



The 13 Holdings Limited

十三集團有限公司

(Incorporated in Bermuda with limited liability)

Registered office : Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

17 September 2016

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

By email

Dear Sirs,

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

We refer to the above captioned consultation paper issued jointly by the Securities and Futures Commission ("SFC") and Hong Kong Exchanges and Clearing Limited ("HKEX") on 17 June 2016 ("**Consultation Paper**").

We strongly oppose the structural and procedural changes as proposed in the Consultation Paper to the way in which listing regulation is carried out ("**Proposals**"), for the following reasons:

- (1) The additional layers of governance structure (and the remuneration review mechanism) set out in the Proposals are radical structural changes to the three-tier regulatory structure for the securities and futures industry and will likely lead to the SFC taking over the front-line regulator role.**

The two new committees under the Proposals, namely, the Listing Policy Committee ("**LPC**") and Listing Regulatory Committee ("**LRC**"), will be heavily influenced by the SFC through its control of selection of members.

With the LRC proposed to oversee, give guidance and decide matters that involve the suitability for listing of a new applicant and its business, the Listing Committee ("**LC**") will be marginalised.



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Currently, new companies looking to list in Hong Kong has the benefit of the LC that consists of market participants to decide on applications and on the questions that should be asked. Members of the LC have diverse expertise, experience and market perspectives, which can complement the regulator's perspective. **Most notably, currently members are appointed to the LC based on nominations from the Listing Nominating Committee ("LNC"). The LNC is composed of three non-executive directors of the Board of HKEX and the Chairman and two Executive Directors of the SFC. The SFC already has an influence in the LNC and thus on the composition of the LC under the current regime.**

Under the Proposals, the LPC is to initiate, steer and decide listing policy proposals and propose amendments to the Listing Rules, including market consultations and other matters that have policy implications or general effect. **In effect, it will have overall control over the Listing Rules regime affecting all companies listed or going to list in Hong Kong. The authority of the SFC will become more extensive and far-reaching, as the SFC already has the aforesaid influence in the LNC as empowered by the Listing Rules.** Although the LC would be invited to give opinions to matters considered by LPC, their views are non-binding.

The LPC will also appraise performance and recommend salary adjustment of senior staff of the Listing Department with input from the LC. In effect, the Listing Department is to be made subordinate to the SFC, which this particular proposal itself is a radical change to the existing regulatory regime as it would blur the accountability line between the two regulators in the existing three-tier regulatory structure.

(2) The changes set out in the Proposals are radical changes to the existing regulatory regime instead of mere enhancement.

In the Proposals, the stated objectives of introducing the proposed structures are to achieve closer co-ordination and co-operation between the SFC and The Stock Exchange of Hong Kong Limited ("**Exchange**") on policy formulation and to provide the SFC with earlier and more direct input on listing policy matters and listing regulation, and to streamline the processes for making important or difficult listing decisions.



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Currently, there are existing channels and mechanisms for the aforesaid coordination and cooperation which the SFC is informed of including listing applications and the oversight and control of the formulation and administration of the Listing Rules and listing policies. As mentioned above, we believe that the changes set out in the Proposals are radical changes to the existing regulatory regime. At the same time, we note that **the Consultation Paper is silent on (i) the discussion of the possibility to achieve the stated objectives by working on the existing platform without introducing radical changes; and (ii) the shortcomings of the existing platform.** Our disagreement to radical changes to the existing regulatory regime is further elaborated below.

- (3) **Structural changes, which would inevitably bring uncertainties, are unnecessary while we have an established and proven system in place. Also, the regulators have already been empowered by the existing laws and regulations to uphold market integrity.**

While under the existing mechanism, the roles between the front-line regulator (i.e. the Exchange) and the back-line regulator (i.e. the SFC) are delineated, we believe that the changes set out in the Proposals **will cause a disruption to the existing balance between market development (with the front-line regulator closer to the market) and investor protection (with the back-line regulator a statutory body).**

In addition to the aforesaid proven regulatory structures in place, the existing civil and criminal regime for market misconduct offences already empowered the SFC to protect Hong Kong's markets and investors from serious crime and misconduct which can undermine investor confidence and cause severe financial losses. Therefore, we believe that radical changes to the existing regulatory structure are unnecessary.

- (4) **The uncertainties in association with structural changes could bring unintended undesirable consequences.**

As mentioned above, we believe that the Proposals indicate a departure from the existing three-tier regulatory structure. The changes as set out in the Proposals are likely to cause a disruption to the existing balance between market development and investor protection. Consequentially, the mind-set of the market as a whole will also be affected. For example, a regulator-based regulatory regime will tend to encourage a risk-averse approach in decision-making process, which will thus stifle innovation. We strongly believe that a departure from the existing regulatory regime is detrimental to Hong Kong when we are facing the challenge of global competition.



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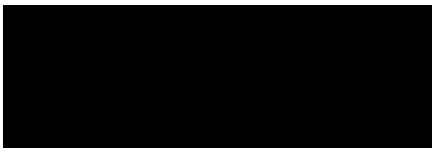
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We conclude by suggesting that the possible negative effects that the Proposals may bring, whether directly or indirectly, should not be underestimated. On the other hand, enhancements on the platforms currently in place are always possible without creating unnecessary uncertainties to the market and the regulatory regime. Therefore, we strongly oppose the Proposals in their entirety.

Yours faithfully

For and on behalf of

THE 13 HOLDINGS LIMITED



Joanna Mui
Company Secretary