



# SFC Review of 2005

**Mr Martin Wheatley**  
**Chairman**  
**Securities and Futures Commission**

**13 February 2006**

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# What have we achieved in 2005

- ❖ **REGULATE**
- ❖ **FACILITATE**
- ❖ **ENFORCE**
- ❖ **EDUCATE**

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## Regulate

- ❖ A six-point plan for improving the derivative warrants market
- ❖ No broker financial failures
- ❖ Anti-money laundering guidelines revised to match international standards
- ❖ MoU with the Insurance Authority
- ❖ Revised Takeovers Code

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## Facilitate

- ❖ Licensed persons exceeded 25,000 by Nov
- ❖ REITs code relaxed to allow investments in overseas properties; 3 REITs with market cap of \$38.1 billion as of 31 Dec
- ❖ 1st bond index-tracking ETFs in Asia authorised and listed as part of the Asian Bond Fund 2 project

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## Facilitate (2)

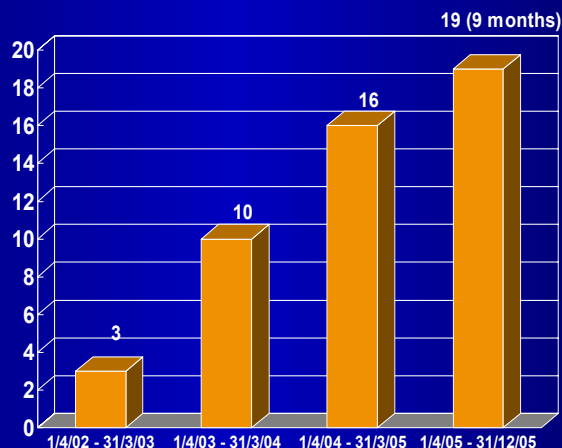
- ❖ Nearly 90% of 1,000+ UCITS III fund applications approved
- ❖ 50% more major takeovers transactions processed (70 cases in April-Dec 05 vs 47 same period in 04)
- ❖ 65% more unlisted prospectus applications processed (301 cases in April-Dec 05 vs 182 same period in 04)
- ❖ Suspended investor compensation fund levies since December
- ❖ Promoted XBRL for financial reporting

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## Enforce

Rising market manipulation /  
false or misleading information prosecutions



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## Enforce (2)

- ❖ Continuing actions against insider dealing
  - ❖ 6 insiders found guilty in 9 months to Dec 05, with total amount ordered by IDT at \$68 mil
  - ❖ 23 insiders found in total since Apr 02, with total amount ordered at \$350 mil
- ❖ 6 persons convicted of hawking
- ❖ 23 cases referred to ICAC/Police

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## Enforce (3)

- ❖ Took action against 84 regulated people in 9 months to Dec 05 (27% up same period last year)
- ❖ More disciplinary cases concluded in settlement
- ❖ More proportionate use of fines under SFO

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## Educate

- ❖ IE campaigns on warrants, mis-selling and analyst conflicts of interest
- ❖ 8,300 teachers, students and members of the public attended 72 workshops and talks
- ❖ A quarter million brochures (REITs, investment advice, securities fees and charges, etc) and 6,300 IE VCDs distributed; 81 feature articles in the print media
- ❖ TV and radio commercials, IE icon, and re-branded InvestEd website launched in Jan 2006

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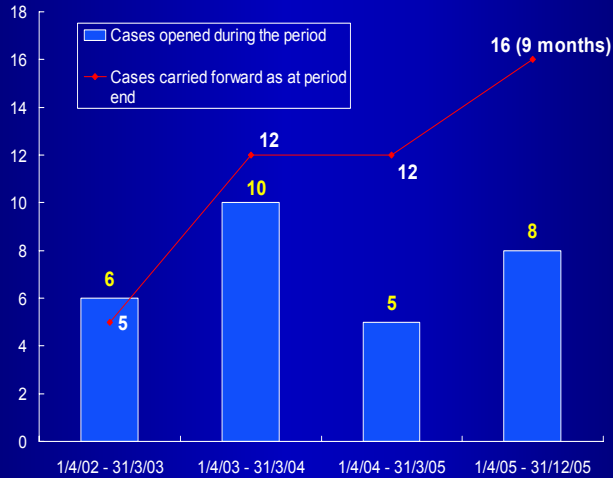
## What we will do in 2006

- ❖ ENFORCE
- ❖ LISTING REGULATION
- ❖ IMPROVING THE HK MARKET

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## Enforce

16 outstanding (s.29A or s.179) cases  
on companies



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## Enforce (2)

- ❖ 115 disciplinary cases on hand
- ❖ Cases against five sponsor firms, majority of which expected to be concluded in 2006; continue to co-operate with HKEx
- ❖ Mis-selling cases against 2 firms and 10 individuals

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## Listing Regulation

- ❖ Statutory backing for important listing requirements – S&F (Stock Market Listing) Rules
- ❖ Complete new regime for sponsors and compliance check

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## Improving the HK Market

- ❖ Investor education
- ❖ Address securities margin financing risks
- ❖ Tackle mis-selling through education, inspection and enforcement
- ❖ Review the public offering regime for shares and debentures under the CO

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## Improving the HK Market (2)

- ❖ Complete review of disclosure of interests regime
- ❖ Increase awareness of market contingency and business continuity planning
- ❖ Strengthen co-operation with PRC authorities

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**Thank you**