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Corporate Finance Division  
The Securities and Futures Commission  
8/F Chater House  
8 Connaught Road Central  
Hong Kong

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25 June 2010

Dear Sirs

## **Consultation Paper on the Proposed Statutory Codification of Certain Requirements to Disclose Price Sensitive Information by Listed Corporations**

On behalf of KPMG I set out below our comments on the proposed statutory codification of certain requirements to disclose price sensitive information ("PSI").

In general KPMG is supportive of the proposals as a means to enhance market transparency and quality. However, we also welcome the Administration's recognition of the need to strike a reasonable balance between ensuring market transparency and fairness in the provision of information to all investors, and safeguarding the legitimate interests of listed corporations in preserving certain information in confidence to facilitate their operation and business developments.<sup>1</sup> We further consider that it is necessary to ensure that an appropriate balance is struck between the directors' responsibility to act in the best interests of the listed corporation and its existing shareholders as opposed to its responsibility towards the investing public at large. This is particularly the case where the financial viability of an issuer is in jeopardy and immediate release of information could, in and of itself, be a significant contributing factor in preventing the long-term financial recovery of the issuer.

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<sup>1</sup> Paragraph 4 of the Executive Summary to the Consultation Paper and paragraph 2.9 of the Consultation Paper

In this respect we consider that both the safe harbours and the SFC's Guidelines on Disclosure of Inside Information are essential elements of the proposal. Our further comments on these elements are as follows:

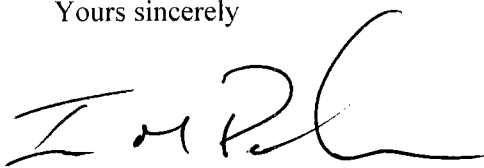
We support the proposal to grant the SFC the power to create new safe harbours to cater for future market developments and would also support review of the proposed safe harbours to ensure that they are sufficiently wide in their scope to provide protection for directors who have acted in good faith and in the best interests of the listed corporation and the investing public to the best of their ability.

We also welcome the Guidelines, which provide useful guidance on how the new regulations should be interpreted. However, similar to the need to keep the safe harbours under constant review, the need to provide additional practical implementation guidance should also be considered, particularly to provide clarity where it appears that directors are falling short of the obligations inadvertently or, conversely, are over-whelming the investing public with frequent disclosure of information which is not regarded by the SFC as being price-sensitive. We would encourage, therefore, the SFC to update the Guidelines on a regular basis, to deal with emerging practical issues that Hong Kong companies will inevitably face as they apply these new requirements.

We also note that the SFC's informal consultation arrangement is to be established initially for a 12 month period. We consider that there will be a need for such consultation facilities on an ongoing basis and would encourage the SFC to continue this role indefinitely.

We trust that you find these comments useful but if you would like to discuss our views further, please do not hesitate to contact me.

Yours sincerely



Ian M Parker  
*Partner*  
*Head of Capital Markets Group*