

Press Release

LCQ2: Hong Kong Mercantile Exchange Limited

Wednesday, March 25, 2015

Following is a question by the Hon James Tien and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 25):

Question:

In reply to my question on July 10, 2013, the Government indicated that the Securities and Futures Commission (SFC) had initiated investigations into suspected irregularities of the Hong Kong Mercantile Exchange Limited (HKMEx) and referred certain issues to the Commercial Crime Bureau of the Police for follow-up. In this connection, will the Government inform this Council:

(1) whether the law enforcement agencies, including the Police and SFC, have completed the investigations concerned; if so, of the investigation results, and why such results have not been published; if they have not yet completed the investigations, the reasons for that;

(2) as it has been reported that the magistrate remarked, on October 22, 2013 when passing a sentence on a defendant convicted of the offence of possessing a false instrument relating to HKMEx, that the former Chairman of HKMEx was a suspect in the case concerned and recommended an investigation by the Police, whether the Police have followed up such recommendation; if so, of the details; if not, the reasons for that; and

(3) as it has been reported that in releasing its 2015 Index of Economic Freedom report in January this year, the Heritage Foundation from the United States commented that Hong Kong's ranking in freedom from corruption had declined for the second consecutive year and dropped to the 15th place, which was a record low in the past 16 years, whether the authorities have plans to enhance the transparency of the investigations conducted and the follow-up actions taken on the case involving HKMEx and other cases of public concern, so as to restore the confidence of members of the public and the international community in Hong Kong's corruption-free status?

Reply:

President,

(1) and (2) Since the Police and the Securities and Futures Commission (SFC) are still conducting investigations into the case in relation to the Hong Kong Mercantile Exchange Limited (HKMEx), we will not provide public commentary on the case, including the situation mentioned in the judgement delivered by the magistrate on October 22, 2013, in order not to prejudice the current investigations. Section 378 of the Securities and Futures Ordinance also requires the SFC as a matter of law to keep its investigations secret.

(3) It is mentioned in part 3 of the question that there was a drop in the probity level in Hong Kong in the Index of Economic Freedom published by the Heritage Foundation. In this regard, we understand that this Index's main reference was the Transparency International's Corruption Perceptions Index, which looked into respondents' perception of corruption, rather than the actual probity situation in Hong Kong. Some recent high-profile cases might have affected public perception of Hong Kong's probity level. However, these were isolated cases and should not be seen as an indicator of deterioration in the probity situation in Hong Kong. The levels of corruption in Hong Kong remain very low.

In fact, a number of other overseas surveys have confirmed Hong Kong's position as a highly clean city. For instance, the World Justice Project's "Rule of Law Index 2014" ranked Hong Kong the ninth in "absence of corruption" amongst 99 countries and territories surveyed, same as the ranking in 2013; the 2014 survey of the Political and Economic Risk Consultancy ranked Hong Kong the third cleanest place among 14 Asian regions surveyed, with a significant improvement in the score of Hong Kong when compared with the score in the previous year. The Independent Commission Against Corruption will continue to update the international community on the actual probity situation in Hong Kong and to safeguard Hong Kong's reputation as a clean society.

For the HKMEx case, the Police and the SFC understand Members' concerns and public expectation for transparency on the part of law

enforcement agencies. However, as mentioned in part (1) of the reply, no commentary will be provided during the investigations. In line with the established practice, the SFC will make a public announcement if enforcement actions are taken following investigations. The Police will also make a public announcement at an appropriate time. If legal proceedings are initiated, the matter will proceed in public before a court or a tribunal that is open to the public.

Ends