

LEGISLATIVE COUNCIL BRIEF

SECURITIES ORDINANCE (Cap. 333)

SECURITIES (MISCELLANEOUS) (AMENDMENT) (NO.2) RULES 2000

INTRODUCTION

Pursuant to sections 80(4)(d) and 146(1) of the Securities Ordinance (“SO”), the Commission approved the Securities (Miscellaneous) (Amendment) (No.2) Rules 2000 (“Amendment Rules”) at Annex on 11 July 2000 to amend the definition of “specified instruments” in the Securities (Miscellaneous) Rules (“the Rules”).

BACKGROUND AND ARGUMENT

2. Section 80(1) of the SO provides that a person shall not sell securities through the Stock Exchange of Hong Kong unless at the time he sells them, he has or he reasonably and honestly believes that he has a presently exercisable and unconditional right to vest the securities in the purchaser of them. Section 80(4)(d) of the SO and section 17 of the Rules provide that section 80(1) does not apply to a sale of a “specified instrument”, if carried out by a Monetary Authority-appointed market maker. At present, “specified instruments” includes notes issued by the MTR Corporation Limited, the Airport Authority and the Hong Kong Mortgage Corporation Limited under their respective note issuance programmes arranged by the Monetary Authority.

3. The Commission is of the view that section 80(1) of SO should also be disapplied to the sale of notes issued by Kowloon-Canton Railway Corporation (“KCRC”) if carried out by a Monetary Authority appointed market maker and the definition of “specified instruments” should be amended to include such notes.

THE AMENDMENT RULES

4. The Amendment Rules amend the definition of “specified instrument” in the Rules by adding reference to notes issued by KCRC.

PUBLIC CONSULTATION

5. No public consultation was considered necessary as the amendments are straightforward and technical in nature.

FINANCIAL AND STAFFING IMPLICATIONS

6. There are no financial and staffing implications for the Government.

EFFECTIVE DATE

7. The Amendment Rules will come into effect on 3 January 2001.

PUBLICITY

8. The Amendment Rules will be published in the Gazette on 1 December 2000.

ENQUIRIES

9. For any enquiries on this brief, please contact Mr. George Tam at 2840 9223 in the Supervision of Markets Division of the Commission or Mr. Guan Tan at 2840 9292 in the Legal Services Division of the Commission.

The Securities and Futures Commission
30 November 2000

SECURITIES (MISCELLANEOUS) (AMENDMENT) (NO. 2) RULES 2000

(Made by the Securities and Futures Commission
under sections 80(4)(d) and 146(1) of the
Securities Ordinance (Cap. 333))

1. Commencement

These rules shall come into operation on 3 January 2001.

2. Interpretation

Rule 2 of the Securities (Miscellaneous) Rules (Cap. 333 sub. leg.) is amended in the definition of "specified instrument" by repealing "and the Hong Kong Mortgage Corporation Limited" and substituting ", the Hong Kong Mortgage Corporation Limited and the Kowloon-Canton Railway Corporation".

Andrew Len Tao SHENG

Chairman,
Securities and Futures Commission

28 July 2000

Explanatory Note

These Rules amend the definition of "specified instrument" in the Securities (Miscellaneous) Rules (Cap. 333 sub. leg.) by adding reference to notes issued by the Kowloon-Canton Railway Corporation.