

From: Jennifer Audrey Li [REDACTED]
Sent: 01 September 2016 23:12
To: response
Cc: [REDACTED]
Subject: Consultation Paper on Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation

I am a fund manager for a family office that manages over US\$2 billion of assets, including both equity and debt securities that are listed in Hong Kong and overseas.

On behalf of the family office, I violently disagree with the proposed enhancements in the consultation paper.

The reason for the disagreement is clear and simple : A check-and-balance of power is required in any sustainable system. For example, in a bank, it would have relationship managers whose job is to generate business of extending loans to customers. Their interest is to extend as much loans as possible to maximise revenue. The “conflicting force” is the credit officers who approve loans. Their job is to control the risk of the bank and their interest is to minimise bad loans. The credit officers don't get the upside of revenue growth but they get the downside if something goes wrong. It is with the conflicting objectives between the relationships managers and the credit officers that ensure the bank can grow its business with risk under control.

Imagine what will happen to a bank if it has no relationship managers but only credit officers who are not accountable for growing the business. The bank will only approve the lowest risk loans and the business of the bank will severely fall behind its competitors.

The same would apply for the financial market in Hong Kong. We need the conflicting forces between the Exchange (the relationship manager) and the SFC (credit officer) to ensure the Hong Kong market can continue to grow and prosper and not fall behind our competitors.

The so called “proposed enhancements” gives the SFC too much involvement and power in the system. It will severely impact Hong Kong's ability to continue to develop and maintain its competitiveness as a successful financial centre.

It simply doesn't make sense for the SFC to be involved in formulating policies for the development of the market. Do we see anywhere in the world where credit officers are responsible for business development?

The current arrangement that we have today is not perfect but it has been working well. We would therefore urge the government to drop the proposed enhancements in the consultation paper, and leave the existing system in place, which has been working well.

One recommendation we have, however, is to change the composition of the listing committees. Currently the listing committee members are hand picked by the SFC and the Exchange. We propose that listing committee members should comprise of nominees from each sponsor firm, accounting firm, and lawyers who have the highest market shares in

the Hong Kong market. That is the only way to ensure a fair and transparent representation of market participants in the Listing Committee.

Again, I violently disagree with the proposed enhancements in the consultation paper.

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