



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

**Consultation Conclusions on a Proposed Amendment  
to the Securities and Futures (Price Stabilizing) Rules  
in relation to Recognition of Overseas Rules**

建議就認可海外規則修訂《證券及期貨  
(穩定價格)規則》諮詢總結

Hong Kong  
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香港  
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## **Introduction**

1. On 18 July 2003 the SFC issued a consultation paper (“Consultation Paper”) on a proposed amendment to the Securities and Futures (Price Stabilizing) Rules (“PS Rules”) to seek the views of the public on a proposed amendment to the PS Rules to include the UK as a recognized jurisdiction for the purposes of section 15 of the PS Rules.
2. Section 15 of the PS Rules provides that stabilizing action conducted overseas with a view to stabilizing the price of securities on the overseas market and effected in accordance with the stabilization rules in recognized jurisdictions specified in Schedule 4 to the PS Rules will not for the purpose of the Securities and Futures Ordinance be regarded as market misconduct.
3. The effect of the proposed amendment is to afford a safe harbour for stabilizing actions taken for the purpose of stabilizing relevant securities on a stock market in the UK in accordance with the UK Price Stabilizing Rules with the result that these activities will be regarded as being in compliance with the Hong Kong Price Stabilizing Rules.
4. The consultation period ended on 18 August 2003. A total of 2 written submissions were received, one from a law firm and the other from a professional body. Both were supportive of the recognition of the UK Rules.
5. This document analyses the major comments received and explains the conclusions drawn by the SFC. This paper should be read in conjunction with the Consultation Paper.

## **Summary of Comments and Conclusions**

6. Respondents to the public consultation support the SFC’s initiative to grant recognition of the UK Price Stabilizing Rules. One respondent suggested that recognition should be extended, following the UK’s approach, to price stabilization rules in the United States of America and Japan. The SFC welcomes the suggestion and will take it into consideration in the next rule review having regard to the development of the market. The public will be consulted specifically on recognition of these overseas rules.
7. In considering whether to extend the recognition to other overseas jurisdictions, the SFC will have regard to whether the price stabilizing rules in these overseas jurisdictions provide similar regulatory safeguards against market manipulation as under the PS Rules.

## **Associated securities and liability of stabilizing manager**

8. One commentator reiterated its comments submitted to us in response to our previous Consultation Paper on the draft Securities and Futures (Price Stabilizing) Rules that safe harbour afforded by the PS Rules should be

extended to cover associated securities and the liability of the stabilizing manager for its agent.

9. The SFC would like to reiterate its views as expressed in the Consultation Conclusions on the Draft Securities and Futures (Price Stabilizing) Rules that it will review in the future whether it is in the public interest to amend the PS Rules to extend the range of securities in respect of which stabilizing actions may take place. The public will also be consulted specifically on this issue.
10. As regards the liability of the stabilizing manager for its agent, it remains our view that the stabilizing manager should take overall responsibility for the stabilizing actions taken and ensure that its agent comply with the PS Rules.

**Other comments not related to the recognition of the UK jurisdiction under the PS Rules**

11. While the Consultation Paper is aimed at consulting the public on the topic of recognition of the UK jurisdiction, the SFC has nonetheless received other comments that do not fall within the scope of the Consultation Paper including a suggestion that the SFC should consider extending the PS Rules to Real Estates Investments Trusts (REITs). Given the SFC's statutory obligation to consult the public on any change of the PS Rules and the restricted scope of the Consultation Paper, the SFC will have to review this and other related issues in future.

**Final Note**

12. The SFC would like to thank all industry practitioners and interested persons who have made valuable suggestions and comments in response to the Consultation Paper.