

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

**Proposal of splitting the post of the Chairman of Securities and Futures Commission  
into a non-executive chairman post and a chief executive officer post**

**Summary of submissions**  
(Position as at 30 December 2004)

**Part A Major views of the organizations attending the meeting**

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
Securities and Futures Commission (SFC) (LC Paper No. CB(1)547/04-05(04))	<p><u>All Board members</u></p> <ul style="list-style-type: none"> <li>● Agree to the split in principle</li> <li>● The real practical issue is how the actual functions could be split between the two posts</li> </ul> <p><u>Most Board members</u></p> <ul style="list-style-type: none"> <li>● Express concern that it may not be easy to find a suitable candidate</li> </ul>	<p><u>Majority of Board members</u></p> <ul style="list-style-type: none"> <li>● Doubt that the chairman could be part-time, given the complexity and range of policy and regulatory issues that the Commission has to handle</li> </ul>	—	<p><u>Some Board members</u></p> <ul style="list-style-type: none"> <li>● Question why a change needs to be brought about now and in such a short timeframe</li> </ul>

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
Hong Kong Securities Professionals Association (LC Paper No. CB(1)547/04-05(05))	<ul style="list-style-type: none"> <li>Fully agrees with the proposal</li> <li>Should be very cautious in choosing the candidates for the two posts</li> </ul>	—	—	—
Hong Kong Securities & Futures Industry Staff Union (LC Paper No. CB(1)547/04-05(06))	<ul style="list-style-type: none"> <li>No comment on the restructuring proposal of the senior management</li> <li>The chairman and CEO must have sufficient knowledge about the operation of the securities and futures industry</li> </ul>	—	<ul style="list-style-type: none"> <li>It may not be easy to find a suitable candidate for the chairman post given the low level of remuneration and other requirements</li> </ul>	—
The Hong Kong Society of Financial Analysts Limited (LC Paper No. CB(1)547/04-05(07))	<ul style="list-style-type: none"> <li>There are some merits of the splitting proposal</li> <li>The chairman post must be filled on the basis of professional and ethical merit, and must not be a political appointment</li> </ul>	—	<ul style="list-style-type: none"> <li>Both the chairman and CEO should be remunerated at full market rates</li> </ul>	<ul style="list-style-type: none"> <li>The decision of separating the duties of the chairman and CEO is a complex one and needs to be made after considerable consultation. The hiring of the</li> </ul>

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
				chairman and CEO must not be done in haste
Hong Kong Stockbrokers Association Limited ( <i>LC Paper No. CB(1)547/04-05(08)</i> )	<ul style="list-style-type: none"> <li>● The separation of roles will have a number of advantages</li> <li>● Whether the chairman is an executive or non-executive needs to be addressed</li> </ul>	<ul style="list-style-type: none"> <li>● Whether the chairman is full-time or part-time needs to be addressed</li> </ul>	<ul style="list-style-type: none"> <li>● Expresses concern about the remuneration package of the chairman post and how the package is determined</li> </ul>	—
Hong Kong Institute of Certified Public Accountants ( <i>LC Paper No. CB(1)547/04-05(15)</i> )	<ul style="list-style-type: none"> <li>● Supports the principle of splitting the chairman post into chairman and CEO posts</li> <li>● To avoid any confusion of roles and overlapping of responsibilities, the chairman should ideally be an independent non-executive member of the governing board</li> </ul>	<ul style="list-style-type: none"> <li>● Not necessary to define the chairman as a “full-time” or “part-time” chairman</li> </ul>	<ul style="list-style-type: none"> <li>● The chairman should be adequately remunerated having regard to his role and responsibilities as well as the fact that he should be non-executive and is not an employee of SFC</li> </ul>	—

