
From:
Sent: 17, November, 2016 10:32 PM
To: response@hkex.com.hk
Cc: Listing Regulation
Subject: Re: Joint Consultation Paper: Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-making and Governance Structure for Listing Regulation (the Consultation)

The SFC already has significant powers to intervene at the very outset of the listing approval process under the dual filing process. The stated justification that the proposals will give the SFC earlier input on listing matters does not seem to be borne out. The SFC also has the right to ask the Listing Committee and the Listing Appeals Committee to consider or review any matter, including a decision of the respective committee itself (Paragraph 10.6 of the MOU). This entitles the SFC to call for a further review of any decision with which it disagrees.

A further objective of the proposals is the perceived "*need for enhancing the coordination and cooperation [between the SFC and the Exchange] when developing new policy in listing regulation and in regulatory decision making*". Yet substantial interaction and cooperation between the SFC and the Exchange is already provided for by the monthly Listing Matters Liaison Meetings which are required to be held by paragraph 10.3 of the MOU. Matters for discussion include "*any policy or other matters, including potential changes to the Listing Rules, relating to any of the functions and responsibilities of the [Exchange] or the SFC*". It would seem that the stated objective can be achieved without any change to the existing regime.

The Consultation has not made a sufficient case to justify the significant reforms proposed. Drastic regulatory change could have a significant detrimental effect on Hong Kong's attractiveness as a listing venue. While the Consultation bears the promising title "Proposed Enhancements to the Exchange's Decision-Making and Governance Structure", its stated objectives are already provided for and are either already achieved, or are achievable, under the present regime. The Consultation does not set out the inefficiencies or mischief the proposals are intended to address and there is no elaboration of the "enhancements" promised by the paper's title. In short, the Consultation's stated objectives and vague promises of improvements to the existing regime appear to be a smokescreen for the SFC's consolidation of control over the companies which are allowed to list on the Exchange, control which will be unfettered by the vital checks and balances which are built into the current regime. SFC's primary function of regulating the market and protecting investors is antithetical to the very real need to develop the Hong Kong securities market. Development of Hong Kong's market requires both an innovative and pragmatic approach to regulation to secure Hong Kong's continued attractiveness to issuers and investors alike and to maintain its position as Asia's leading international Exchange.

If the Exchange fails to remain competitive, it will inevitably lose out to the Chinese exchanges which are possibly already ahead of the Exchange in the proposals to adopt a US-style registration- (i.e. disclosure-) based listing regime. There is a real concern therefore that the proposals will stifle market development and innovation which may adversely affect the competitiveness of the Hong Kong market and Hong Kong's position as Asia's premier financial centre.

Yours faithfully
Sandy Yip