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Chairman & Committee Members

Thanks for inviting The Hong Kong Society of Financial Analysts (HKSFA) to present our comment on Securities and Futures (Amendment) Bill 2013 to this Committee.

HKSFA is supportive of this Amendment Bill and pleased to work with the authority and stakeholders to fine tune the details and the subsequent legislations. It is important for the Government to keep consulting the industry on this important matter. The implementation of this Amendment Bill should be done in phases so as to minimize time and opportunity costs as well as preserving the competitiveness of HK.

For Part III, Division 2 Schedule 11 regarding the transitional arrangements for activities that fall within different licenses (Type 11 RA, Type 12 RA, Type 7 RA and Type 9RA), we believe the proposed transitional period should be determined based on the reasonable time to set up system infrastructure. We suggest having selective large corporations for pilot programme and test run for industry readiness before full implementation of mandatory reporting. The compliance cost should be carefully assessed and monitored.

We agree the proposed mandatory reporting obligation and mandatory clearing obligation stipulated in Part IIA, Division 2 (i) (ii) (iv). However, we notice there is a practical issue of ensuring the prescribed person which is a locally incorporated authorized financial institution to include all the booking entities of that institution for their OTC derivative transactions with their local clients. We therefore suggest a pragmatic approach for mandatory reporting in accordance with the reporting rules.

We are supportive of trading obligation specified in Part IIIA Division 2 (iii). As a practitioner, we opine that not all OTC derivative products are suitable for exchange trading. A proper consultation with industry is required to clear this point. In addition, we propose to focus not only on product class but also on the underlying security (e.g. a specific stock or credit) in relation to SIPs and section 101O (notification of positions) of Part IIIA, Division 5.

In conclusion, HKSFA believes this Amendment Bill is imperative to make Hong Kong a better place for conducting financial business. Thank you.