What have we achieved in 2005

- REGULATE
- FACILITATE
- ENFORCE
- EDUCATE
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

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
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

Enforce

Rising market manipulation / false or misleading information prosecutions

![Graph showing enforcement trends from 1/4/02 to 1/4/05]
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

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
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

What we will do in 2006

- ENFORCE
- LISTING REGULATION
- IMPROVING THE HK MARKET
Enforce

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

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

- Statutory backing for important listing requirements – S&F (Stock Market Listing) Rules

- Complete new regime for sponsors and compliance check

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
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

Thank you