



香港上市公司商會  
THE CHAMBER OF HONG KONG LISTED COMPANIES

## **Proposed Listing Regulatory Regime Reform Would Hurt Hong Kong’s Competitiveness, Polling Results Say**

(8 September 2016) Over 150 financial industry participants expressed their mistrust towards the proposed reform to Hong Kong’s listing regulatory regime, and their worries that Hong Kong’s competitiveness would be hurt as a result.

An onsite poll was held at the Listing Regulation Forum convened by The Chamber of Hong Kong Listed Companies (“CHKLC”) on Wednesday (7 September) to discuss the joint consultation paper on “Proposed Enhancements to the Stock Exchange of Hong Kong Limited’s Decision-making Governance Structure for Listing Regulation” (the “Paper”) released by the Securities and Futures Commission (“SFC”) and The Stock Exchange of Hong Kong Limited (“HKEX”).

The participants were asked to vote on six questions ranging from their views towards the proposed listing regulation reform, and how Hong Kong fared against other financial markets.

The Paper proposes an addition of two committees – namely Listing Policy Committee (“LPC”) and Listing Regulatory Committee (“LRC”) on top of the existing 28-member Listing Committee. The new committees, only consisting of 8 and 6 members respectively, would decide on listing policies and approve listing applications with suitability issues and broad policy implications.

85% of respondents considered changes proposed in the Paper would marginalize the existing Listing Committee; 90% believed SFC would assume overwhelming power, and that the reform was more than just a fine-tuning of the existing arrangements, contrary to what government officials have claimed.

There was also a strong favour for “disclosure-based” regulatory regime as 86% of respondents supported it. As to whether the proposed changes would weaken Hong Kong’s competitiveness in attracting listings and developing investment products, a resounding 80% said yes. In addition, 54% of respondents thought Hong Kong was lagging behind other financial centres in market development. (Table 1)

The respondents came from listed issuers, legal firms, audit firms, brokerages, investment banks, financial advisory companies, share registrars, and a number of industry bodies.

The polling results were in line with the views expressed at the Forum where panel speakers from listed issuers, the legal and investment fields and the academia spoke.

According to the Paper, the changes are aimed at improving efficiency, accountability and transparency of the existing regime. But Francis Leung, Chairman of CHKLC, said that the Paper failed to point out any specific problems in the existing system and the proposed changes were unjustified.

He argued that the proposals would uproot the Listing Committee which had played a pivotal role in the success of Hong Kong's financial market and replace it with a "small circle" controlled by the SFC without checks-and-balances.

Mr. Carmelo Lee, partner at law firm Woo Kwan Lee & Lo and a former Chairman of Listing Committee, echoed and maintained that the Listing Committee has been operating well in the past and present. He refuted any suggestion that there were conflicts of interests in the existing new listing application regime. "The Listing Committee works independently of the Stock Exchange and there has never been any attempt from the Exchange to influence its decisions one way or the other. Within the Committee, there is a vigorous conflicts of interests declaration system to ensure no member would preside on cases that have the slightest potential conflicts."

Also speaking at the forum was Mr. David Lau, Managing Director and Head of Global Investment Banking for Hong Kong at JP Morgan, who said that the emphasis of the consultation paper was misplaced. "If the SFC wishes to improve market quality, it should strengthen its enforcement efforts against market misconduct." Raising the listing requirements could also be considered to ensure only solid companies would come to the market, he said.

Dr. K.S. Lo, Vice-Chairman of CHKLC expressed his worry that the proposed system would put the bureaucratic mindset in charge and that would be detrimental to market development. "The REIT (Real Estate Investment Trust) market of Hong Kong is totally dead under the supervision of SFC."

Also speaking at the forum was Mr. Chee Keong Low, Associate Professor in Corporate Law, School of Accountancy at CUHK Business School, The Chinese University of Hong Kong. Although he supported the proposals in principle, he doubted the proposed system, by having an extra layer of approval, would improve efficiency at all. He also thought the membership of the two proposed committees was too small and not broad enough in representation, and that it was unfair for the LPC to appraise the performance of the senior staff of the HKEX's Listing Department.

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### **About the Chamber of Hong Kong Listed Companies**

Incorporated in September 2002, CHKLC is a non-profit organization serving listed companies in Hong Kong. The Chamber strives to promote sound corporate governance, function as an effective communication channel between listed companies and regulatory authorities, strengthen the commercial linkage and foster co-operation among listed companies from Hong Kong and China and uphold Hong Kong's position as an international trade, commercial and financial centre. Since 2007, the Chamber organises the annual "Hong Kong Corporate Governance Excellence Awards" jointly with the Hong Kong Baptist University to advocate best practices of corporate governance and recognize excellence, and from 2008 organises the annual "Listed Companies Conference" to provide a forum of discussion of stock market issues on a regular basis, with the 2012 event having been held in Shanghai.

**For inquiries, please contact**

#### **iPR Ogilvy & Mather**

Gary Li / Natalie Tam

Tel: (852) 3170 6753 / 2136 6182

Fax: (852) 3170 6606

**Table 1: Summary of the voting results:**

Questions	Results of voting		
1. Will the existing Listing Committee be marginalized under the proposed structures?	Yes <b>84.9%</b>	No <b>12.8%</b>	Not sure <b>2.3%</b>
2. Will SFC assume overwhelming power under the proposed structures?	Yes <b>89.8%</b>	No <b>8.0%</b>	Not sure <b>2.3%</b>
3. Are the proposed structures only a fine-tuning of the existing arrangements?	Yes <b>4.6%</b>	No <b>89.7%</b>	Not sure <b>5.7%</b>
4. Should Hong Kong practice “disclosure-based” or “merit-based” regulatory regime?	Disclosure-based <b>86.4%</b>	Merit-based <b>1.1%</b>	Neutral <b>12.5%</b>
5. Will the proposed structures enhance or weaken Hong Kong’s competitiveness in attracting listings and developing investment products?	Enhance <b>6.0%</b>	Weaken <b>79.8%</b>	Neutral <b>14.3%</b>
6. Is development of Hong Kong’s capital market behind its major competitors?	Yes <b>54.1%</b>	No <b>21.2%</b>	Not sure <b>24.7%</b>

**Figure 1: Current Structure and Proposed New Structure of the Regulatory Regime**

