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**Legal Service Division Report on
Subsidiary Legislation Gazetted on 14 April 2000**

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Amendment to be made by : 31 May 2000 (or 7 June 2000 if extended by resolution)

**Securities and Futures Commission Ordinance (Cap. 24)
Securities and Futures Commission (Fees) (Amendment) Rules 2000
(L.N. 87)**

The purposes of these Amendment Rules are to introduce a set of new fees relating to :-

- (a) the regulation of securities margin financiers and securities margin financier's representatives; and
- (b) the waiver or modification of the requirements of certain provisions of the Securities Ordinance (Cap. 333).

Members may refer to LegCo Brief: (Ref: SUB49(200)XIX) issued by the Financial Services Bureau dated 13 April 2000 for background information. According to the Brief, the proposed revision of fees and charges is based on cost-recovery basis and on par with those fees presently payable by other classes of registrants in relation to applications for registration, waiver or modifications of certain specific requirements under the relevant ordinances administered by the Securities and Futures Commission.

The Amendment Rules will come into operation on 12 June 2000.

**Securities Ordinance (Cap. 333)
Securities (Miscellaneous) (Amendment) Rules 2000 (L.N. 88)
Securities (Dealers, Investment Advisers, Partnerships and Representatives)
(Amendment) Rules 2000 (L.N. 89)**

Securities (Accounts and Audit) (Amendment) Rules 2000 (L.N. 90)
Securities (Securities Margin Financiers and Representatives) Rules 2000 (L.N. 91)
Securities and Futures Commission (Annual Returns) (Amendment) Rules 2000 (L.N. 92)

Upon enactment of the Securities (Margin Financing) (Amendment) Ordinance 2000 (20 of 2000), the following Rules and Amendment Rules are made to improve the regulatory requirements for the custody and disposition of clients' securities by dealers and securities margin financiers.

The main objectives of the Securities (Miscellaneous) (Amendment) Rules 2000 (L.N. 88 of 2000) are to-

- (a) prescribe the amount of additional deposit that has to be lodged by an applicant as a registered dealer if he carries on a business of securities margin financing;
- (b) prescribe the amount to be lodged by a registered financier as security;
- (c) provide for the keeping, investment, accounting and application of the security;
- (d) prescribe the change in particulars relating to a registered financier or a registered financier's representative that requires notification to the Securities and Futures Commission; and
- (e) require a registered financier and an approved director to exhibit his certificate of registration.

The Amendment Rules will come into operation on 12 June 2000.

The main purposes of Securities (Dealers, Investment Advisers, Partnerships and Representatives) (Amendment) Rules 2000 (L.N. 89 of 2000) are to -

- (a) replace "securities borrowing" by "securities borrowing and lending"; and
- (b) repeal the statutory form of notice which can be provided administratively.

The Amendment Rules will come into operation on 12 June 2000.

The main purposes of the Securities (Accounts and Audit) (Amendment) Rules 2000 (L.N. 90 of 2000) are to prescribe -

- (a) the particulars and forms of the profit and loss account and balance sheet required to be prepared by a registered financier; and
- (b) the statements to be contained in an auditor's report of a registered financier.

The Amendment Rules will come into operation on 12 June 2000.

The Securities (Securities Margin Financiers and Representatives) Rules 2000 (L.N. 91 of 2000) prescribe the manner and forms for -

- (a) the application of registration as a securities margin financier or a securities margin financier's representative; and
- (b) the approval under section 121I of the Securities Ordinance (Cap. 333).

The Rules also prescribe the particulars required to be kept in the registers and empower the Securities and Futures Commission to correct errors in the registers and issue duplicate certificate of registration.

The Rules will come into operation on 12 June 2000.

The main purpose of the Securities and Futures Commission (Annual Returns) (Amendment) Rules 2000 (L.N. 92 of 2000) is to amend the annual return form in the Schedule to the Securities and Futures Commission (Annual Returns) Rules (Cap. 24 sub. leg.) to accommodate the inclusion of securities margin financier and securities margin financier's representative.

The Amendment Rules will come into operation on 12 June 2000.

Members may refer to LegCo Brief: (Ref: 125/LC/8) issued by the Securities and Futures Commission dated 10 April 2000 for background information.

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