

**Motion on**  
**“Formulating a comprehensive listing policy”**  
**at the Legislative Council meeting of 30 November 2016**

**Progress Report**

**Purpose**

At the Legislative Council (“LegCo”) meeting of 30 November 2016, the motion “Formulating a comprehensive listing policy” moved by Hon Christopher CHEUNG, as amended by Hon James TO, was passed. The full text of the motion is at [Annex](#). This paper reports the progress of relevant work to Members.

**Joint Consultation on Proposed Enhancements to Decision-making and Governance Structure for Listing Regulation**

2. The Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEX”) jointly launched a consultation on the Proposed Enhancements to the Decision-making and Governance Structure for Listing Regulation in June 2016. The consultation period ended on 18 November 2016. The SFC and the HKEX are carefully considering and analysing all the submissions received in order to prepare the consultation conclusions, which will be published in due course. In these few months, the SFC and the HKEX will analyse the comments received and discuss the next steps before deciding the way forward.

**Enforcement, Regulation and Investor Protection**

3. The SFC has always been combating wrongdoings by way of various different types of enforcement actions. The SFC has also formed a specialised team to focus on listed company-related fraud and misfeasance to make the increasingly complex securities investigations more efficient. In addition, effective gatekeeping and regular review of the regulation of listed companies are equally important. For example, the SFC and the HKEX has announced on 9 December 2016 that they are closely monitoring rights issues and open offers that substantially dilute the interests of non-subscribing minority shareholders. To facilitate market understanding of how it interprets and applies the Listing Rule requirements in relation to highly dilutive offers and share consolidations/subdivisions, the Stock Exchange of Hong Kong (“SEHK”) also released on the same day two listing decisions.

4. As the market becomes more complex and diverse, the SFC and the SEHK strive to ensure that our listing regulation can respond to rapid developments in the market. The SFC and the SEHK are working on an overall review of a range of listing policies, including a holistic review of GEM, backdoor listings, shells and prolonged suspensions.

5. As for cross-boundary enforcement cooperation, the SFC is one of the signatories to the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions (“IOSCO MMoU”), and has established enforcement cooperation with over 100 signatories to the IOSCO MMoU. The investigatory cooperation mechanism among international securities regulators has been in operation for over a decade. Through the cooperation mechanism, many SFC cases involving cross-border elements have yielded satisfactory outcomes. In addition, with the expansion of mutual access between the stock markets in the Mainland and Hong Kong, the China Securities Regulatory Commission and the SFC will continue to strengthen their collaboration in surveillance and joint investigations in order to tackle cross-boundary trading misconduct affecting markets in both Hong Kong and the Mainland.

### **Enhancing Transparency of the SFC’s Regulatory Work**

6. The Government and the SFC strive to enhance the SFC’s transparency and accountability. Therefore, apart from the checks and balances and monitoring mechanisms generally applicable to public organizations, a number of additional checks and balances have also been designed, including the Process Review Panel and the Securities and Futures Appeals Tribunal. The SFC also reports its work to the public through its annual reports, quarterly reports, news releases, etc. In December last year, the SFC launched a new series of *Enforcement Reporter* to provide the market with regular updates on the SFC’s current enforcement work and priorities.

### **Promoting Market Development and Financial Innovation**

7. The HKSAR Government implements various innovative initiatives to promote market development and reinforce Hong Kong’s status as an international financial centre and the major capital formation platform.

8. The National 13<sup>th</sup> Five-year Plan has confirmed Hong Kong's status as a global offshore Renminbi ("RMB") business hub, and supports Hong Kong's participation in our country's two-way opening up and the Belt and Road Initiative, so as to explore new markets. We will capitalise on the opportunities arising from the implementation of the National 13<sup>th</sup> Five-year Plan and the Belt and Road Initiative by enhancing Hong Kong's position as a major investment and financing platform for Mainland and overseas enterprises, and at the same time serving as an important link between our country and economies along the Belt and Road.

