



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

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Recommendations in Report to the Financial Secretary on Issues raised by the Lehman's Minibonds crisis

Presentation to Legislative Council Panel on Financial Affairs

Martin Wheatley
Chief Executive Officer, Securities and Futures Commission
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Background

- In September 2008, the Financial Secretary (FS) requested the SFC and the HKMA to submit a review report within three months on the lessons learnt from Lehman Minibonds and how to enhance the regulatory structure, investors' education and protection.
- Our report was submitted to the FS on 31 December 2008.
- The SFC is now exploring possible areas of enhancement and reforms that would meet the objectives in our recommendations.



1. Regulatory reform

- Whether the current **regulatory system** is best suited
- Review whether banking and securities services should be more clearly separated
- To **maintain disclosure-based regime** with conduct regulation



2. Investor education

- To clarify **what is meant by “SFC authorization of a product”**
- To educate on **regulatory philosophy of disclosure coupled with conduct regulation** of intermediaries.
- Create an Investor Education Council



3. Product code and marketing guideline

- Provision of plain and concise **product summaries**
- Revise published **guidance on marketing materials**
- SFC website becomes the **repository of information about unlisted investment products** authorized by the SFC



4. Code of Conduct revision

- To determine what changes are appropriate to : -
 - **existing** inspection regime
 - **intermediaries procedures and controls**

- To consult :
 - **Code definition of professional investors**
 - **intermediaries classification of investors**

- To examine :
 - **pre-sale disclosure requirement**
 - **cooling-off**



6. Legislative reform

- Issuers' ongoing **disclosure obligations** and intermediaries' obligations to ensure such information is brought to investors' attention.
- Whether HK should retain 2 **public offering regimes**
- **One overall disclosure standard for all public offering documents.**
- SFC's power to **seek injunction** and to issue restriction notices can be **delegable**; and SFC is allowed to **seek orders for a breach of the Code of Conduct.**
- **Ability to impose compensation orders.**



I will be pleased to answer any questions that
the FA Panel Members may have.

Thank you.

