



19 September 2016

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Dear Sirs,

**Joint Consultation Paper on Proposed Enhancements to the Stock Exchange of Hong Kong Limited ("Exchange")'s Decision-Making and Governance Structure for Listing Regulation**

We refer to the above consultation paper of June 2016, and would like to put forward our views on the matters under consultation.

We, respectfully, object to the current proposed structures, and do not believe that the proposed changes will further enhance Hong Kong's regulatory structure and its position in capital formation.

**1. The Three-tier Regulatory System will be destroyed**

Ian Hay Davison Report published in 1988 laid down the three-tier regulatory structure between the Hong Kong Government, the Securities and Futures Commission ("SFC") and the Stock Exchange of Hong Kong Limited ("Exchange"). It stated that the responsibility for front-line regulation of listing matters is delegated to the Exchange, while the SFC, under the Securities and Futures Ordinance, is the back-line regulator and retains the statutory functions which include, inter-alia, the supervision and monitoring of the Exchange.

This system has been working well since 1988, and was reaffirmed by the Government in 2003. Hong Kong has since become a key market for capital formation, especially for the Chinese enterprises. Hong Kong attained the top position in the world in 2015 and 2016 for capital raising. Hong Kong's position as a leading capital formation center has been well respected. However, the current proposed structures would give the SFC both the front- and back-line regulatory authorities, without the necessary check-and-balance of its all-encompassing power.

We are of the view that the proposed structures will destroy the existing three-tier regulatory structure.

2. Proposed structures unjustified

We understand that the stated objectives of introducing the proposed structures are to achieve a closer coordination and cooperation between the SFC and the Exchange.

But, there are already in place channels and mechanisms under the current three-tier regulatory system for achieving these objectives. These include the Securities and Futures (Stock Market Listing) Rules; Rule 2.04 of the Listing Rules; the Memorandum of Understanding Governing Listing Matters dated 28 January 2003; the monthly liaison meetings between the SFC and the Exchange on listing related matters, together with the "Activity" and "Case" reports from the Exchange to the SFC; and the periodic review by the SFC of the Exchange's performance in regulation of listing related matters.

The SFC is being kept fully informed of any new listing applications, and can provide its view at an early stage. The SFC also has oversight and control of the formulation and administration of the Listing Rules and the listing policies.

The objectives of the proposals can be achieved under the existing arrangements, and there is no need to introduce the proposed structures.

3. Listing Policy Committee would dominate the Listing Rule Regime

The proposed LPC is to initiate, steer and decide listing policy proposals and proposed Listing Rule amendments, including market consultations and other matters that have policy implications or general effect. It will have overall control over the Listing Rules regime and that affects all listed companies in Hong Kong. The authority of the SFC will become extensive and far-reaching. Although the LC would be invited to give opinions to matters considered by the LPC, their views are, however, non-binding.

Giving these powers to a SFC-led committee is like making the Listing Division a subordinate of the SFC, effectively giving it full control of what is traditionally an Exchange's function.

4. Listing Committee being sidelined

The Listing Committee ("LC") is sidelined and relegated to a marginal position to preside over only routine IPO applications and post listing matters. The proposed LRC will oversee, give guidance and decide matters that involve the suitability for listing of a new applicant and its business. It is possible that a high percentage of cases would be referred to the LRC, whose decisions would lack market input and perspectives. Although LC can give its views on the IPO cases considered by the LRC via the LC Chairman and the two LC deputies (who are members of LRC), their views are non-binding.

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At present, the LC members possess diverse expertise, experience and market perspectives, which can complement the regulator's perspective. However, under the proposals, the LC's role will be limited and its contribution to the market minimised.

5. Compositions of the two committees would further give the SFC control

The core part of the proposals is the creation of two new committees above the Listing Committee: the Listing Policy Committee ("LPC") and Listing Regulatory Committee ("LRC").

The LPC will have eight members, comprising the CEO and two senior executives of the SFC (Corporate Finance Division); the chairman of the Listing Committee and its two deputy chairmen; the chairman of the Takeovers Panel and the chief executive of the Exchange. The LRC will have six members, comprising one executive director and two senior directors of the SFC (Corporate Finance Division) and the chairperson and two deputy chairmen of the Listing Committee.

The SFC will have influence over the memberships of both the LPC and LRC (as the SFC already participates in the nomination of candidates for the Listing Committee and the chief executive of the Exchange).

6. Power consolidation by the SFC

The proposals give the SFC outright power on top of its veto power. At present, decisions by the LC, whether in relation to IPO applications or Listing Rules interpretations, are made after thorough discussion by seasoned market practitioners. Under the new structures, however, the LC can be bypassed (at most, can only offer their non-binding views), and the LRC and the LPC will make the final decisions, based on much narrower perspectives.

7. Structure of the Listing Committee

The Listing Committee currently consists of the following members: at least eight individuals who represent the interests of investors; nineteen individuals who comprises representatives of listed issuers and market practitioners including lawyers, accountants, corporate finance advisers and Exchange participants or officers of Exchange participants; and the Chief Executive of Hong Kong Exchanges and Clearing Limited acting as ex officio member.

These members of the Listing Committee are not full time staff, as they all have other full time professional commitments.

We would recommend that the SFC review the composition and the functions of the Listing Committee, with view to improve the operational efficiency of this committee, rather than to intervene its work by incorporating two SFC dominated committees into the system.

8. No apparent gain for the market

From the consultation document, it is not apparent that market participants will see any improvement in the operational efficiency of the capital market, but can only anticipate a slow-down in market development.

In conclusion, the proposals would give the SFC all-encompassing control over regulatory and listing matters, with power concentrated in a few hands without proper checks and balances; they are detrimental to market development, and would reel Hong Kong back to a merit-based regime where decisions are made by a small group without valuable market input. We are worried that a regulator-mindset under the current proposals would stifle the market, if the proposals are enacted.

We, therefore, put forward our objection to the current proposals.

Yours faithfully,  
Television Broadcasts Limited

Adrian Mak  
Chief Financial Officer