9. On financial cooperation, the launch of Shenzhen-Hong Kong Stock Connect in December last year was a major milestone in deepening mutual access between the capital markets in Hong Kong and the Mainland. Shenzhen-Hong Kong Stock Connect has been operating smoothly since its launch, facilitating the further opening up of the Mainland's capital markets and the internationalisation of RMB. It also enables international investors to invest more widely in the Mainland's markets through Hong Kong's markets, thereby reinforcing Hong Kong's position as an international financial centre and a global offshore RMB business hub, and creating better conditions for the development of Hong Kong's financial services industry. We will promote the implementation of mutual access of exchange-traded funds to expand the scope of eligible securities for trading.

10. Furthermore, the Mainland-Hong Kong Mutual Recognition of Funds Arrangement in operation since July 2015 was the first arrangement for mutual recognition of funds established between the Mainland and a market outside the Mainland. The arrangement has been running smoothly so far. The SFC also reached an agreement with Switzerland in December last year, allowing eligible public funds of both places to be distributed in each other's market through a streamlined vetting process. This arrangement marks the first time for Hong Kong funds to gain direct access to the investing public in a European market, and helps expand the distribution network for Hong Kong's fund industry, provides more product choices for local investors, and also attracts more funds to domicile in Hong Kong.

11. On asset management, following passage of the Amendment Bill by LegCo in June last year to introduce a legal framework for the open-ended fund company ("OFC") structure in Hong Kong, the SFC and relevant departments are formulating the relevant subsidiary legislation and code to set out the operational and procedural details. The SFC expects to consult the public on them later this year, with a view to implementing the OFC regime as soon as practicable. The new regime will help diversify Hong Kong's fund domiciliation platform and is conducive to attracting more funds to domicile in Hong Kong, thereby deepening and broadening our asset management industry.

12. On financial technologies (“Fintech”), the Government in association with financial regulators and stakeholders have rolled out an array of measures. For example, the SFC and other regulators have established respective dedicated Fintech liaison platforms to enhance communications with the industry. The SFC hosted the SFC Regtech and Fintech Contact Day during the inaugural Fintech Week in November last year to enhance the industry’s understanding of emerging regulatory and financial technologies and how they intersect with securities regulation. We will continue to promote the development of Fintech to establish Hong Kong as a hub for the application and setting of standards for cutting-edge Fintech.

### **Continuing Our Endeavours**

13. The HKSAR Government will continue to implement various measures to promote market development and financial innovation, and enhance financial regulation and enforcement, so as to enhance Hong Kong’s status as an international financial centre and global offshore RMB business hub, and attract the investment of more Mainland and overseas capital in Hong Kong’s market.

**Financial Services Branch  
Financial Services and the Treasury Bureau  
25 January 2017**

**Motion on  
“Formulating a comprehensive listing policy”  
passed at the Council meeting of 30 November 2016**

That the Securities and Futures Commission (‘SFC’) and The Stock Exchange of Hong Kong Limited (‘SEHK’) are conducting a joint consultation on proposed enhancements to SEHK’s decision-making and governance structure for listing regulation; proposals made in the consultation paper have aroused great controversies in the industry and there are views, among others, that the proposals, once implemented, will seriously disrupt the current listing process for companies and undermine the long-term development of the Hong Kong securities market; in this connection, this Council urges the Government to, after seriously listening to the views expressed by the industry on the consultation paper, prudently formulate a comprehensive listing policy, clarify the definition of suitability for listing and ensure that SEHK has no conflict of roles between vetting and approving listings and marketing; the Government should also review the existing relevant regulatory legislation, strengthen co-operation with the Mainland regulatory authorities to combat any cross-boundary illegal activities and market misconduct carried out through the flow of funds between the two places and in the international financial market, especially in respect of the regulation of insider dealings and disclosure of information, and enhance the transparency of SFC’s regulatory work to pre-empt loopholes in regulation, so as to ensure the healthy and orderly development of the Hong Kong securities market and, while protecting the interests of investors, actively promote financial innovation, in order to enhance Hong Kong’s status as an international financial centre and attract the investment of more Mainland and overseas capital in the Hong Kong securities market.