

Opening remarks of SFC Chairman Andrew Sheng  
Legislative Council Panel on Financial Affairs  
20 September 2002

The Hon Chairman and Hon Members of the LegCo Panel,

Thank you for inviting us to this Panel Session.

The SFC fully accepts the Report of the Panel of Inquiry on the Penny Stocks Incident, including its recommendations and comments. The SFC is fully committed to working with the Administration, Hong Kong Exchanges and Clearing Limited and other parties to implement the recommendations.

The SFC fully agrees that reform must go on to strengthen Hong Kong's position as a leading international financial centre. We will ensure that the market and the public are engaged in the reform process as much and as early as possible.

We have specifically taken up the recommendations of the Report in the following areas:-

- We have agreed with the HKEx that we will be able to consult our Shareholders Group and our Advisory Committee on draft consultation papers sent to us for comments by HKEx [14.8];
- We are already examining our MOU with HKEx to see how we can clarify our respective functions and responsibilities [14.19];
- We welcome the proposal by the Financial Secretary to establish an Expert Panel to look at these issues;

- We propose to establish a new high-level liaison body, comprising the regulatory heads of both HKEx and SFC, as well as the Chairmen of the Listing Committee and the Takeovers and Mergers Panel, to examine regulatory policy and procedures, with specific responsibility to improve the protection of shareholder rights [14.19].

As to the incident itself, the Report has clearly set out the facts and the Panel's conclusions. I have little to add to those but I shall welcome the opportunity to answer any questions that the Hon Members may have.

To conclude, I would like to say that my staff and I personally feel deeply about and regret this incident and its effects on the public. Nobody wanted this to happen. We apologize where we have not fulfilled the public's expectations of us as the regulator of the securities and futures market. We will do better. We will work hard on all the areas suggested by the Report and all the suggestions we have received from members of the public. As we move forward, we will be on guard to avoid the recurrence of similar incidents.

Thank you.