

LCQ18: Maintaining the integrity of the listing process

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (October 23):

Question:

It has been reported that a former senior executive of the Stock Exchange of Hong Kong Limited (SEHK) was suspected of having accepted bribes as rewards for improperly facilitating the approval of at least 30 applications for listing in Hong Kong. In this connection, will the Government inform this Council:

(1) whether at present any remedial action (e.g. delisting) may be taken to deal with the listing of companies whose listing has been found to have been approved improperly, and how the interests of investors will be protected when such action is taken;

(2) whether, in the light of the aforesaid case, the authorities have reviewed the effectiveness of the current laws and Listing Rules in guarding against the conflict of interests which may arise from the SEHK's dual roles as a commercial entity and a public body (which has the responsibilities to maintain the integrity of the listing process and to protect the interests of investors); if so, of the details; if not, the reasons for that; and

(3) whether the authorities have reviewed the mechanism adopted by the SEHK for vetting and approving listing applications, with a view to ensuring a proper segregation of duties so as to prevent the existence of corruption opportunities for individual staff members of the SEHK, which may lead to improper approval of listing applications; if so, of the details; if not, the reasons for that?

Reply:

President,

With regard to media enquiries about a case of suspected corruption and misconduct in public office in relation to the vetting of listing applications, the Independent Commission Against Corruption and the Securities and Futures Commission (SFC) issued their respective press releases on June 26. The Government will not comment on the case at this stage. Regarding the overall listing regime in Hong Kong, my response to the three parts of the question is as follows:

(1) We have a comprehensive regime which regulates the listing arrangements and operations in Hong Kong through the Securities and Futures Ordinance as

well as the Listing Rules. If the allegation of improper approval of the listing status of a company is substantiated, and depending on the actual circumstances (including the culpability and location of those managing it, as well as the solvency and viability of the companies concerned), the SFC and the Stock Exchange of Hong Kong Limited (SEHK) will handle the matter (including possibly taking appropriate remedial measures) in accordance with the provisions of the Securities and Futures Ordinance and its subsidiary legislation, including the Securities and Futures (Stock Market Listing) Rules, as well as the Listing Rules. According to the Securities and Futures (Stock Market Listing) Rules, the SFC has the statutory power to take different actions, including directing the recognised exchange company to suspend all dealings in any specified securities or objecting to the listing of securities of a company under certain statutory conditions.

(2) and (3) As the statutory regulator of Hong Kong's securities market, the SFC supervises, monitors and regulates the operation of the Hong Kong Exchanges and Clearing Limited and the SEHK in accordance with the Securities and Futures Ordinance. As mentioned by the SFC in its press release on June 26, the SFC is conducting a specific review of the manner in which the SEHK has administered or dealt with listing and other matters. The SFC has no further information to provide at this stage. The SFC will continue to review the existing listing regime to ensure that the regime is robust and to avoid any possible conflict of interests.