interested persons with an analysis of the main comments raised during the consultation exercise and the rationale for the SFC’s conclusions. *This document should be read in conjunction with the Consultation Document.*

## **PUBLIC CONSULTATION**

### **Consultation process**

4. In addition to the public announcement inviting comments, the Consultation Document was also published on the SFC website.
5. Two submissions were received from the Hong Kong International Arbitration Centre and the Institute of Securities Dealers Ltd.
6. The comments were positive.

### **Consultation conclusion**

7. No change has been made to the original draft Rules set out in the Consultation Document.

## **SUMMARY OF COMMENTS AND SFC’S RESPONSES**

8. A summary of comments received on the draft Rules are set out in Attachment.

**Summary of comments received on the Exposure Draft of the  
Securities and Futures (Leveraged Foreign Exchange Trading - Arbitration) Rules**

	Section reference	Details of the Rules	Respondent's comments	SFC's response
<i>General comment</i>				
1.	-		[HKIAC] The commentator in principle supported the proposal as put forward.	Noted.
<i>Specific comment</i>				
2.	4	Constitution of Arbitration Panel	[ISD] It may make better use of resources if the Commission could fully leverage on the HKIAC than to set up a separate Arbitration Panel solely for LFET matters, however, given that the LFET arbitration rules have never been used, such review may not be worthwhile.	A separate Arbitration Panel is needed to have members with special knowledge and expertise in leverage foreign exchange trading business. Under s13 "Conduct of Proceedings", the arbitrator can seek advice from a representative of the HKIAC who is attending the proceedings on matter relating to the practice and procedure of an arbitration.

**List of Respondents**

Date received	Respondent
15 April 2002	Hong Kong International Arbitration Centre ("HKIAC")
15 April 2002	Institute of Securities Dealers Ltd ("ISD")