the hong kong society of financial analysts limited

香港財經分析師學會

The Hong Kong Society of
Financial Analysts Limited
GPO Box 7667 Hong Kong

Telephone +852 2521 2543
Facsimile +852 2869 4800
E-mail: info@hksfa.org
URL: http://www.hksfa.org

25th April 2005

Ms. Kelly Wick
Assistant Vice President
Listing Division
Hong Kong Exchanges and Clearing Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong
Fax : 2295-3180

Dear Ms. Wick,

Re: Consultation Paper on New Structure for Listing Decision-Making

The Hong Kong Society of Financial Analysts would like to comment on the Exchange's Consultation Paper in New Structure for Listing Decision Making.

We generally agree with the idea of splitting the functions of Listing Policy from Listing Decisions. We think it is important that listing policy be considered with the overall market in mind and not with any individual issuer. Indeed, it provides in practice and in appearance a more balanced and less conflict-prone system for policy to be decided in such a manner.

One of the comments that we would make concerning the entire consultation paper is that the paper does not go far enough in promoting the representation of investor representatives on the various panels and committees. Specifically, we think that investor representatives should make up at least one half of the proposed Listing Policy Committee and that at least 2 out of the proposed 5 members of Listing Decision Panels should be investor representatives. We feel strongly that investor representatives face the least amount of conflict of interest in these cases as they have no reason to curry favour with one issuer or another. Indeed, investor representatives are truly concerned with overall market integrity rather than overall levels of current year business, and hence are likely to be able to take a longer view on important policy issues. We feel that increasing the number of investor representatives in the committees and panels will promote the most efficient and fair system overall.

We note the fear that not enough people would be found to properly man the panels and committees and would like to make a proposal here of our own. The Hong Kong Society of Financial Analysts counts among its more than 2,600 members a number of experienced, senior investment practitioners. The Society could assist the Exchange to search and solicit suitably qualified members who are ready to serve on the various panels and committees. The proposal to provide a *per diem* allowance would, we believe, help in the recruitment of committee and panel members, and hence we support that proposal.

We agree with the concept of one level of review and support the exchange in this proposal. With regard to the question of fees, we believe in the concept of user fees, and would suggest that they be levied (in reasonable amounts) for reviews and disciplinary matters. However, in order to prevent the spurious disciplinary actions being taken, we believe that issuers who are found not guilty of disciplinary charges be refunded their review fees. For example, if a review of a decision is sought, and the review subsequently overturns the original decision, we feel the issuer is entitled to recover his review fee. The same concept would apply in the case of disciplinary hearings as well.
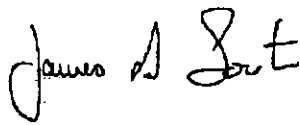
- 1 -

The concept of an adjudicator for disciplinary matters has merit, but we wonder whether an adjudicator employed by the exchange would have the appearance of impartiality, regardless of the existence of Chinese Walls. We believe that for matters of pure fact, an in-house adjudicator could effectively render a decision, but in a contested case, it would be advisable for the case to go straight to a disciplinary review panel.

We appreciate the opportunity to comment on this important paper and remain at your disposal for further comment and information.

Yours faithfully,
For and on behalf of
The Board of The Hong Kong Society of Financial Analysts

James Soutar, CFA
Director

- 2 -