



SECURITIES AND FUTURES COMMISSION 證券及期貨事務監察委員會

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**By Fax**

(Fax no.: 2869 6794)

27 March 2006

Miss Salumi Chan  
Clerk to Panel  
Panel on Financial Affairs  
Legislative Council  
Legislative Council Building  
Central  
Hong Kong

Dear Miss Chan,

**Policies on remuneration for and post-termination employment of senior executives of the SFC**

I refer to your letters dated 9 February and 7 March 2006, setting out a number of questions concerning the post-termination employment of SFC's Executive Directors and senior executives.

Please find attached SFC's written response in respect of the questions raised.

Yours sincerely,

Doris Pak  
Commission Secretary

Encl.

c.c. Mrs. Avia Lai, AA/SFST (Fax no.: 2147 3873)  
Dr. York Liao, Non-Executive Director, SFC (by email)

DPnc/06L041

## **Questions raised in the 9 February 2006 letter**

### 1. Details about the SFC's existing policy

#### (A) *Remuneration policies applicable to senior executives*

- The SFC draws reference from market rates to determine the pay level of the first three tiers of its senior executives ("Senior Executives")<sup>1</sup>.
- Every year, SFC conducts pay reviews with reference to the findings of pay level and pay trend surveys conducted by independent pay consultants. The remuneration of SFC senior executives is reviewed annually by the Remuneration Committee ("RC"), which consists only of Non-Executive Directors of the SFC. In formulating pay review proposals, the SFC's financial position, prevailing market conditions and the performance of the organization and individual staff will be considered. Other factors such as recruitment experience, staff retention and turnover rates are also taken into account.

#### (B) *Existing policy governing post-termination employment of senior executives*

- At present, sanitization requirements are applicable to Executive Directors (including the Chairman)<sup>2</sup>. The current rules require the Executive Directors (including the Chairman) to obtain prior permission in writing from a committee, comprising all Executive Directors and Non-Executive Directors except the officer concerned, for an employment during a six-month post-termination period if the activities of the new employment have been the subject of any of the statutory functions of the SFC in the period of 12 months before and/or 6 months after departure.
- In addition, there is a "Confidentiality" clause in the employment agreement which requires SFC employees, including all directorate staff, to maintain secrecy of confidential information even after they leave the Commission. SFC employees are also bound by the secrecy provisions as

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<sup>1</sup> The first three tiers are Chairman, the Executive Directors and Senior Directors.

<sup>2</sup> According to Section 2 of Part 1 of Schedule 2 of the Securities and Futures Ordinance, the Chairman of the Commission shall, by virtue of holding that office, be regarded as an executive director of the Commission.

set out in section 378 of the Securities and Futures Ordinance (Cap. 571) which impose statutory secrecy obligations on them.

2. The need to review the existing policy in the light of the new arrangements for post-service employment of former directorate civil servants promulgated in January 2006, so as to ensure that former senior executives of SFC will not enter into business or take up employment which may constitute conflict of interest (real, potential or perceived) with their former duties or cause negative public perception

- SFC is an independent statutory body. SFC employees are not civil servants and are employed on different terms and conditions. The regulations on the taking up of outside work by Government for directorate civil servants are therefore not applicable to the Commission.
- Nonetheless, the SFC is currently reviewing the existing arrangements in respect of post-termination employment of the Executive Directors, in order to eliminate conflicts while a departing Executive Director works out his or her notice period and to lessen the perception of conflicts of the first 6 months after the Executive Director's departure. The SFC will be able to report further to the FA Panel once it has discussed these issues with the Administration.

## Questions raised in the 7 March 2006 letter

Information on the post-termination of the Senior Executives of the SFC in the past 3 years, including the following details:

(a) Number of relevant cases for each tier of the Senior Executives in each of the past 3 years;

### 2003/04

Chairman	0
EDs	0
SD	0

### 2004/05

Chairman	0	
EDs	2	Ashley Alder Mark Dickens
SD	1	Gerald Greiner

### 2005/06

Chairman	1	Andrew Sheng
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(b) In each of the cases in item (a) above,

- Whether a sanitisation period has been imposed; and if so, the length of the period:
  - No sanitisation period was imposed on each of the above departure cases as the sanitisation requirements were not applicable in the circumstances.
- The dates on which the officers concerned have ceased service with SFC:
  - Gerald Greiner (last date of employment 16.05.04)
  - Ashley Alder (last date of employment 22.10.04)
  - Mark Dickens (last date of employment 31.03.05)
  - Andrew Sheng (last date of employment 30.09.05)
- The dates on which the officers concerned have subsequently taken up employment with other corporations, and the nature of the new employment:
  - Gerald Greiner: Joined the Hong Kong Stock Exchange and Clearing Limited as Deputy Chief Operating Officer in May 2004

- Ashley Alder: Re-joined Herbert Smith (a law firm) as Partner in October 2004
- Mark Dickens: Not applicable. Mr. Dickens did not apply for permission from the SFC for any employment during the first six months after he had left the SFC.
- Andrew Sheng: Not applicable. Mr. Sheng has not applied for permission from the SFC for any employment since he left the SFC in September 2005.