

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE SECURITIES COMMISSION

AND

THE SECURITIES AND FUTURES COMMISSION

1. INTRODUCTION

- 1.1 The Securities Commission in New Zealand ("NZSC") and the Securities and Futures Commission in Hong Kong ("SFC") (hereinafter referred to as "Authorities"), recognizing the increasingly close relationship between the financial markets and financial services sectors of New Zealand and Hong Kong and the corresponding need to establish and foster cooperation between the authorities responsible for regulating their respective financial markets and services for the protection of investors and preservation of market integrity, have reached the following understanding.

2. FUNCTIONS OF EACH PARTY

2.1 The Securities Commission

The NZSC is established under the Securities Act 1978. Its functions are to exercise securities and futures jurisdiction in particular cases (both under the Securities Act 1978 and the Securities Amendment Act 1988), to keep under review business law and recommend any changes, to keep under review



practices relating to securities and to comment thereon, to cooperate with overseas counterparts on the exchange of information and to promote public understanding of business law and practices relating to securities. The NZSC's ability to exercise powers to obtain evidence on behalf of overseas securities commissions or similar bodies is governed by section 10(ca) and section 18A of the Securities Act 1978.

2.2 The Securities and Futures Commission

The SFC is the Commission established by the Securities and Futures Commission Ordinance to regulate securities and futures markets and leveraged foreign exchange trading in Hong Kong. The functions of the SFC include administering securities, futures and leveraged foreign exchange trading legislation for the protection of investors and maintenance of the integrity of the markets; administering all relevant requirements to ensure full disclosure to and fair treatment of public shareholders and investors; supervising and monitoring the activities of the Exchange Companies and clearing houses of Hong Kong to ensure that they discharge their responsibilities in a professional and impartial manner, regulating dealers, leveraged foreign exchange traders, investment advisers and other registered persons; and encouraging the development of securities and futures markets in Hong Kong and the increased use of such markets by investors in Hong Kong and elsewhere.

3. SCOPE

- 3.1 The Authorities will promote the fullest mutual assistance, to the extent permitted by the laws of New Zealand and Hong Kong, within the framework of this Memorandum, so that the Authorities may effectively perform their respective duties according to law. Under the foregoing general theme, the scope of this Memorandum will include the following:



- 1) enforcement of the laws and regulatory requirements relating to insider dealing, market manipulation and other fraudulent practices in relation to listed companies, securities, futures contracts, and other investment products;
- 2) supervising and monitoring the securities and futures markets, their clearing and settlement activities, ensuring compliance with the relevant laws and regulatory requirements;
- 3) enforcement of the laws and regulatory requirements relating to dealing in, arranging deals in, managing and advising on securities, futures contracts and other investment or derivative products regulated by the Authorities;
- 4) promoting the fitness and properness of dealers, investment advisers, futures and other regulated derivative contract traders, and other financial market practitioners, and promoting high standards of fair dealing and integrity in their conduct of business;
- 5) ensuring compliance by issuers of and offerors for securities, and directors, officers, shareholders and professional advisers of all companies listed, or applying for listing, on the securities markets of either New Zealand or Hong Kong, with any duties under any relevant laws and regulatory requirements and any obligation to make full, accurate and immediate disclosure of information relevant to investors;
- 6) enforcement of the laws and regulatory requirements relating to takeovers, mergers and share repurchases;
- 7) disclosure of interests in the securities of companies;



- 8) breaches of companies legislation; and
- 9) any other matters agreed upon by both Authorities.

3.2 Assistance available pursuant to this Memorandum includes, but is not limited to:

- 1) providing access to information in the files of the requested Authority;
- 2) taking testimony and statements of persons; and
- 3) obtaining information and documents from persons.

4. PRINCIPLES

4.1 This Memorandum sets forth a statement of intent of the Authorities to establish a framework for mutual assistance and to facilitate the exchange of information between the Authorities to enforce or secure compliance with the laws or regulatory requirements of their respective jurisdictions.

4.2 This Memorandum does not modify or supersede any laws or regulatory requirements in force in, or applying to, New Zealand or Hong Kong. This Memorandum does not create any legally binding obligations. This Memorandum does not affect any arrangements under other Memoranda to which either Authority may be a party.

4.3 The Authorities recognise the need for and desirability of providing mutual assistance and exchanging information to assist each other in securing compliance with their respective laws or regulatory requirements. A request for assistance may be denied, however, by the requested Authority:



- 1) where the request contemplates the requested Authority acting in a manner that exceeds its legal authority;
- 2) where the request is not in accordance with the provisions of this Memorandum; or
- 3) on grounds of public interest.

5. REQUEST FOR ASSISTANCE OR INFORMATION

5.1 The Authorities may consult at any time about a request or proposed request.

5.2 Requests for information or other assistance will be made in writing in English. In urgent cases, requests may be in summary form to be followed within five business days by a full request. The full request will be signed by one of the contact persons set out in Appendix A.

