

Other areas where we are looking at i



The five safe harbours are:

- the prohibition of disclosure under Hong Kong laws,
- incomplete negotiations or proposals,
- trade secrets,
- liquidity support to banks by the Exchange Fund, and
- disclosure waived by the SFC if a disclosure is prohibited by foreign laws.

Except for the first safe harbour --



In another extreme case, a company's information in the announcement didn't even tally. The company in question expected profit for 2012 would decrease by over 50% compared to the profit of RMB1 billion last year, but then in the same announcement added that 2012 profit would range between zero and RMB50 million. Clearly, either the profit would decrease by 50% or the profit ceiling of RMB 50 million was flawed. The statement was later rectified by the company to clarify that it's expecting a profit decline of over 90%.

6. Liability in relation to a breach and internal controls. What I do want to point out is that when considering whether an officer has taken all "reasonable measures" or has acted intentionally, recklessly or negligently, the SFC will take into account the roles and responsibilities of the officer concerned. In case of a breach by a company, if proper internal controls are in place, and the officer concerned has acted in good faith and in accordance with his fiduciary duties, and has no actual knowledge of the information or involvement in the breach, the officer is unlikely to be personally liable under the law.

So I am saying, dial the SFC's hotline if in doubt but don't expect us to decide for you what qualifies as price sensitive information. We're just drawing your attention to the types of questions that you should be asking yourselves. My suggestion would be: If in doubt, publish it!

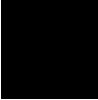
A note about ORA

I also want to use this opportunity to talk about overseas regulatory announcements (ORAs), a designated category of announcements on the HKEx website by dually-listed companies to fulfil their overseas regulatory requirement.

Although over 20% of announcements are actually categorised as ORAs, investors pay little attention to them because they're often administrative in substance – such as a notice of a directors' meeting, issued by Chinese companies according to the Mainland regulations.

HKEx has allowed companies to publish ORAs either in English or Chinese, or both languages, although less than 1% of ORAs are issued in both languages.

Some ORAs, however, contain price sensitive information such as preliminary results, or information on asset impairments or revaluations.



My Vision

I've talked about the challenges we face and highlighted our work in two key initiatives. So I will now elaborate on my vision for the SFC and indeed the future of the Hong Kong financial markets.

Hong Kong has a reputation as the freest economy enjoying both free capital and information flows, benefiting from strong institutions that uphold the rule of law and protect property rights. It is this institutional structure that provides certainty and predictability to investors around the world, including Mainland China, and underpins our success as an international financial centre.

My vision for the SFC is:

1. First and foremost, to protect investors. We will continue to uphold a quality market by enforcing a sound regulatory framework through effective surveillance and in the last resort, enforcement. One of the key elements of a quality market is fairness and justice, which means that wrongdoers are punished and investors are adequately compensated for losses due to market fraud and misconduct.

In particular, we'll pursue criminal sanctions whenever we can. This has proved a very effective approach which we'll continue. And we may take more cases to court as a result. However, I want to stress that in respect of criminal prosecution, the priority should not be in the time needed in the legal process but rather the goal we are trying to achieve. This is to send out a clear deterrent message to the market that there's a huge price to pay in an offence.
2. We should also proactively promote the education of investors through our subsidiary, the Investor Education Centre, to help people better equip themselves to make informed financial decisions and to manage their money wisely. A knowledgeable and educated investor is the best defence against market malpractice and fraud.
3. For listed companies, in addition to encouraging good corporate governance, I would like to see more effective independent non-executive directors (INEDs). I am sure that many INEDs take their responsibility very seriously but unfortunately there are still those who merely rubber-stamp what is put forward by management. I would also like to see more diversity on the boards of listed companies, especially more women on boards!
4. We will continue to implement and adopt global financial regulatory reforms but try to make a] × acol ta cue mtoercnih



6. Last but not least, we will proactively engage with our stakeholders by means of consultations, seminars and close dialogue and will work closely with other regulators to close any regulatory gaps.

Closing

Our commitment lies in the overriding mission of the SFC to protect investors and to ensure that markets are fair, efficient, orderly, internationally attractive and sustainable. We promise to continue to uphold regulatory standards and resist regulatory arbitrage. The SFC's commitment to promote transparency and market efficiency is simple: we don't compromise our standards!

Whether we like it or not, there will always be diverging interests and views on the functioning and future direction of our financial markets. Very often, our challenge is to find the balance between the various interests. We will therefore always establish the facts, listen to our stakeholders, and carry out a thorough analysis before making any final decisions. It is most important that the SFC remains independent and acts in the best interests of the investing public and maintains the stability, quality and development of Hong Kong as a world-class financial centre.

In closing, I just want to say that instead of having a plethora (pages and pages) of rules and regulations and the toughest enforcement regime, I would much rather see the market regulate itself. I therefore look forward to the day when all market players practise strong business ethics, pursue long-term sustainable profits instead of short-term gains and invest in the future of our community.

I will then be out of a job!

Thank you.