



SECURITIES AND FUTURES COMMISSION

證券及期貨事務監察委員會

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23 January 2009

(Downgraded for reference

~~PRIVATE AND CONFIDENTIAL~~ of the Panel on Financial Affairs)

Mr Richard Williams
Head of Listing
The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour Road
Central, Hong Kong

By Hand & By Fax
Fax No: 2295 4806

Dear Richard,

Black out period in the Model Code

Thank you for your letter of 20 January 2009 seeking the Commission's advice on the issue of the black out period in the Listing Rules' Model Code for Securities Transactions by Directors of Listed Issuers. The Commission's Board considered this issue at length at its meeting on 21 January 2009.

The Commission believes that it is essential for Hong Kong's further development as an international financial centre, that our market is recognised as setting high standards of corporate governance and transparency for listed companies. The Commission fully supports efforts to raise requirements in these areas when our rules and requirements are seen as falling below the levels expected. In considering your request for advice the Commission was mindful of the importance that standards of corporate governance and transparency for listed companies play in ensuring that Hong Kong provides, and is seen as providing, an orderly, informed and fair market for securities of listed companies.

In debating this issue, the Commission noted the strong market reaction to the proposed rules and concerns at how they might be affected by other important policy issues, notably quarterly reporting and timing of results announcements. (We note your observation that there are diverse views on quarterly reporting and that implementation of quarterly reporting in any format is still some way off.) The number of complainants, the new arguments put forward and the involvement by the LegCo's Financial Affairs Panel suggest that the proposed rules and other changes to reporting should be considered as a package, so that a full and considered set of rules on interrelated issues can be implemented. The Commission believes that it is important for market confidence that the regulators are seen to be sensitive to market sentiment and are ready to consider the merits of widespread calls for rule changes, even when the rules are only recently promulgated.



In considering a full "package" of changes, it would be important to engage with stakeholders so that all views on the interrelated issues can be evaluated. This would allow the Listing Committee and the Commission to reach an informed view as to what rules and requirements in respect of quarterly reporting, blackout periods and timing of results announcements best suit the goal of Hong Kong's further development as an international financial centre.

The Commission looks forward to the results of such further engagement by you and stands ready to work with you to decide on the issues as necessary.

The Commission also recommends that you give consideration to having the introduction of the blackout periods further deferred from 1 April 2009 to allow time for the Exchange to engage widely with stakeholders on these interrelated issues.

Yours sincerely,

Brian Ho
Executive Director
Corporate Finance

Cc. Mr Gage McAfee and Mr Paul Chow , HKEx
Mr Eddy Fong & Mr Martin Wheatley, SFC