



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

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**CB(1)18/11-12(16)**

6 October 2011

Mr Noel SUNG  
for Clerk to Bills Committee  
The Legislative Council of Hong Kong SAR  
1 Legislative Council Road  
Legislative Council Complex  
Central, Hong Kong

By post & by fax  
(Fax No: 3529 2837)

Dear Sir,

**Securities and Futures (Amendment) Bill 2011**

In response to your invitation for submissions of 25 July 2011, the SFC Public Shareholders Group ("PSG") had a meeting on 22 September 2011 to discuss the Securities and Futures (Amendment) Bill 2011 ("Bill").

Members are generally supportive of the consultation proposals and note that the proposed regime is consistent with their views expressed at PSG's meeting on 26 May 2009, which are summarised below:

1. The rules on disclosure of price sensitive information ("PSI") should be principles-based;
2. There is a need to promote a culture of compliance in Hong Kong. There should be more training and education programmes for listed companies and their directors; and
3. The rules on disclosure of PSI must be clear and enforceable.

At PSG's meeting on 22 September 2011, members provided comments on the Bill which are summarised as follows:

1. Members noted that the regime proposed in the Bill is in line with the regimes and practices in other major jurisdictions, such as United Kingdom, European Union and Australia;
2. Question was raised as to whether precedents exist that could help in enforcing the proposed legislation. The SFC responded that previous insider dealing cases offered a lot of precedents in respect of certain concepts used in the proposed legislation. The IDT or MMT precedents as set out in the SFC Guidelines on Disclosure of Inside Information are also helpful for market participants to understand PSI-related concepts such as "specific" and "material".
3. Members noted that the SFC will provide a two-year consultation service to help the market in complying with the proposed legislation and asked if an extension of the consultation service period would be made if necessary. The SFC agreed that it would review whether it is necessary to extend the consultation service after the expiry of the initial period of 2 years.



4. Members commented that more education should be given to listed companies to enhance their understanding of what constitutes PSI. There are concerns that listed companies will misunderstand what constitutes PSI and will adopt an overly conservative and restrictive approach in order to avoid any possible breach of the regulations. The SFC clarified that under the current Listing Rules, any PSI must be disclosed to the public in a timely manner and that the Listing Rules prohibit selective disclosure of PSI. There is no change in this policy under the proposed legislation. There is a general misconception that a listed company and its directors may sit on a lot of inside information. This is incorrect. If the current market perception that this is the case, this reinforces the need to give statutory backing to the PSI disclosure legislation in order to change the behaviour of listed companies and their directors. Accordingly it is believed that the proposed legislation will enhance disclosure and the concerns raised would be unfounded.
5. As a result of the above discussion, members took the view that the new regime, if effective, might create a culture of prompt disclosure and better transparency. It is hoped that there are more public disclosures of price sensitive information but less selective disclosure events. The new regime will help maintain a level playing field and equal access to the same information by the public at the same time.

For your information, this submission is made in English only. Members have no objection to the usual practice of the Legislative Council to make it available to the media and the public, as well as uploading it onto the Website of the Legislative Council.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Susanna Lau'.

Susanna Lau  
Secretary to the Public Shareholders Group

cc: The Hon Chan Kam-lam, SBS, JP (By fax: 2509 9955)