



SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Consultation Conclusions on Proposed Amendments to Specified Stock and Futures Exchanges

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Introduction

1. On 21 February 2011, the Securities and Futures Commission (**SFC**) issued a Consultation Paper on proposed amendments to the lists of local and overseas stock and futures exchanges in Parts 2 and 3 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571) (**SFO**) which are, respectively, specified futures exchanges and specified stock exchanges (**Consultation Paper**). The Consultation Paper invited comments on proposals to amend the lists by adding nine exchanges and updating the names of exchanges currently included in the lists.
2. The public consultation ended on 21 April 2011. A total of six submissions were received from professional bodies, market participants and other interested parties. A list of respondents is set out in **Appendix A**. The major comments made on the proposals and the SFC's responses are summarized below.

Comments received on the proposals and the SFC's responses

3. All respondents supported the proposals.
4. Two respondents asked the SFC to consider adding a total of 15 stock exchanges to the list of specified stock exchanges (in addition to the two stock exchanges proposed to be added to that list in the Consultation Paper). Two respondents indicated that the SFC should amend the lists to reflect changes to the names of exchanges on a more timely basis, with one respondent suggesting that the SFO be amended to give the SFC greater flexibility in administering the lists. One respondent asked the SFC to stipulate the objectives of the lists, the criteria for addition and deletion and the frequency of reviews and updates. Another respondent suggested that the SFC may wish to explain the rationale for and implications of its proposals.
5. As explained in paragraph 2 of the Consultation Paper, many exchanges included in the lists have changed their names and/or undergone corporate reorganizations since the SFO was enacted. The SFC expects this trend of exchange mergers and consolidations will continue in the future with the result that the lists will become quickly outdated. However, the SFC is bound to make efficient use of its resources, and considers that allocating its resources to the task of amending the lists frequently to reflect changes to names of exchanges would be disproportionate to any risks that may be inherent in having outdated lists.
6. As explained in paragraph 3 of the Consultation Paper, the lists of specified exchanges are used for a variety of purposes in connection with the SFO and subsidiary legislation made under it, and in other Ordinances. The SFC finds it very difficult to develop criteria for including exchanges in the lists that are consistent with all of these disparate purposes. In view of this difficulty, the SFC has determined that it will review each of its uses of the lists and work towards decoupling those uses from the lists and providing for them more efficiently in other ways. The ultimate aim is to remove the lists from the SFO entirely but this will be a longer term project and the SFC will consult the public on any related proposals in due course.
7. In the meantime, the SFC will implement the proposals in the Consultation Paper. As stated in the Consultation Paper, adding the 9 exchanges to the lists would facilitate the development of Hong Kong as an international finance centre in general and as an asset management centre in particular, by expanding the scope of tax exemptions available to



offshore funds (by virtue of section 20AC and Schedule 16 of the Inland Revenue Ordinance (Cap. 112)) to cover futures trading executed on these 9 exchanges as well. This is in fulfilment of the commitments made by the Administration in the 2010-11 Budget to strengthen the competitiveness of the asset management industry in Hong Kong. The addition of these exchanges is policy neutral for the SFC. No further exchanges will be added at this time.

Conclusion and way forward

8. The SFC will gazette the proposed amendments and lay them before the Legislative Council for negative vetting as soon as practicable.
9. The SFC would like to take this opportunity to thank all respondents for their valuable comments and suggestions in response to the Consultation Paper.



Appendix A

List of respondents

(in alphabetical order)

1. Chinatrust Commercial Bank, Ltd., Hong Kong Branch
2. CompliancePlus Consulting Limited
3. Hong Kong Investment Funds Association
4. Hong Kong Trustees' Association Ltd
5. STEP Hong Kong Limited
6. One respondent requested that its identity and submission not be made public.