

18 May 2001

Mrs Florence Lam
Clerk to Bills Committee on Securities and Futures
Bill and Banking (Amendment) Bill 2000
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central
HONG KONG

Dear Mrs Lam,

The Legal Committee of the Hong Kong General Chamber of Commerce has been closely monitoring the recent progress of the Securities and Futures Bill through the Hong Kong SAR Legislative Council, including the Committee-level consideration of the various details of the Bill.

In this context, the Legal Committee would like to reiterate that we stand-by the view taken in our original submission on the Bill that there should be improved disclosure of interests in shares which may be held through equity derivatives, especially cash settled derivatives.

Under the sub-heading "Disclosure of Interests" we said, in that earlier submission, that this is another area in which the position and activities of certain parties might usefully be reviewed. We added that it would appear possible that, whether in connection with unit trusts or mutual trusts, derivative or other investment portfolios, parties might well have control over a percentage of the shares of a listed issuer which, in anybody else's hands, would have to be disclosed. We added that when linked with possible improper market practices through derivatives we could not see the logic in exempting these parties from disclosure requirements.

Our submission continued: "On the other hand, the existing terms of the SDIO can require multi-layer disclosure of what is ultimately the same interest in listed shares. The Committee believes that in practice intermediate layers are sometimes tacitly omitted from disclosure. We suggest, however, that the opportunity should be taken to remove duplicative layers of required disclosure, which tend only to mislead, and also to require clarification of overlapping areas, for example, when two or sometimes more parties have to disclose an interest in the same shares." We are sure other submissions on the Bill have made similar points.

Once again, we observe that our remarks should be viewed as technical commentary by the Legal Committee not a policy paper of the Chamber itself.

Yours sincerely,

IAN K PERKIN
Secretary, Legal Committee

c.c. Ms Au King-chi, Deputy Secretary (Financial Services)