

**File Ref: SUD42 (2001) VII**

## **LEGISLATIVE COUNCIL BRIEF**

Securities and Futures Commission Ordinance  
(Chapter 24)

### **SECURITIES AND FUTURES COMMISSION (LEVY) (FUTURES CONTRACTS) (AMENDMENT) (NO.3) ORDER 2001**

#### **INTRODUCTION**

At the meeting of the Executive Council on 18 December 2001, the Council ADVISED and the Chief Executive ORDERED that –

the Securities and Futures Commission (Levy) (Futures Contracts) (Amendment) (No. 3) Order 2001 (Futures Levy Amendment Order), at **Annex A**, be made under section 52(2) of the SFCO to specify the levy per leviable transaction in relation to options on stock futures contracts to be \$0.20.

#### **BACKGROUND AND ARGUMENT**

##### **(a) General background**

2. Under section 52(2) of the SFCO, persons who engage in the purchase or sale of futures contracts traded on the Futures Exchange are liable to pay to the SFC a levy (SFC levy) at a rate specified by order of the Chief Executive in Council. The levy currently specified in the Securities and Futures Commission (Levy) (Futures Contracts) Order (the Order) is \$0.20 per leviable transaction in relation to Mini-Hang Seng Index Futures Contracts and all stock futures contracts, and \$1.00 per leviable transaction in relation to all other futures contracts.

## **(b) International Stock Futures Contracts and Options**

3. On 4 October 2001, the Hong Kong Futures Exchange Limited (HKFE) introduced trading in 20 international stock futures contracts and their options. International stock futures contracts are futures contracts based on stocks listed overseas. Options on international stock futures contracts are options on such contracts.

4. Pursuant to the Order, the SFC levy payable for all stock futures contracts, including international stock futures contracts, is \$0.20 per leviable transaction, whereas that payable for options on stock futures contracts is \$1 per leviable transaction.

## **(c) The Proposal**

5. The contract multiplier for options on international stock futures is the same as that of the corresponding international stock futures contracts on which they are based. Furthermore, it is expected that if options on local stock futures contracts are introduced in the future, their contract multiplier will be comparable to that of the corresponding local stock futures contracts on which they are based. Based on these reasons, we propose that the SFC levy payable in respect of all options on stock futures contracts should be reduced from \$1.0 to \$0.20 per leviable transaction, for consistency with the levy payable for all stock futures contracts.

## **THE ORDER**

6. The Futures Levy Amendment Order amends paragraph 2 of the Order so as to reduce the levy in relation to all options on stock futures contracts to \$0.20 for every leviable transaction. The levy for other contracts shall remain unchanged.

## **PUBLIC CONSULTATION**

7. The public is not expected to have any concern on the reduction of levy for options. No public consultation is considered necessary for the technical amendment.

## **BASIC LAW IMPLICATIONS**

8. The Department of Justice advises that the proposed Amendment Order does not conflict with those provisions of the Basic Law carrying no human rights implications.

## **HUMAN RIGHTS IMPLICATIONS**

9. The Department of Justice advises that the proposed Amendment Order is consistent with the human rights provisions of the Basic Law.

## **BINDING EFFECT OF THE ORDER**

10. The proposed Amendment Order will not affect the current binding effect of the Order.

## **FINANCIAL AND STAFFING IMPLICATIONS**

11. The levy reduction proposal will result in a very small revenue loss to SFC but could be offset by an increase in the amount of transactions. There are no financial and staffing implications for the Government.

## **ECONOMIC IMPLICATIONS**

12. Lowering transaction costs for trading in contracts is beneficial to development of the derivatives market in Hong Kong.

## **LEGISLATIVE TIMETABLE**

13. The legislative timetable for the Order is as follows –

Publication in the Gazette	28 December 2001
Tabling before Legislative Council	9 January 2002

## **PUBLICITY**

14. A press release will be issued on the day the Order is published in the Gazette. A spokesman will be available for answering media enquiries.

## **ENQUIRIES**

15. For any enquiries on this brief, please contact Ms Salina Yan, Principal Assistant Secretary for Financial Services at 2528 9161.

Financial Services Bureau  
28 December 2001