

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

Qualifications and Experience

I was admitted as an associate of the Institute of Chartered Accountants in England & Wales in 1968 and became a fellow in 1979. I came to Hong Kong in 1970 with a leading international firm of accountants. I was the Secretary and General Manager of the Hong Kong Stock Exchange for the 9 years ended December 1981, after which I entered stock-broking in Hong Kong serving as a Director of Jardine Fleming Securities until 1987 and, subsequently, Managing Director of Schroder Securities until 1991 and then Managing Director of United Mok Ying Kie until 2000. From October 2000, I held the position of Director-Equity Sales with a member firm of the Stock Exchange of Hong Kong, CLSA Limited, until my retirement from full-time employment in August 2008.

I have at intermittent times served on the Council of the Hong Kong Stock Exchange and, subsequently, the Stock Exchange of Hong Kong during the period 1982 until 1995. I also served on the Listing Committee of the Stock Exchange of Hong Kong for the 3 years ended November 1996, the latter 2 years as Deputy Chairman. I was Chairman of the SEHK Options Clearing House from its inception in 1995 until its absorption by Hong Kong Exchanges and Clearing in 2000. I also served on the Securities and Futures Commission's ("SFC") On-Line Trading Working Group.

SFC/HKEx Joint Consultation Paper

I refer to the above captioned consultation paper (Joint Consultation Paper) of June 2016 issued by the Securities and Futures Commission (SFC) and The Stock Exchange of Hong Kong Limited (The Exchange) and adopt the same definitions. In accordance with paragraph 141 of the Joint Consultation Proposal, I set out my views under the requested headings after 'General Comments'.

Background

Financial Secretary, Donald Tsang, first announced the demutualisation of The Stock Exchange of Hong Kong Limited to a packed room at the Convention Centre. When he concluded, he asked whether there were any questions? There was only one and it was from me. I queried how the conflict between maintaining a high standard of listing and being a profit-making company with its shares publicly listed would be resolved?

General Comments

The Exchange has been a great success in attracting new listings. Whilst I fully acknowledge that it is much easier to find flaws with hindsight, I do wonder whether the number of companies showing poor post-initial public offering performance and/or little investor interest and/or negligible market turnover is not a bit too high. The reputation of The Exchange as listing only shares of quality companies is of paramount importance. In this regard, whilst I have always had the highest regard for the members of the Listing Committee, I cannot help but ponder whether the part-time volunteer days are now behind us and greater authority be given to skilled, experienced full-time staff.

Our Exchange is special in that the majority of its listed companies are not incorporated in Hong Kong. This situation combines with The Exchange's main listing sanction being reprimands. I would like to see more "teeth" being given to the SFC as regulator of the listed companies.

Overall, if we can be convinced that the proposals will, as a consequence, lead to improvements in the quality of shares being listed then I support them.

Section 141

(a) Policy development

The paramount aim must be to improve the quality of local listings.

(b) Listing applications by new applicants

Nothing to add.

- (c) Matters involving listed issuers

It is to be hoped that any changes do not materially increase the cost of compliance.

- (d) Reviews of listing decisions

Nothing to add.

- (e) Disciplinary matters

The SFC by its very nature has greater reach internationally so should be given a bigger role.

- (f) Oversight of the listing function

Nothing to add.

- (g) Publication of decisions

No comment.

- (h) Composition and Procedures of the Listing Policy Committee

I support this.

- (i) Composition and Procedures of the Listing Regulatory Committee

Nothing to add.

- (j) Composition and Procedures of the Listing Regulatory (Review) Committee

Nothing to add.

- (k) Composition and Procedures of the Listing (Disciplinary) Committee, the Listing (Disciplinary Review) Committee and the Listing Disciplinary Chairperson Group

Nothing to add.

- (l) Other matters

None.

Richard Arthur Witts

18 November 2016