

**BY FAX**

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20 May 2005

Ms Jane Diplock, AO  
Chairman, Executive Committee of IOSCO  
c/o Chairman  
Securities Commission, New Zealand  
Level 8, Unisys House  
56 The Terrace  
P.O. Box 1179  
Wellington  
New Zealand  
Email: jane.diplock@sec-com.govt.nz

Dear Ms Diplock,

### **Securities and Futures (Amendment) Bill 2005**

The Government of the Hong Kong Special Administrative Region (HKSAR) has introduced the captioned Bill into the Legislative Council (LegCo) on 6 April 2005. A Bills Committee has subsequently been set up in LegCo to scrutinize the Bill which, if enacted, will turn the existing chairman post of the Hong Kong Securities and Futures Commission (SFC) into a non-executive position and will create a new office of chief executive officer.

In scrutinizing the Bill, members of the Bills Committee note that Mr Andrew SHENG, the incumbent Chairman of SFC, currently chairs the Technical Committee of the International Organization for Securities Commissions (IOSCO). They are concerned whether the proposed change of the SFC chairman post into a non-executive post will have any impact on SFC's international status and its level of participation in IOSCO. The Bills Committee is aware that in January 2005, the HKSAR Government has written to Mr Philippe Richard, Secretary General of IOSCO, to seek IOSCO's advice regarding the chairmanship of its Technical Committee. A copy of the letter and Mr Richard's reply are attached for your information.

In its recent submission to the Bills Committee (extract attached), the

SFC has expressed the view that “having a non-executive Chairman may reduce

Hong Kong’s standing in the IOSCO Technical Committee, which Hong Kong has had the honour to chair twice in 10 years. All Chairmen of members of the Technical Committee are executive chairmen and are effectively full time. There would be a risk for Hong Kong if the SFC is denied the opportunity in the future of being offered such important chairmanship positions in the international community because some full-time Chairs may not consider a part-time non-executive Chair as an equal”.

In view of the profound implications, the Bills Committee would like to seek your comments on the aforesaid concerns raised by SFC, and your advice on whether the non-executive nature of the chairman post of SFC would affect SFC’s participation in IOSCO, in particular with regard to the chairman position of its Technical Committee. We have also written to Mr Michel Prada, Deputy Chairman of the Technical Committee of IOSCO, to seek his views on the matter.

As the Bills Committee will hold another meeting on 3 June 2005 and your assessment of this issue will be highly helpful to the Bills Committee in its further deliberation, we would appreciate it if you could let us have your advice **by 1 June 2005**. Kindly forward your reply to [slchan@legco.gov.hk](mailto:slchan@legco.gov.hk) or fax us at (852) 21210420. Please note that in line with our usual practice, all written information will be made available to the media and the public and posted on the LegCo Website, unless you advise otherwise.

Meanwhile, please feel free to visit the following website for information relating to the Bills Committee: <http://www.legco.gov.hk/yr04-05/english/bc/bc06/general/bc06.htm>. If there is any question, please contact me or Ms Rosalind MA at (852) 2869 9125.

On behalf of the Bills Committee, may I thank you once again for your kind attention and we look forward to receiving your valuable advice.

With best regards,

Yours sincerely,

(Miss Polly YEUNG)  
Clerk to Bills Committee

Encl.

c.c. Hon SIN Chung-kai, Chairman of Bills Committee

Mr KAU Kin-wah, Assistant Legal Adviser