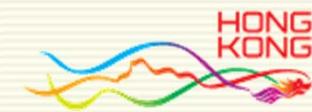


# Consultation Conclusions

## Proposed Establishment of an Investor Education Council (IEC) and a Financial Dispute Resolution Centre (FDRC)

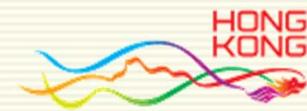
3 January 2011

1



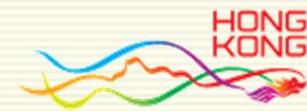
# Outcome of Consultation

- Received 115 submissions
- The public in general welcomed the establishment of an IEC to holistically oversee the promotion of investor education
- Majority of respondents indicated support for setting up a one-stop service to resolve monetary disputes between consumers and financial institutions



# Outcome of Consultation (Cont'd)

- Government adopted a balanced approach in deciding to establish an IEC and an FDRC
- To enhance public's trust in financial institutions –  
A trusting relationship is core to the healthy development of Hong Kong's financial sector
- Coupled with the investor protection measures adopted by regulators, aim to comprehensively protect the interests of the investing public



# IEC

## Mission

- To holistically devise and take forward the strategy of improving financial literacy in Hong Kong
- To raise one's awareness of an investor's rights and responsibilities and generic knowledge of financial products
- To help enhance one's abilities in managing finance, hence making better financial decisions

4



# IEC (Cont'd)

## Role and focus of IEC

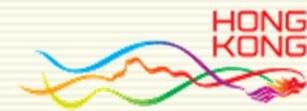
- ✓ Improve the quality of financial decisions
- ✓ Improve capability on financial management
- ✓ Promote understanding of the importance of making informed financial decisions
- x Review and rate investment products
- x Give direct or indirect investment advice
- x Help to time the entry to or exit from the financial market



# IEC (Cont'd)

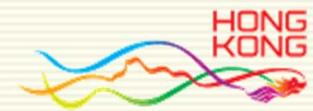
## Governance structure

- Governed by an independent IEC Board
- IEC Board : sufficiently represented by relevant financial regulators, Government bureaux and industry experts



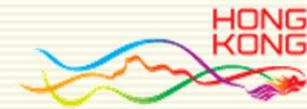
# FDRC

- Bridge gap in current system
- Offer a speedy and affordable way to help resolve monetary disputes between consumers and financial institutions
- Maximum claimable amount : HK\$500,000



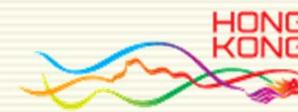
# FDRC (Cont'd)

- FDRC deals with cases fulfilling the following criteria by mediation and, failing which, arbitration:
  1. A party is a regulatee or licensee of HKMA or SFC (bank, broker, fund house, etc.)
  2. The other party is an individual customer
  3. The dispute is of monetary nature, and fails to be resolved by the financial institution's internal procedures



## FDRC (Cont'd)

- Insurance and MPF sectors to be carved out at the beginning
- Ultimate scope subject to review, open attitude



# FDRC (Cont'd)

## Interface with regulators

- Guiding principles : not to burden financial institutions with excessive requirements; not to compromise regulators' power and duties to investigate alleged regulatory breaches
- Confidentiality of FDRC process not to become a regulatory blind spot; not to undermine regulator's statutory investigation power

10



# FDRC (Cont'd)

## Interface with regulators (Cont'd)

- Parallel handling of cases brought to both FDRC and regulators
- A Memorandum of Understanding to delineate the roles and responsibilities between FDRC and regulators
- FDRC – disclose cases summary data regularly on an unnamed basis for public education purpose

11



# FDRC (Cont'd)

## Fees

- Guiding principles : consumers having an affordable avenue for resolving disputes; financial institutions having enough incentive to resolve disputes at an early stage
- A higher fee for financial institutions to encourage investment in and use of own complaint handling system
- Fee structure slightly revised in response to the majority view for a higher fee for consumers and, with a view to minimising abuse by either party
- Levels of fees to be reviewed regularly

12



# Way Forward

## IEC

- To amend Securities and Futures Ordinance in this legislative year to authorise SFC to establish IEC and to broaden SFC's ambit to cover financial services and products other than those in the securities and futures sector and to delegate investor education responsibilities of SFC to IEC
- To set up IEC as a wholly-owned company under SFC. SFC to fully fund IEC; no funding support from Government; no extra levies and charges on investors

13



# Way Forward (Cont'd)

## FDRC

- Government to work with HKMA and SFC to prepare for the setting up of FDRC by mid-2012
- Government will set up FDRC as a company limited by guarantee. Government, HKMA and SFC to provide set-up costs and operation costs in the first three years
- To seek funding approval on the Government's contribution in the latter half of this legislative session

14