5.3 Requests will specify:

- 1) the information or assistance required (including the identity and contact details of relevant persons);
- 2) the purpose for which the information or assistance is sought (including details of the laws or regulatory requirements pertaining to the matter which is the subject of the request);
- 3) a description of the conduct or suspected conduct which gives rise to the request;



- 4) the link between the specified laws or regulatory requirements and the regulatory functions of the requesting party;
- 5) the relevance of the requested information or assistance to the specified laws or regulatory requirements;
- 6) to which Appendix B bodies onward disclosure of information is contemplated;
- 7) in the case of the obtaining of testimony from a person, whether it is likely that criminal proceedings will be brought against that person; and
- 8) whether it is desired that any representative of the requesting Authority should be present during interviews conducted by the requested Authority in carrying out the request and the desired extent of such participation.

5.4 In the event that it is considered likely that it will be necessary to disclose the information or testimony requested to a person or body other than one listed in Appendix B, then the requesting Authority will, in the request, seek the consent of the requested Authority to such onward disclosure.

5.5 Each request will be assessed on a case by case basis by the requested Authority to determine whether information can be provided under the terms of this Memorandum. In any case where the request cannot be accepted completely, the requested Authority will consider whether part of the information or assistance requested may be provided or whether there may be any other relevant assistance or information which might be provided.

5.6 The requested Authority may, as a condition of agreeing that assistance is given under this Memorandum, require the requesting Authority to make a contribution to costs. Such a contribution may, in particular, be required where the cost of



a request is substantial or where a substantial imbalance has arisen in the cumulative costs incurred.

- 5.7 Any documents or other materials provided under this Memorandum and any copies thereof must be returned on request, to the extent permitted by law.

6. UNSOLICITED INFORMATION

- 6.1 Where one Authority has information which will assist the other Authority in the performance of its regulatory functions, including any relevant information that is discovered which gives rise to a suspicion of a breach, or anticipated breach, of the laws or regulatory requirements of the other Authority, the former may provide such information, or arrange for such information to be provided, on a voluntary basis even though no request has been made by the other Authority. The terms and conditions of this Memorandum will apply if the providing Authority specifies that the information is passed under this Memorandum.

7. CONFIDENTIALITY AND USE OF INFORMATION

- 7.1 Assistance or information will be provided by an Authority only for the purposes of assisting the other Authority to this Memorandum in the performance of its regulatory functions. Any assistance or information provided under this Memorandum should be used by the recipient only for the purposes of performing its regulatory functions and subject to this will not be disclosed to any third parties apart from those bodies listed in Appendix B to this Memorandum, without the prior consent of the provider of the assistance or information except when disclosure is required pursuant to a legally enforceable demand. Each Authority will establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of such information.



7.2 When a requesting Authority discloses information to another person, the requesting Authority will obtain an undertaking from the other person that it will maintain the confidentiality of the information, except when disclosure is required pursuant to a legally enforceable demand.

7.3 If either Authority becomes aware that information passed under this Memorandum may be subject to a legally enforceable demand to disclose, it will, to the extent permitted by law, inform the other Authority of the situation. The Authorities will then discuss and determine the appropriate course of action.

8. CONTACT PERSONS

8.1 All communications between the Authorities should be between the principal points of contact as set out in Appendix A unless otherwise agreed. Appendix A may be amended by the relevant Authority upon written notice to the other Authority.

9. TERMINATION

9.1 Cooperation in accordance with this Memorandum will continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to discontinue the cooperation. If either Authority gives such notice, cooperation in accordance with this Memorandum will continue with respect to all requests for assistance that were made before the effective date of notification until the requesting Authority concludes the matter for which assistance was requested.

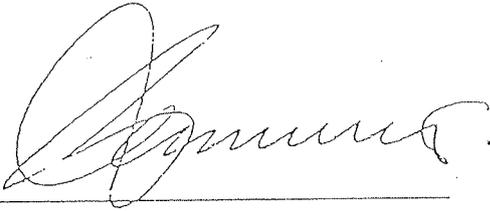


10. EFFECTIVE DATE

10.1 Cooperation in accordance with this Memorandum will begin on the date of its signing by the Authorities.

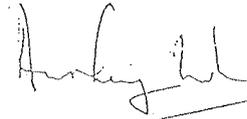
Signed this 17th day of September 1996

SECURITIES COMMISSION



Euan H. Abernethy
Chairman

SECURITIES AND FUTURES COMMISSION



Anthony Neoh
Chairman

APPENDIX ALIST OF CONTACT PERSONSThe Securities Commission

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Senior Executive (Compliance)
Securities Commission
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Reserve Bank Building
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Wellington
NEW ZEALAND
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The Securities and Futures Commission

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Alternate :

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LIST OF LAW ENFORCEMENT AND REGULATORY BODIES
DESIGNATED UNDER PARAGRAPH 5.3.6 OF THIS MOU

In Hong Kong:

The Financial Secretary and the Financial Services Branch
Inspectors appointed by the Financial Secretary
Hong Kong Monetary Authority
Independent Commission Against Corruption
Royal Hong Kong Police Force
The Attorney-General's Chambers
Stock Exchange of Hong Kong Limited
Hong Kong Futures Exchange Limited
Insider Dealing Tribunal

In New Zealand:

Registrar of Companies
Serious Fraud Office
New Zealand Police
New Zealand Stock Exchange
New Zealand Futures & Options Exchange Limited
Investment Funds Association of NZ Inc
Life Office Association of NZ Inc