

PART II

SECURITIES AND FUTURES COMMISSION

5. Functions and powers of Commission¹

(1) The functions of the Commission are ~~to~~, so far as reasonably practicable -

- (a) to take such steps as it considers appropriate to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- (b) to supervise, monitor and regulate -
 - (i) the activities carried on by recognized exchange companies, recognized clearing houses, recognized exchange controllers or recognized investor compensation companies, or by persons carrying on activities regulated by the Commission under any of the relevant provisions, other than registered institutions; and
 - (ii) such of the activities carried on by registered institutions as are required

¹ We propose further drafting amendment to Paper CSA01/01 in the light of the comment of a Member expressed at the Bills Committee meeting on 4 December 2001.

to be regulated by the Commission under
any of the relevant provisions;

- (c) to promote and develop an appropriate degree of self-regulation in the securities and futures industry;
- (d) to promote, encourage and enforce the proper conduct, competence and integrity of persons carrying on activities regulated by the Commission under any of the relevant provisions in the conduct of such activities;
- (e) to encourage the provision of sound, balanced and informed advice regarding transactions or activities related to financial products;
- (f) to take such steps as it considers appropriate to ensure that the relevant provisions are complied with;
- (g) to maintain and promote confidence in the securities and futures industry in such manner as it considers appropriate, including by the exercise of its discretion to disclose to the public any matter relating or incidental to the performance of any of its functions;
- (h) to co-operate with and provide assistance to regulatory authorities or organizations, whether formed or established in Hong Kong or elsewhere;

- (i) to promote understanding by the public of the securities and futures industry and of the benefits, risks and liabilities associated with investing in financial products;
- (j) to encourage the public to appreciate the relative benefits of investing in financial products through persons carrying on activities regulated by the Commission under any of the relevant provisions;
- (k) to promote understanding by the public of the importance of making informed decisions regarding transactions or activities related to financial products and of taking responsibility therefor;
- (l) to secure an appropriate degree of protection for members of the public investing in or holding financial products, having regard to their degree of understanding and expertise in respect of investing in or holding financial products;

- (m) to promote, encourage and enforce -
 - (i) the adoption of appropriate internal controls and risk management systems by persons carrying on activities regulated by the Commission under any of the relevant provisions, other than registered institutions; and
 - (ii) the adoption of appropriate internal controls and risk management systems by registered institutions in the conduct of activities regulated by the Commission under any of the relevant provisions;
- (n) to suppress illegal, dishonourable and improper practices in the securities and futures industry;
- (o) to take appropriate steps in relation to the securities and futures industry further to any requirement of the Financial Secretary for the purpose of providing assistance in maintaining the financial stability of Hong Kong;
- (p) to recommend reforms of the law relating to the securities and futures industry;

- (q) to advise the Financial Secretary on matters relating to the securities and futures industry and provide him with such information in relation thereto as it considers appropriate; and
- (r) to perform functions conferred or imposed on it by or under this or any other Ordinance.

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Financial Services Bureau
Securities and Futures Commission
4 January 2002