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31 May 2005

Ms Polly Yeung  
Clerk to Bills Committee  
Legislative Council Secretariat  
Legislative Council Building  
8, Jackson Road, Central  
HONG KONG

By facsimile: 852 2121 0420

Dear Ms Yeung

I am honoured to be asked to assist the Bills Committee of the Legislative Council of the Government of the Hong Kong Special Administrative Region.

I am currently Chairman of the IOSCO Executive Committee and Chairman of the New Zealand Securities Commission and I am happy to offer some personal comments on the matters you raise. I should mention that the Chairmanship of the New Zealand Securities Commission is an executive role and the Chairmanship of IOSCO's Executive Committee is a part-time role. The latter role is a personal appointment by the membership of the Executive Committee which is similar to the way the Technical Committee operates when it comes to appointing its Chairman.

The role of Chairman of the Technical Committee is not structurally mandated and as the Secretary General has remarked, the IOSCO principles are sufficiently broad to be adapted to domestic contexts and to provide some flexibility with respect to the governance structures of securities regulators. As such there would be no bar to participation in IOSCO by a non-Executive Chairman.

Any issues which might arise would relate to the nature of the work of the Technical Committee and the requisite knowledge and experience needed to chair it.

This could well be relevant in the selection of the Chair of the Technical Committee. The other (Executive) Chairmen may well not be confident in appointing a person who is not able to bring the level of detailed technical knowledge and experience which is generally gained by the day to day work of a full-time securities regulator. This would of course depend on the personal attributes of the individual concerned and his or her depth of experience and knowledge of the very detailed nature of the work of the Technical Committee, and of securities regulation more generally.

Mr Andrew Sheng was chosen by the members of the Technical Committee because of his demonstrated technical expertise and understanding and his demonstrated leadership

qualities. The Technical Committee under his leadership has achieved a great deal and considered many detailed and technically complex matters.

Mr Sheng's predecessor as Chair of the Technical Committee was David Knott who was Executive Chairman of the Australian Securities and Investments Commission. Prior to that David Brown, Executive Chairman of the Ontario Securities Commission, was Chair of the Technical Committee. To my knowledge, the Technical Committee has always been chaired by an Executive Chairman in recent times.

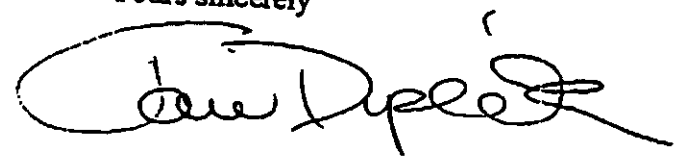
This may have been due to the personal leadership qualities of the individuals involved, but I expect it will also have reflected their deep understanding of the often very complex and detailed work on which the Technical Committee is engaged.

I might add that where securities regulators do have non-Executive Chairmen I have observed a practice by those Chairmen to delegate attendance at Technical Committee meetings, and the work of sub-committees, to their CEOs or other high ranking representatives. This is currently the way in which the United Kingdom tends to participate. This undoubtedly reflects the level of detailed knowledge and expertise needed for appropriate participation in the work of the Technical Committee, as well as the competing priorities and other commitments of the non-Executive Chairmen concerned.

I hope these comments are helpful. They are of course my own views and do not represent the views of the Executive Committee of IOSCO or the New Zealand Securities Commission.

Should your Committee require any further information or views I would be happy to assist.

Yours sincerely



Jane Diplock AO  
Chairman

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