

**Briefing for the Panel on Financial Affairs**  
**on the 2000 Policy Address**  
**on 19 October 2000**

**Opening Remarks for the Secretary for Financial Services**

**Introduction**

Today, I will briefly talk about a few key areas stated in the Financial Services Bureau's Policy Objective Booklet. Then, my colleague from the Hong Kong Monetary Authority will report on their direction of work. My colleagues and I are happy to answer any questions from Members afterwards.

**Overall Situation**

2. First, I would like to talk about the overall position of the policy area of the Financial Services Bureau and on the results of our work in the past year.

3. We are committed to maintaining monetary and banking stability in Hong Kong; improving the regulatory framework; and enhancing the infrastructure required for an international financial centre and providing an appropriate environment for an open, fair and efficient market; and spearheading the further development of the financial markets.

4. In the past year, we focused on these four main areas and have undertaken 50 initiatives covering 56 items that we pledged to implement in 1999 or before. I am pleased to report to Members that we have completed 28 items and another 18 items are being implemented according to schedule. Of the 10 items which are progressing behind schedule, 6 are related to the Securities and Futures Bill progress on which slipped due to the longer time required for conducting the public consultation exercise and making amendments to some of the proposed provisions. This also reflects that we

take the industry's views into serious consideration.

5. Briefly, achievements of the Financial Services Bureau in the past year included the following:

- i. Continuing to spearhead the reform of the securities and futures markets;
- ii. Further implementing the measures recommended in the Report on Financial Market Review and under the 30-point programme;
- iii. Publishing the Securities and Futures Bill as a White Bill and completing wide consultation on the Bill;
- iv. the Hong Kong Monetary Authority (HKMA) has issued relevant guidelines and guidance note to further strengthen Hong Kong's banking system and keep in pace with the development of electronic banking;
- v. The Mandatory Provident Fund Schemes Authority has completed the necessary preparatory work to launch MPF schemes, including the registration of MPF schemes and approval of products, conducting large-scale public education and publicity programmes and issuing relevant guidelines;
- vi. continuing to review the company law with a view to creating in Hong Kong an even more attractive business environment to investors;
- vii. establishing the Advisory Committee on the Human Resources Development in the Financial Services Sector to assist in coordinating the strategy on human resources development.

I would like to report on the progress in several key areas and the legislative work ahead.

### **The Securities and Futures Bill**

6. We are finalizing the Securities and Futures Bill and hope to introduce it into the Legislative Council later next month. The Bill consolidates and modernizes 11 existing ordinances governing the securities and futures market. It seeks to better equip Hong Kong for meeting the competitive challenge presented by increasing globalization. Specifically, the Bill will help raise the quality of intermediary services, enhance investor protection, reduce market malpractice, enhance market transparency and facilitate innovation and competition. The White Bill consultation exercise, being conducted since last April, has been useful for us to ensure that market practitioners will be able to comply with the proposed legislation without imposing an excessive regulatory burden. There is an urgent need to bring the Bill into operation to maintain Hong Kong's position as an international financial centre. We look forward to Members' support for its early enactment in this LegCo session.

### **Modernization of the Securities Market**

7. In respect of our efforts to modernize the securities market, we are glad to see that the Hong Kong Exchanges and Clearing Limited ("HKEx") has functioned smoothly following the merger exercise. The HKEx has set itself the goal to increase the efficiency of the securities market, diversify its products and enhance the risk management of the merged entity.

8. Fostering an electronic securities market in Hong Kong is key to increasing the efficiency of our market. To this end, the HKEx will launch the third generation of the Automatic Order Matching and Execution System

(“AMS/3”) next Monday to provide more direct and modernized services to market participants.

9. As regards the expansion of products and services, the HKEx has already successfully launched the Growth Enterprise Market (“GEM”). 48 companies have been listed on GEM so far. In the light of the experience acquired in the initial operation of this new market, the Securities and Futures Commission (“SFC”) and HKEx have recently conducted a review on the GEM Listing Rules. The review is near completion and it is expected that the amendments to the Rules would be announced within the next month or two.

10. With the advancement of information technology and the popularity of electronic trading, we have initiated a series of measures to enable the Hong Kong market to capitalize on new development opportunities. For instance, we have taken the opportunity of the MTR privatization share offer to launch successfully an electronic initial public offering (“eIPO”) in September. We would continue to encourage share offer through electronic means so as to provide more choices to the investors.

