



**OPENING STATEMENT OF MR MARTIN WHEATLEY
CHIEF EXECUTIVE OFFICER – SECURITIES AND FUTURES COMMISSION (SFC)**

Thank you Chairman. I'd like to take a few minutes on the Opening Statement.

1. I would like to acknowledge and recognize the extremely difficult personal circumstances faced by many investors. The SFC recognizes that this issue is not just a question of the legal wording but of community and social concern about how Hong Kong's regulation works to protect investors.
2. There has been an unprecedented level of complaint regarding alleged mis-selling following Lehman Brothers' collapse. Notwithstanding the global financial crisis that preceded this, public confidence in Hong Kong's own system has diminished and concerns have been raised about whether or not it is working.
3. I believe that - it is now very important, for the recovery and further development of our market, that we act to restore public confidence. To do so we must first address the mis-selling complaints. In the process, we must also identify the underlying factors and move quickly to address them. To this end the SFC is fully committed to assisting both the Government and this Subcommittee in their review of the underlying causes of these Minibond complaints.
4. In considering how our market has performed we must keep in mind the global events that have influenced our market. We have experienced, the worst financial crisis in over 50 years. No country has been immune to its effects. Investors around the world have lost money as a result of the multiple failures of financial institutions, which in Hong Kong we have fortunately managed to avoid. While this in no way diminishes the issue of Minibonds, I believe that it is nevertheless important to recognize that in many respects our financial infrastructure has survived this crisis better than many others. This is important context in which to place our current considerations.
5. Of the over 20,000 complaints received some 8,400 were filed through the SFC. These complaints overwhelmingly alleged that the Minibond product had been mis-sold. When we first started receiving these complaints in September last year, we quickly opened a number of investigations.
6. As members will be aware, earlier this year we reached a section 201 agreement with two brokers. Let me reassure members of this Subcommittee and members of the public that the completion of our remaining investigations is our highest priority and we are progressing our work as fast as possible.
7. It is our sincere hope that we will, in due course, be able to reach agreements with the banks that sold Minibonds and avoid lengthy court procedures.
8. Looking ahead, we have made a number of recommendations in our December 2008 report to the Financial Secretary on issues arising from this crisis. Many of these recommendations can be introduced relatively quickly and we believe that they will be helpful in improving our regulatory approach.
9. While I believe that a review of our regulatory structure is important in the context of Hong Kong's future success as a financial centre, I would also caution against reaching any hasty conclusions on this complex issue.

10. Our regulatory structure has in many respects served us well during the current crisis and its positive features should not be given up too readily. Equally, there are many global regulatory changes as well as developments in the Mainland, which will need to be factored into our considerations. We should proceed carefully and thoughtfully in determining what future structure is right for Hong Kong.
11. The challenge for us all, in the face of the losses of so many small investors, is to try to form a balanced view of all the factors that have contributed to the situation we now face. Some of these factors are macro-economic and while we need to learn from them, are outside the scope of our review. Other factors, such as the form of rules and regulations we have in place and the degree of compliance with these regulations by market participants, are matters which we as regulators must address.
12. I look forward to assisting the Subcommittee in their consideration of these issues. I have responded to all of the requests for information or the production of documents.
13. I am happy to answer any questions.

Thank you.