

26 September 2002

Ms Anita Sit
Clerk to Financial Affairs Panel
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Ms Sit,

You will recall that the Financial Secretary informed Members at the meeting of the LegCo Panel on Financial Affairs on 16 September that he would appoint experts to help the Administration to review the operation of the securities and futures market regulatory structure in Hong Kong.

We are announcing the membership and the terms of reference of the expert group this afternoon. I am enclosing an advance copy of the press release and should be grateful if you could inform the Chairman and Members of the Panel on Financial Affairs as appropriate.

Yours sincerely,

(Howard Lee)
Administrative Assistant
to the Financial Secretary

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FS appoints Expert Group to Review the Operation of the Securities and Futures Market Regulatory Structure

The Financial Secretary, Mr Antony Leung, announced today (26 September, 2002) that he has appointed three distinguished members to the Expert Group to Review the Operation of the Securities and Futures Market Regulatory Structure.

The Expert Group will be chaired by Mr Alan Cameron. The other two members are Dr Raymond Ch'ien and Mr Peter Clarke.

“The three members are well respected personalities in the international and local financial communities. In taking forward the review, the Group will consult the stakeholders widely and take into account the situation of the local securities and futures market. I am confident that with their wealth of experience and expertise in the field of financial services, the review will be carried out professionally and expeditiously,” said Mr Leung.

The Financial Secretary announced on 16 September that he planned to invite independent experts to assist in the review of lines of communication and delineation of roles and functions under the three-tier regulatory structure (the Government, Securities and Futures Commission and Hong Kong Exchanges and Clearing Limited) particularly in relation to the regulation of listing matters.

The Terms of Reference of the Expert Group and the CVs of the three members are annexed. The Expert Group will submit its report to the Financial Secretary by the end of March 2003.

Annex 1

Expert Group to Review the Operation of the Securities and Futures Market Regulatory Structure

Terms of Reference

1. With a view to increasing effectiveness, efficiency, clarity, fairness and credibility of the regulatory system for the securities and futures market of Hong Kong, and ensuring the integrity of the market and the proper protection of the investing public, to:
 - (a) review the roles and functions of the Government, the Securities and Futures Commission, and the Hong Kong Exchanges and Clearing Limited and its subsidiaries over matters relating to listing of securities and issuers with listed securities; and
 - (b) review the operation of the regulatory structure as regards listing matters;
 - (c) review the line of communications among the Government, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited; and
 - (d) recommend changes and improvements relating to issues in (a) to (c) above where appropriate.

2. In conducting the review, the Expert Group shall have regard to:
 - (a) the need to maintain the status of Hong Kong as an international financial centre;
 - (b) developments in the local and international securities and futures markets;
 - (c) the competitiveness of Hong Kong as a centre for listing companies from the Mainland, Asian time zone and global capital markets;

- (d) the diversity of issuer and investor bases of the Hong Kong securities and futures market; and
 - (e) the outcome of the deliberations in the Legislative Council in respect of the Securities and Futures Ordinance (Cap. 571); and
 - (f) the findings and recommendations of the Panel of Inquiry on the Penny Stocks Incident;
3. The Expert Group should also:
- (a) invite submissions from interested parties and the public, including but not limited to representatives from issuers, stock brokers and investing public, Legislative Councillors and the Standing Committee on Company Law Reform;
 - (b) consider the regulatory structures and systems in other major markets; and
 - (c) use its best endeavours to submit its report before the end of March 2003.

Annex 2

Following are the CVs of the Expert Group members:

Alan Cameron

Mr. Alan Cameron is a corporate lawyer by background. He served as the Chairman of the Australian Securities and Investments Commission (ASIC) and its predecessor, the Australian Securities Commission, from 1993 to 2000. He represented Australia on the Technical Committee of the International Organisation of Securities Commissions (IOSCO) and served as chairman of IOSCO's Executive Committee. He is now the Deputy Chairman of the Sydney Futures Exchange Corporation Limited.

Dr. Raymond K F Ch'ien, GBS, JP

Dr. Raymond K.F. Ch'ien is the Executive Chairman of Chinadotcom Corporation. He serves on the boards of various listed corporations, including HSBC Holdings plc, MTR Corporation Limited, and The Wharf (Holdings) Limited, etc.

Dr. Ch'ien chairs the Hong Kong/Japan Business Cooperation Committee and the Advisory Committee on Corruption of the Independent Commission Against Corruption. He served the Executive Council of the Hong Kong SAR from 1997 to 2002.

Peter Clarke

Mr. Peter Clarke is a retired investment banker and was the former Chairman of Merrill Lynch Asia Pacific.

Mr. Clarke chairs the Advisory Committee on Human Resources Development in the Financial Services Sector since 2000. He is an Adjunct Professor at the Business School of the Hong Kong University of Science and Technology, and a member of the Board of the Community Chest of Hong Kong as well as its Executive Committee. He was a member of the Securities and Futures Commission Advisory Committee from 1997 to 2001 and served on the Takeovers and Mergers Panel and the Takeovers Appeal Committee.

End/Thursday, September 26, 2002