



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

17<sup>th</sup> November 2016

Sent by Email and by Post

Corporate Communications Department  
c/o Hong Kong Exchanges and Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Dear Sirs/Madams,

**Re: Consultation Paper on Proposed Enhancements to Exchange's Decision-Making and Governance Structure for Listing Regulation**

Overall, the HK SFA, a leading investment professional body in Hong Kong with 6,000 strong members, is in support of the listing regulation enhancements as jointly proposed by the Hong Kong Exchanges and the Securities and Futures Commission. We believe a closer cooperation between the exchange player and the regulator is conducive to developing Hong Kong into a top international money management centre.

In our opinion, the joint proposal in the consultation paper is an improved framework in which both finance professionals and the regulators can work together with better understanding of each other's concerns than before, facilitating a faster development of the Hong Kong financial industry. The existence of the stock market from which corporations can raise funds for their business expansion is to serve the larger benefit of the society. It is not for the sole purpose of serving individual interests, be they the corporation or the intermediary's. To ensure that the public interest is safeguarded, one has to strike a balance between protecting public investors and promoting market development with regard to the listing of corporations on the Hong Kong Stock Exchange. Currently, Hong Kong is under pressure in competing with other major financial centres for quality IPO businesses. Without making the appropriate changes, it is inevitable that Hong Kong will fall behind its competitors both in the region and the global marketplace, which is a detriment to the Hong Kong economy at large.

International asset managers mostly welcome a stock market that exhibits a strong protection for investor interest. Unlike most of the other countries, finance is one of the most important pillars of the Hong Kong economy and foreign participation in the local stock market is particularly high. It is essential for Hong Kong maintaining a top quality market if it is to further develop its finance business. While Hong Kong generally receives praises for its regulatory regime, there is still room for improvement, such as screening out the bad corporations from raising funds from the market. It is believed the integrated approach to IPO approval as proposed in the consultation paper should refine the judgment call made by the Listing Committee as well as uplift the procedural efficiency.

With regard to specific recommendations, our views are as follows:

Listing Regulatory Committee

- Currently, Hong Kong has the practice of dual filing system, which means both the Hong Kong Stock Exchange and the SFC are making their IPO decisions in a separate manner. Under the SFO, the SFC has the leading role to play with regard to the approval of new listing.
- As such, the new arrangement does not constitute any new power rested with the SFC, or downplay the importance of the Listing Committee under the Hong Kong Stock Exchange, which acts as the frontline defence for market integrity.
- As the listing market in Hong Kong has become more sophisticated and internationalised than before, it is inappropriate to burden the Listing Committee, consisting mostly of volunteers as members, with the heavy supervisory role. While the finance professionals of the Listing Committees contribute significantly in terms of vetting the listing documents, the listing decision for a dubious applicant has become more of a judgment call.
- The new arrangement will only reinforce the SFC as the institution that has the final responsibility for safeguarding market integrity and make the process more efficient.



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#### Listing Policy Committee

- In general, the new committee will be in a better position in formulating policies regarding listing matters. The Hong Kong market will benefit, when both the exchange and the regulators jointly come with a decision on the listing policies, which will consider investor protection and market development at the same time.
- Referring to the composition of the new committee, it may be criticized that the group members are too narrowly represented when involving policy making. Greater representation from practitioners that represent investor interests should be invited to join the Listing Policy Committee to review policies that require consideration of both investor protection and investor choices. Also, in the continuum of a disclosure-based regulatory regime, more colors on regulatory accountability are necessary. It is recommended that for such matters, the Listing Policy Committee should consult an advisory panel of impartial and public-minded practitioners.
- In the sub-session on "Oversight of the Listing Function", in particular for the oversight of the Listing Department, clear lines of listing responsibilities and corresponding KPIs should be established for the ones who play the role of performance assessors and the ones that are being evaluated.

The HKSF appreciates the opportunity to comment on the captioned consultation paper. We trust you find our comments useful and constructive.

Yours sincerely,  
For and on behalf of  
The Hong Kong Society of Financial Analysts

Frederick Tsang, CFA  
Chair, Advocacy Committee

Jimmy Jim, CFA  
Chair, Advocacy Committee

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