11. We have also recently reviewed the listing rules and the relevant law in conjunction with the SFC and the HKEx to consider ways to promote the electronic transmission of companies documents and reduce the quantity of printing. Our aim is to enhance environmental protection and the efficiency of information transmission at the same time.

12. Earlier, the SFC and the HKEx have announced that exemptions would be granted to allow separate printing and distribution of the English and Chinese versions of prospectuses, thus greatly reducing the burden of prospectus printing. In fact, the existing Listing Rules allow the electronic transmission of prospectuses to investors and we would encourage the dissemination of

electronic prospectuses by issuers and investors in share offering activities.

13. The Companies Ordinance currently requires listed companies to distribute various information including annual accounts, reports etc. to shareholders. With the enactment of the Electronic Transaction Ordinance last year, such information and reports could be distributed through electronic means such as CD Roms and electronic mails with the consent of individual shareholders. The HKEx would soon amend the relevant provision in the Listing Rules to provide for the electronic transmission of such documents. We would encourage listed companies to distribute such reports to the shareholders through electronic means as far as possible.

14. In the medium term, we would consider rationalizing the content requirement of prospectuses and other companies' reports. In addition, the HKEx will allow the listed companies to make announcements through its website with a view to reducing the publication of such announcements on the printed media for environmental protection purposes.

15. In the longer term, it is our goal to promote and achieve electronic trading and scripless operation in the securities market. To this end, we need to put in place the suitable system, framework, rules, and regulatory measures. The chairman of the SFC, Mr Andrew Sheng, will re-convene the Steering Committee on the Enhancement of Financial Infrastructure ("SCEFI"). The Committee would widely consult the industry and market on the development of a scripless market and straight-through processing and set out a practical action plan for implementation.

#### **Work of the Official Receiver's Office**

16. We are committed to providing a sound and effective insolvency

administration regime in Hong Kong. To this end, we have taken positive action to improve the services of the Official Receiver's Office. To help the Official Receiver to reform the internal management of the department and case management procedures, we seconded in June this year an Administrative Officer Staff Grade B to the Official Receiver's Office to fill the post of Administrator for a period of six months initially. Progress has been made on the implementation of the reforms, but a number of improvement measures need to be followed up. We therefore intend to extend the post for two years to facilitate the implementation of the reforms of the internal management and daily operation of the department. We will soon put this proposal to the Establishment Sub-committee of the Finance Committee of the Legislative Council.

17. Given the changes in Hong Kong's corporate and business environment, and the sharp increase in the number of compulsory liquidation and bankruptcy cases in recent years, and having regard to the developments in insolvency administration in other comparable jurisdictions in recent years, we consider it necessary to conduct an in-depth study on the future role of the Official Receiver's Office in the provision of insolvency administration services and the related legislation. To this end, we will commission a consultancy study in this financial year, the objectives of which are to re-define the role of the Official Receiver and to update the relevant legislation so that present-day needs may be better met.

### **MPF Schemes**

18. After years of discussions, MPF schemes will be fully implemented on 1 December this year. Two million members of the workforce who are without any retirement protection will be protected by law, and accumulate financial resources for their retirement needs.

19. MPF is a brand new system with far-reaching effects. We will keep a close eye on the operation of MPF schemes in the coming year, and the Mandatory Provident Fund Schemes Authority will regulate and supervise the MPF service providers prudently for the adequate protection of scheme member interests.

20. Both the Government and the MPFA will endeavour to ensure the successful implementation of MPF schemes. However, employers, employees and self-employed persons must also be prepared as early as possible. Once again I would like to urge employers and self-employed persons to participate in MPF schemes as soon as possible, and employees to understand their rights under the MPF system. Let us join hands in taking the important step forward.

**Strengthening the Directorate Structure of the Financial Services Bureau**

21. Finally, I would like to raise the subject of creating a post. In view of the Bureau's ever increasing workload and responsibilities, we applied to the Legislative Council Finance Committee in January 1999 for the creation of a Deputy Secretary post to be filled by an Administrative Officer Staff Grade B officer to be responsible for supervising the Bureau's Companies Section and Retirement Schemes and Insurance Sections. In the event, the Finance Committee only agreed to create a supernumerary post for two years until early February next year. In the light of actual experience in the past two years, the need for a permanent post has been reaffirmed. We will submit the application to the Legislative Council at the end of this year and hope that Members will support the application.

22. Mr. President, if you agree, I suggest Mr. Topping of the Hong Kong Monetary Authority be invited to briefly introduce the main initiatives being

undertaken by the HKMA. Thank you.

Financial Services Bureau

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