



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

3rd October 2011

Sent by Email

To : Clerk to Bills Committee on
Securities and Futures (Amendment) Bill 2011

Dear Sirs,

Re: Securities and Futures (Amendment) Bill 2011

The Hong Kong Society of Financial Analysts wish to comment on the issue of timely disclosure of price sensitive information by listed corporations. We refer to the consultation paper issued by the Securities and Futures Commission (“SFC”) on the proposed amendments to the Securities and Futures Ordinance (Cap. 571).

In principle, we support the view that SFC be provided with appropriate regulatory teeth by codifying certain requirements to disclose price sensitive information (PSI) in order that it could institute proceedings before Market Misconduct Tribunal. We would like to reiterate that market integrity and market transparency are the essential elements for Hong Kong to differentiate itself as a quality international financial centre. We believe that better disclosure by listed companies will enable investors to make informed investment decision. It is also important to strike a balance between ensuring market transparency and safeguarding the legitimate interests of listed companies in preserving certain confidential information to facilitate their business development and operation.

a) *statutorily oblige to listed corporations to disclose price sensitive information in a timely manner*

We support the statutory codification of PSI disclosure under the regulatory regime to promote effective compliance with, allow effective enforcement of, the disclosure obligations. For practicality, it is important that the clear definitions of PSI/insider information/relevant information, officers and terms used in the Bill such as “as soon as reasonably practicable” are laid down. We also support the provision of safe harbours to allow non-disclosure of inside information under certain circumstances in the Bill. In order for the facilitation of proper compliance, the SFC should provide guidelines and examples on what constitutes PSI or inside information and when safe harbours would be applicable. The SFC, though would provide an informal consultation service for 24 months on the disclosure requirements, we suggest the SFC to consider further extension of the service if deem necessary. Proper training for officers of listed corporations to be conducted by the SFC is highly recommended.

In light of the recent disruption of service to the HKExnews website on 10th August 2011, we would like to have a clarification as to how a company should handle this interruption and whether the company constitutes a violation of PSI disclosure if such information is not disseminated in a timely manner.

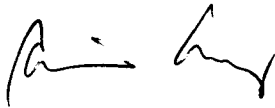
- b) *enable the Securities and Futures Commission to institute proceedings before the Market Misconduct Tribunal*

We support the proposal to streamline the enforcement process by empowering the SFC to institute proceedings before the MMT direct, without having to first refer the case to Financial Secretary for his decision to do so.

- c) *enable the SFC to establish a cross-sectoral Investor Education Council*

We do not support that the Investor Education Council (IEC) to be established as a wholly owned subsidiary of SFC to oversee the needs of investor education and efficient delivery of the initiatives. We believe that the income of the SFC derived mainly from transaction levy which is directly related to stock trading activities. The scope of the IEC is much broader, and will probably cover activities in fixed income, foreign exchange etc. On the basis that beneficiary should be paying for the services, the IEC should be funded by all regulatory bodies involved. This may involve, for instance, HKMA, OCI, and MPFA. There should also be transparency over the proposed budget with a clear breakdown of staff and project costs. In addition, a process should be in place to oversee the performance of the IEC on its effectiveness in using available resources to achieve its mission and objectives.

Sincerely,
For and on Behalf of
The Hong Kong Society of Financial Analysts

A handwritten signature in black ink, appearing to read 'Cheri Wong', is written over a light blue horizontal line.

Cheri Wong, CFA
Chief Executive Officer