

(Translation)

**Motion on**  
**“Expediently regulating the investment and**  
**over-the-counter trading activities of Loco London gold”**  
**moved by Hon WONG Kwok-hing**  
**at the Council meeting of 21 December 2011**

**Wording of the Motion**

That in recent years, fraudulent investment cases involving over-the-counter (‘OTC’) trading of Loco London gold are increasingly rampant, and many members of the public have been deceived and victimized, with cumulative losses amounting to more than \$10 million, but there are at present no laws and statutory bodies in Hong Kong to regulate OTC trading of Loco London gold; this not only deprives victims of complaint avenues and means of recovering losses, but at the same time, results in fraud cases persisting and severe damage to Hong Kong’s reputation and status as an international financial centre, because the financial firms and practitioners engaged in OTC trading of Loco London gold are of mixed standards and they make use of the vacuum created by the lack of legislative regulation to operate; in this connection, this Council urges the Government to expediently study the enactment of legislation to regulate OTC trading activities of Loco London gold, so as to expediently bring the operation of this industry back to the right and healthy track for the protection of investors’ interests; the relevant measures should include:

- (a) to proactively study the formulation of specialized rules and regulations and the establishment of a statutory regulatory body, so that the trading of precious metals, including OTC trading of Loco London gold, can be brought under legislative regulation and protection;
- (b) to proactively study the introduction of a licensing system to regulate the trading bodies engaged in the aforesaid business, including imposing penalties on and instituting prosecutions against companies contravening the relevant licensing rules;
- (c) to proactively study the further expansion of the existing voluntary registration system for practitioners of the Chinese Gold and Silver Exchange Society to form a central registration system covering practitioners of the entire industry, stipulating that persons with no registration are not permitted to engage in OTC trading of the relevant precious metals, so as to regulate the professional expertise and conduct

of practitioners; and while implementing a central registration system, to make reference to the experience of the Chinese Gold and Silver Exchange Society and organize training programmes on relevant professional expertise for practitioners, so as to upgrade practitioners' conduct and quality;

- (d) to assist the industry in formulating model sales documents and procedures on making investments in OTC trading of Loco London gold, including the requirement that at the time of signing an investment agreement, the salesperson must clearly explain to the investor the rights and liabilities as well as the investment risks associated with OTC trading of Loco London gold;
- (e) to request the Police to conduct in-depth investigations into fraudulent investment cases involving OTC trading of Loco London gold, set up a task force designated for follow-up work, enhance enforcement efficiency, and rigorously eradicate related fraud cases; and
- (f) to strengthen education and information on OTC trading of Loco London gold for investors, raise public understanding about the operational details and risks of OTC trading of Loco London gold, enhance public alertness, and disclose the various tactics employed in similar fraud cases.