
From:
Sent: 18, November, 2016 12:42 AM
To: Listing Regulation
Subject: Response to Consultation Paper on Proposed Enhancements to the SEHK's decision-making and governance structure for listing regulation

I would address issues according to the order of the points made within the Consultation Paper.

1.(a) There has been close enough coordination and cooperation between the SFC and Exchange under the current dual-filing system. There is no need to merge staff from the two Entities with different roles in name of "closer coordination and cooperation". Indeed this is a vague slogan with no standard of measurements. "Close coordination and cooperation" does not justify a Merge of the two Listing Authorities into one disguised as LRC and LPC.

Under the current Listing system, the SFC can already make input to listing policy matters and listing regulation as early and direct as it wishes. All Listing Rules changes are subject to the prior consent of the SFC.

1.(c) Issuing a separate set of comments does not lengthen the time in approving Listing cases as the set of comments are made separately as stated and the total set of comments made by the SFC are in general much shorter than the set of comments made by the Exchange.

1(d) The current dual-filing system is indeed establishing clearer accountability as the proposed one. The proposed scheme allows the SFC to diverge its responsibilities onto the LPC and the LRC which are structurally operating under the Exchange. The claim that clearer accountability will be established is indeed ill-founded, misleading and falsified.

4. It is stated here that the purposes of having this proposed scheme is to deal with problems like stock price manipulation, corporate shortfalls, disclosure problems and misconduct which prejudice public investors by having more coordination between the Exchange and the SFC. As such, the operation of the listing rules would be carried out by 4 members for the LPC and 3 members for the LRC as compared with 28 listing committee members being in charge while the regulation carried by the SFC would be in the hands of 3 and 4 members of the SFC respectively. This is simply improper and inefficient delegation of jobs.

5. In terms of investments, it is a well known fact that the more diversified a portfolio, the lower the risk and vice versa. The same principle can be applied to a decision-making group. The more diversified the members are, the lower the risk of corruption and making wrong decisions. The proposed scheme of having fewer decision-makers is indeed bringing our regulatory structure towards a riskier direction.

8, 17. Apparently more stringent control is imposed on cases with suitability concerns or broader policy implications as these cases have to pass through an extra gate of the LRC. With half of the members from the SFC, enough votes would be enough to reject any of these cases. It is deliberately misleading the public by saying that majority votes have to be cast to pass any resolutions as the LRC is not structured to pass cases but rather it is structured to reject cases.

15. It is incomprehensible that the LRC can align its decisions with the overall policy direction set by the LPC in a better way than the Listing Committee.

16. It is hereby admitted that members of the LRC can have potential conflicts as in the case of the Listing Committee, thereby repeating the same inherent defect that was stressed in Par 5 above. The proposed LRC is defeating its own purpose.

18, 21. The SFC has all along been able to exercise its power under the current dual filing system which indeed has clearer accountability and division of powers. The proposed structure serves to put operation and regulation under one rooftop so as to put all powers into the hand of the SFC and all responsibilities onto the Exchange.

19. Consensus-building is not a virtue to be pursued but sometimes a hindrance to a democratic society.

22. The supposedly separate powers and functions are indeed concocted and merged into the Exchange Committee.

25. It is asserted here that the Listing Committee is merely acting as an independent review body and under the new Proposal the LC will need to write reports; thus increasing its workloads.

28. Appraisals of performance of Listing Department executives will in essence put the Listing Department under the power of the LPC and in essence the power of the SFC.

Summation

30. The so-called greater coordination and consensus-building would lead to dictatorship of and concentration of power onto the SFC disguised as a structure still in the hand of the Exchange through the Exchange Committees. There would be a serious lack of checks and balances for policy and regulation matters.

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