

24 December 2004

Miss Edith Chan  
Clerk to Panel on Financial Affairs  
Legislative Council Secretariat  
3<sup>rd</sup> Floor Citibank Tower  
3 Garden Road, Central, Hong Kong

Dear Miss Chan,

**Proposed amendments to the Securities and Futures Ordinance: splitting the post of the chairman of SFC into a chairman post and a chief executive post.**

The Hong Kong Institute of Directors is pleased to respond on the captioned subject.

Hong Kong is an international financial centre. At the forefront of Hong Kong's securities and futures market is the SFC, which has been vested with vast powers and responsibilities as regulator of this market. Given the important role of the SFC to Hong Kong's financial operations, it is essential that there be a continual drive to ensure that a strong internal governance structure is in place with the SFC. This is necessary so that the SFC may perform, and be seen to perform, its duties effectively. This continual drive must be done on proactive basis with a view to remove potential problems that may arise in the future. It must not be reactive to problems as and when these arise.

In light of this, the matter was brought to our Corporate Governance Committee (under the Chairmanship of Peter Wong) for its consideration. The result is that we agree that it would be a best practice in the corporate governance of the SFC to separate the post of the chairman into two: (1) an independent, non-executive chairman; and (2) a chief executive officer. This will enhance the governance structure of the SFC by putting into place an additional mechanism on the checks and balances of the powers vested with the SFC. It would also serve as a boost to the transparency, accountability and responsibility of the SFC to the Hong Kong public which it serves. It represents a further step in the continual drive to enhance the governance of the SFC as regulator of Hong Kong's securities and futures market.

Should you require further information regarding our response to the captioned subject, please do hesitate to contact either Peter Wong, our Chairman of the Corporate Governance Committee at 2848-4318, our CEO Ms. Carlye Tsui at 2867-1185 or myself at 2520-7238.

Yours sincerely,  
THE HONG KONG INSTITUTE OF DIRECTORS

Herbert Hui  
Chairman

c.c. Peter S H Wong