

31 December 2003

BY FAX (2861-1494) AND MAIL

Financial Services Branch  
Financial Services and the Treasury Bureau  
18/F Admiralty Centre Tower 1  
18 Harcourt Road  
Admiralty  
Hong Kong

Attention: Proposals to Enhance the Regulation of Listing

Dear Sirs,

**Consultation Paper on Proposals to Enhance the Regulation of Listing**

For the ninth consecutive year, Hong Kong was ranked as the world's freest economy in the Heritage Foundation's 2003 Index of Economic Freedom. The view that a free economy can withstand crises better than those which are controlled by government or not free market oriented is generally shared by the commercial sector in Hong Kong and its overseas business partners alike. Hong Kong should strive to maintain this utmost important factor to ensure her continuous success. Option A in transferring the function to the SFC is apparently not our choice. A fourth tier regulation will be created under Option C and is likely to cause legal & regulatory complications. The attraction of Hong Kong as an international financial center and the premier capital formation center for the Mainland has been due to its traditional free economy which must be maintained for its future success. Option B of transferring the function to a new HKEx subsidiary can help to achieve this objective. Nevertheless we are aware of the regulatory concerns in investor protection such as in enforcing proper disclosures etc. Under these premises, the Hong Kong Association of Online Brokers lends its support to Model D in expanding the "dual filing" system which allows both flexibility and regulatory effectiveness. As the "dual filing" system has already been introduced to a certain extent under the Securities and Futures (Stock Market Listing), it will also cause minimal disruption to the market.

We would like to submit our views on your Consultation Paper on the following aspects: -

In Chapter 1

Para 1.5(a) -

Statutory backing could be given to certain fundamental requirements of the current Listing Rules so that the SEHK remains as the administrator in deciding admission of listing to its trading platform and SFC is responsible for enforcement against violation of the listing rules;

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In Chapter 2

Para 2.35 & 2.36 - In addition to the present disclosure requirements in the Red Book, we believe that director's dealing and connected transactions may be statutorily backed for purpose of investor protection. Other than that, decision on listing on the SEHK must remain the business decision of the SEHK and no change should be made;

Para 2.45 - The present types and levels of civil sanctions in Part XIII of the SFO should be maintained but not increased except that such civil sanctions are applicable to the statutory listing requirements;

In Chapter 3

Para 3.40 - There should be formal constitutional documents clearly delineating the roles of the SEHK as the administrator in admission of listing to its trading platform with proper provisions against conflicts of interests and the SFC as the enforcement agent against violations. We believe this arrangement will avoid the regulatory overlaps as mentioned in para 3.41.

Lastly, we note that the China Securities Regulatory Commission ("CSRC") has passed and approved by the State Council the new Interim Rules of the Shares Issuing Review Committee on 5 December 2003. A number of market people appear in the members list of the new Review Committee issued by CSRC on 25 December 2003. It is regarded that the new arrangement is to minimize direct administrative interference from regulators with the ultimate goal of transferring the power to the Committee for admission of listing. This Association upholds that a system that is market oriented with proper protection for investors will be the best model for Hong Kong but not a heavily regulated one.

We thank you for giving us the opportunity to express our view. Please feel free to contact us should you require further discussion on any of the above points.

Yours faithfully

For and on behalf of

**The Hong Kong Association of Online Brokers**



Steve Chan  
Chairman