**Part B Major views of the organizations/academics not attending the meeting**

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
The Law Society of Hong Kong (Securities Law Committee) <i>(LC Paper No. CB(1)547/04-05(10))</i>	<ul style="list-style-type: none"> <li>● Supports the split</li> <li>● Supports the proposal that the chairman be non-executive</li> </ul>	<ul style="list-style-type: none"> <li>● If the chairman is to be the public face of SFC, the chairman should be full-time</li> <li>● To make the chairman post a part-time position will send a wrong message to the market. It would not be easy to find a suitable candidate who has absolutely no conflicts of interest to fill the part-time chairman post</li> </ul>	—	<ul style="list-style-type: none"> <li>● The timing is rushed and more time should be taken to consider the details of the proposal</li> </ul>
Dr Stanley C K HOI Associate Professor Department of Finance & Insurance Lingnan University	<ul style="list-style-type: none"> <li>● Expresses concern about the appropriateness of a non-executive chairman</li> </ul>	<ul style="list-style-type: none"> <li>● It would seem appropriate to provide a full-time status to the chairman post</li> </ul>	—	—

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
<i>(LC Paper No. CB(1)547/04-05(11))</i>				
Hong Kong Exchanges and Clearing Limited <i>(LC Paper No. CB(1)547/04-05(12))</i>	<ul style="list-style-type: none"> <li>● Not appropriate for HKEx to comment on the question of SFC's chairmanship</li> </ul>	—	—	—
Professor Stephen Y L CHEUNG Chair Professor Department of Economics & Finance City University of HK <i>(LC Paper No. CB(1)547/04-05(13))</i>	<ul style="list-style-type: none"> <li>● Splitting would bring about benefits to SFC</li> </ul>	—	—	—
The Hong Kong Association of Online Brokers <i>(LC Paper No. CB(1)547/04-05(14))</i>	<ul style="list-style-type: none"> <li>● Supports the splitting of functions, but bureaucracy should not be brought into the regulatory system by the creation of a new post</li> </ul>	—	—	—
Mr David M WEBB <i>(LC Paper No. CB(1)547/04-05(16))</i>	<ul style="list-style-type: none"> <li>● What is proposed would be negative to the governance and</li> </ul>	<ul style="list-style-type: none"> <li>● The chairman of a regulator can only fulfill his role if he is</li> </ul>	<ul style="list-style-type: none"> <li>● Any role which is full-time, whether it is called</li> </ul>	—

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
	<p>effectiveness of SFC</p> <ul style="list-style-type: none"> <li>● There is already a separation of roles within SFC: an executive chairman and a Chief Operations Officer</li> </ul>	a full-time chairman	executive or not, deserves a full-time remuneration	
Hong Kong Investment Funds Association ( <i>LC Paper No. CB(1)547/04-05(17)</i> )	<ul style="list-style-type: none"> <li>● Supports the splitting proposal</li> <li>● A non-executive chairman would have more time to keep abreast of the latest developments in the European Union and would be in a better position to map out the appropriate policies</li> </ul>	—	—	—
Professor LOW Chee-keong Associate Professor in Corporate Law The Chinese University of Hong Kong	<ul style="list-style-type: none"> <li>● Not in favour of the proposal</li> </ul>	—	<ul style="list-style-type: none"> <li>● The chairman of the Financial Services Authority in the United Kingdom draws a</li> </ul>	<ul style="list-style-type: none"> <li>● The speed at which the Administration is seeking to implement the proposal may</li> </ul>

	<b>Splitting the SFC chairman post into non-executive chairman and CEO posts</b>	<b>Full-time or part-time chairman</b>	<b>Remuneration</b>	<b>Timeframe for the proposed changes</b>
<i>(LC Paper No. CB(1)547/04-05(18))</i>			substantial salary and the separation of the post has increased the costs by the equivalent of at least one full-time director	expose it to the type of oversight that was evident in the recent deferment of the listing of the Link REIT on the Stock Exchange of Hong Kong
The Hong Kong Institute of Directors <i>(LC Paper No. CB(1)547/04-05(19))</i>	<ul style="list-style-type: none"> <li>● It would be the best practice in the corporate governance of SFC to separate the post of the chairman into two: an independent, non-executive chairman post and a CEO post</li> </ul>	—	—	—