

**Proposed Establishment of  
an Investor Education Council (IEC) and  
a Financial Dispute Resolution Centre (FDRC)**

**1 March 2010  
Financial Services and the Treasury Bureau**

## Pre-sale

### **Education**

- Investor Education Council

## Sale

Securities and Futures Commission (SFC) & Hong Kong Monetary Authority (HKMA)

- authorisation of investment products
- conduct of intermediaries
- sales practices
- disclosure requirements

## Post-sale

### **Dispute Resolution**

- Financial Dispute Resolution Centre

# Investor Educator Council

## **Vision**

- The public are better equipped with the skills and knowledge to make more informed financial decisions and manage their money wisely

## **Investor Education Strategy**

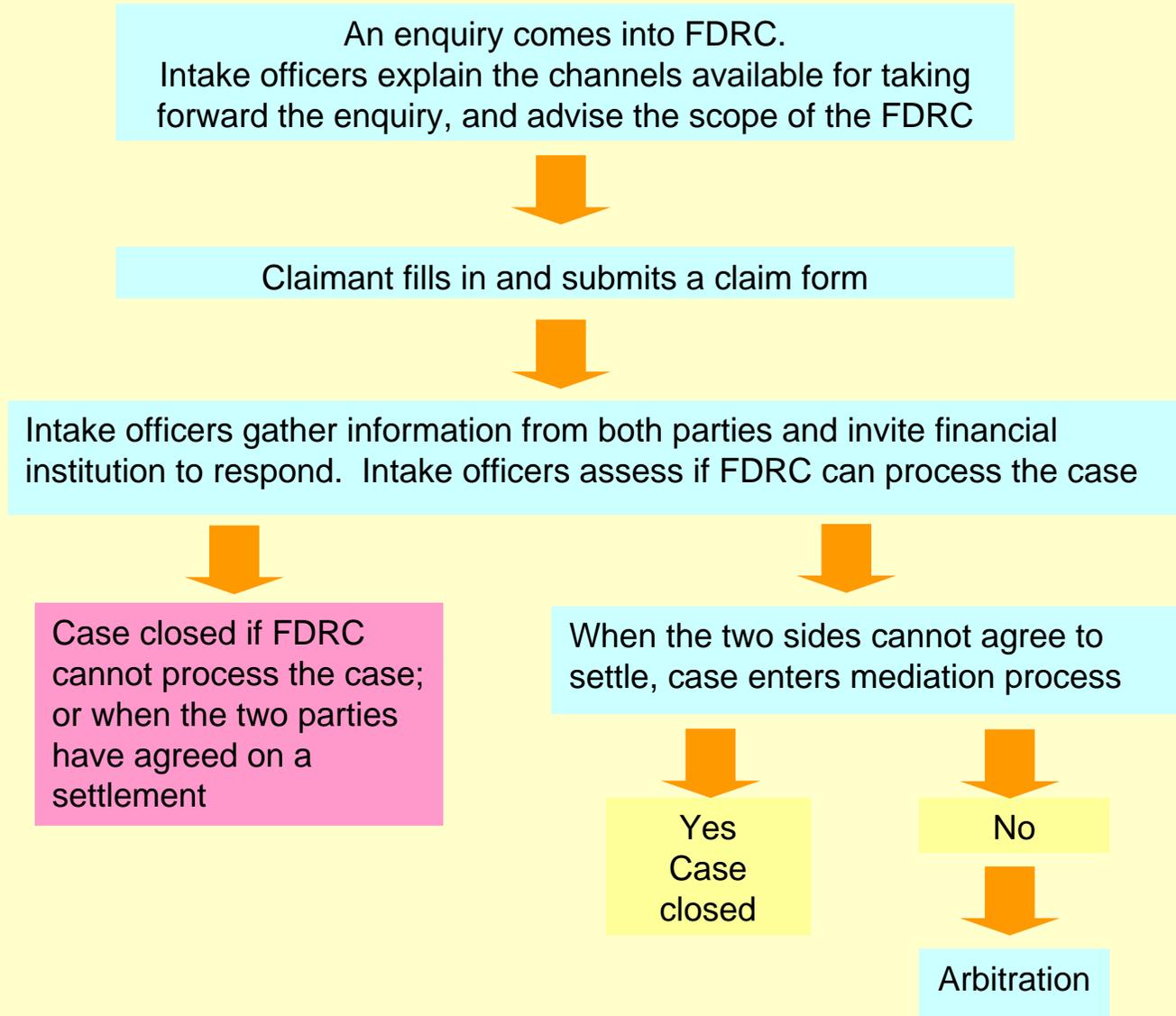
- (i) Reaching large audiences through regular, mass media campaigns
- (ii) Building sustainable and tailored outreach programmes
- (iii) A website for the public

- Wholly owned subsidiary of SFC
  - SFC to fully fund IEC (annual budget estimated at HK\$50M)
  - No government funding; no charge to public

# Financial Dispute Resolution Centre

- FDRC deals with cases fulfilling the following criteria by mediation and, failing which, arbitration:
  1. A party is a regulatee or licensee of HKMA or SFC (bank, broker, fund house, etc.)
  2. The other party is an individual customer
  3. The dispute is of monetary nature, and fails to be resolved by the financial institution's internal procedure

## Proposed Process Governing the Financial Dispute Resolution Scheme



- Clear division of labour between FDRC and regulators
  - FDRC: monetary disputes
  - SFC and HKMA: regulatory breaches

- Maximum claimable amount: HK\$500,000
- “Pay-as-you-use” principle, but financial institutions to pay higher fees

<u>Proposed Fee Schedule (in HK\$)</u>	<b>Claimant</b>	<b>Financial Institution</b>
Making enquiries	Nil	Not applicable
Filing a claim form	\$100	Not applicable
Mediation Amount of claims - less than \$100,000 - between \$100,000 and \$500,000	(Case fees)  \$500 \$2,000	(Case fees)  \$5,000 \$10,000
Arbitration (regardless of the amount of claims)	(Case fees) \$5,000	(Case fees) \$20,000

# Proposed Funding Method

	<b>Fixed Costs</b>	<b>Variable Costs</b>
<b>1st 3 years</b>	<ul style="list-style-type: none"> <li>• Government</li> <li>• SFC</li> <li>• HKMA</li> </ul>	Case fees shared by <ul style="list-style-type: none"> <li>• Claimants</li> <li>• Financial institutions</li> </ul>
<b>Thereafter</b>	Shared amongst various financial sectors (e.g. banks, brokers, fund houses) depending on the sector-specific caseload in the past three years	Case fees shared by <ul style="list-style-type: none"> <li>• Claimants</li> <li>• Financial institutions</li> </ul>

- Bridging the gap in existing service by providing one-stop service for resolving financial disputes

- Consultation till 8 May 2010
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(for FDRC)