

26<sup>th</sup> May 2005

To : Clerk to Bills Committee on  
Securities and Futures (Amendment) Bill 2005

**Submission by The Hong Kong Society of Financial Analysts on  
Splitting the post of the Chairman of the Securities and Futures Commission**

During the meeting on 19<sup>th</sup> May 2005, it appeared to us as though there were 2 key questions that remain unresolved with regard to the Bill:

- 1) Did the Bill adequately detail the role of the future C/SFC and clearly delineate the responsibilities of the proposed C/SFC and CEO/SFC, and
- 2) Is it possible to find a truly suitable candidate given the government's proposed salary limit.

We believe that there was significant concern voiced from the industry representatives regarding the lack of clarity in the Bill on the issue of the separation of duties between the C/SFC and the CEO/SFC. We further believe that part of the reason that the government is unable to clearly delineate these roles is that it has not clearly laid out the required qualifications of future C/SFC candidates. We suggest that the government and the current board of the SFC should work together to a) clearly delineate the roles of the two positions in the future and b) clearly articulate the qualifications required of future chairmen of the SFC. We believe that both these points are in line with the "best practice" standards that the government is claiming to promote here.

Further, given the importance of effective securities market regulation and enforcement of securities laws, the government is accountable to the investing public and the community at large for its selection of C/SFC. We thus believe that the government should be required to defend its choice of future C/SFC in Legco. Only then would Hong Kong truly be living up to accepted best practice standards.

We also believe that there was consensus among the industry representatives that the future C/SFC should not be an honorary role with a "token" remuneration. We believe that the idea of an honorary C/SFC flies in the face of the "best practice" and "full accountability" goals that the government purports to achieve. It is thus very clear to us that the SFC requires a full time, competitively remunerated, technically competent person to act as Chairman.

We believe that the Bill should be amended so that these two points are taken into account. If these amendments were made, we would feel that Hong Kong would boast a truly transparent system of regulation and be living up to the standards of best practice that we all seek to uphold.

We look forward to another constructive session with the Committee on 30<sup>th</sup> May.

Sincerely,

For and on Behalf of  
The Hong Kong Society of Financial Analysts



James Soutar, CFA  
Director