

17 December 2004

Clerk to Panel on Financial Affairs
(Attn: Ms. May Leung)
Legislative Council Secretariat
3rd Floor Citibank Tower
3 Garden Road Central
Hong Kong
(Fax: 2869 6794)

Dear Sirs,

**Panel on Financial Affairs
Meeting on 3 January 2005**

We refer to the letter of 24 November 2004 from Legislative Council regarding the proposed amendment to the Securities and Futures Ordinance on the splitting of the post of the chairman of the Securities and Futures Commission (“SFC”) into a chairman post and a chief executive officer post.

To ensure the success and development of Hong Kong as an international financial centre, both investors and financial institutions must be assured of the stability and continuity of the soundness and transparency of its financial system so that they can invest in confidence over a long period of time. Its regulator must be an intelligible one so that the whole financial sector can understand it and with reasonable predictability. The concentration of powers into the same post allowing both policy making and administrative authorities at the same time is not inductive to such ends. This will happen particularly during a change of chairmanship, which could mean change of the existing policy thus causing uncertainty in investment sentiments. Investment decision has often had to be made on the assumption that the existing policy will be continued but not changed from time to time. A newly appointed chairman acting in a non-executive role may bring in new ideas in line of expectation of the market. Having a separate post of administration may help to smoothen changes as continuity is maintained in between change of chairmanship provided that the tenure of office is not the same of the chairman. In addition, we believe that such division of functions can achieve checks and balances. Furthermore, the person assuming the post of the chief executive post must well acquaint with the Hong Kong market and its stock brokerage.

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Our Association supports the ideas of dividing the functions, yet we are mindful that bureaucracy should not be brought into the regulatory system by the creation of a new post. The Kowloon-Canton Railway Corporation (“KCRC”) has been quoted as an example in support of the division of functions. A statutory body having such a post does not necessarily mean that the other should also have one. We believe that the merits of the establishment of other regulatory regimes must be evaluated before setting up this post as well as determining its duties.

We wish to thank the Legislative Council for inviting the Association to express its views on the subject matter and please feel free to contact us should you require to further discussing the captioned subject.

Yours faithfully
For and on behalf of
The Hong Kong Association of Online Brokers

Steve Chan
Chairman