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來函檔號 YOUR REF.:

7 June 2005

Miss Polly Yeung  
Clerk to Bills Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Miss Yeung,

**Bills Committee on Securities and Futures (Amendment) Bill 2005**

Thank you for your letter dated 2 June enclosing letters from Ms Jane Diplock, Chairman of the Executive Committee and Mr Michel Prada, Deputy Chairman of the Technical Committee, of the International Organization for Securities Commissions (IOSCO).

The Administration welcomes the **personal** views of Ms Diplock and Mr Prada. As mentioned in Ms Diplock's letter, *"the role of Chairman of the Technical Committee is not structurally mandated and as the Secretary General has remarked, the IOSCO principles are sufficiently broad to be adapted to domestic contexts and to provide some flexibility with respect to the governance structures of securities regulators. As such there would be no bar to participation in IOSCO by a non-Executive Chairman"*.

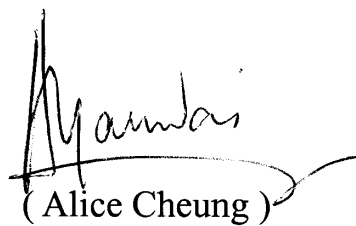
While the comments of Ms Diplock and Mr Prada only reflect their personal views, the Administration wishes to draw the Bills Committee to the **official** response from Mr Phillippe Richard, Secretary General of IOSCO. In his letter to the Administration (Annex), Mr Richard clearly indicated that “*the appointment of the IOSCO Technical Committee Chairman is a personal appointment based on the recognized experience and authority of the appointee.*” As pointed out in Ms Diplock’s letter, Mr Richard has already explained in his letter that “*the IOSCO principles are sufficiently broad to be adapted to all existing domestic contexts and in particular provide some flexibility with respect to the governance structure of securities regulators.*” With these assurances, the Administration does not consider the splitting proposal would have impact on the standing of the Hong Kong SFC at IOSCO.

Turning to the Technical Committee which the incumbent SFC Chairman chairs, it is a committee set up under the Executive Committee to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. As its name suggests, it is understandable that the Technical Committee would select members who have strong technical knowledge and experience to be its chairman. The Technical Committee, however, is not the only committee under IOSCO. The various committees and sub-committees under IOSCO are set out as follows :

- ✧ The Presidents’ Committee
  - Asia-Pacific Regional Committee
  - Interamerican Regional Committee
  - Africa / Middle East Regional Committee
  - European Regional Committee
- ✧ Executive Committee
  - Technical Committee
  - Emerging Markets Committee
- ✧ General Secretariat
- ✧ Self Regulatory Organizations (SRO) Consultative Committee

Based on information gathered from the website of IOSCO, representatives at these committees / sub-committees include chairmen, vice-chairmen, secretary-generals, executive directors, chief executive officers, managing directors and directors, etc. of the securities regulators. For instance, the Vice Chairman of the Executive Committee is Mr Jeff Van Rooyen, who is the **Executive Officer** of the Financial Services Board of South Africa; the Chairman of the Africa / Middle-East Regional Committee is Mr Al-faki, **Director-General**, Securities and Exchange Commission of Nigeria; the Chairman of the Asia-Pacific Regional Committee is Mr Koh Yong Guan, **Managing Director** of the Monetary Authority of Singapore; and the Chairperson of the SRO Consultative Committee is Mrs Mary Schapiro, **Vice Chair of the National Association of Securities Dealers** of U.S.A. In addition, representing the U.K. and the U.S.A. in the Presidents' Committee is Mr Hector Sants, **Managing Director of the Wholesale and Institutional Markets** of the U.K. Financial Services Authority, and Mr Roel Campos, **Commissioner of the Office of International Affairs** of the United States Securities and Exchange Commission. The above illustrates that participation and chairmanship at the committees and sub-committees of IOSCO are not restricted to executive chairman of a securities regulator.

Yours sincerely,



(Alice Cheung)

for Secretary for Financial Services and the Treasury

c.c. Mrs Avia Lai, Administrative Assistant to Secretary for Financial Services and the Treasury

Annex

Organización Internacional de Comisiones de Valores  
 International Organisation of Securities Commissions  
 Organisation internationale des commissions de valeurs  
 Organização Internacional das Comissões de Valores

12 January 2005

Ms. Edna Wong  
 Principal Assistant Secretary for Financial Services  
 and the Treasury (Financial Services)  
 Government of the Hong Kong Special  
 Administrative Region  
 18<sup>th</sup> Floor  
 Admiralty Centre Tower 1  
 18 Harcourt Road  
 Hong Kong

**Subject: Proposed Legislative Changes Concerning the Hong Kong Securities and Futures Commission Governance**

Dear Ms. Wong,

We have received your letter dated 8 January 2005 concerning the above mentioned subject.

IOSCO has endorsed in 1998 a comprehensive set of *Objectives and Principles of Securities Regulation* (IOSCO Principles) and has encouraged all its members to implement them in their respective jurisdictions. The IOSCO Principles are sufficiently broad to be adapted to all existing domestic contexts and, in particular, provide some flexibility with respect to the governance structure of securities regulators.

Each IOSCO member is responsible for designating the persons who act as its representatives during IOSCO meetings, including the person who acts as head of its delegation. Other IOSCO members obviously assess the level and authority of these representatives and take decisions, in part based on this assessment. The international credibility of an IOSCO member regulator is no doubt related to that of its representatives and to their ability and authority to provide strong input to the critical work undertaken within the Organization.

The appointment of the IOSCO Technical Committee Chairman is a personal appointment based on the recognized experience and authority of the appointee. Mr. Andrew Sheng is the current Chairman of the Technical Committee. Should Mr. Sheng resign his current position as Chairman of the Hong Kong Securities and Futures Commission, the members of the Technical Committee would need to appoint a new Technical Committee Chairman.

Sincerely yours,

Philippe Richard  
 Secretary General

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