

**LC: SFST's speech in moving the resolution to amend the Securities and Futures
(Contracts Limits and Reportable Positions)
(Amendment)(No.2) Rules 2007**

Wednesday, December 19, 2007

Following is the speech (English translation) by the Secretary for Financial Services and the Treasury, Professor K C Chan, in moving the resolution to amend the Securities and Futures (Contracts Limits and Reportable Positions)(Amendment)(No.2) Rules 2007 by the Administration in the Legislative Council today (December 19) :

Madam President,

I move that the resolution contained in the Agenda be passed.

The purpose of the resolution is to amend the Securities and Futures (Contracts Limits and Reportable Positions)(Amendment)(No.2) Rules 2007 (the Amendment Rules) tabled before the Legislative Council by the Securities and Futures Commission (SFC) on October 31, 2007.

I would like to take this opportunity to explain the reasons why the SFC made the Amendment Rules. That was because the SFC understood that some exchange participants were unable to meet their business needs within the existing position limits, and therefore some of them have shifted part of their positions to the over-the-counter and overseas markets. This is not conducive to the development of Hong Kong's derivatives market. In view of the situation, SFC made the Amendment Rules to introduce a degree of flexibility to the existing position limits regime to cope with market development.

The Amendment Rules aim at amending the Securities and Futures (Contracts Limits and Reportable Positions) Rules to allow exchange participants to apply to SFC for authorisation to exceed the position limits of "specified contracts", for which the excess authorised can only be up to a maximum "specified percentage". The SFC believes that the proposed amendments will better meet market needs and promote the growth of Hong Kong's futures and options markets. They will also enhance transparency and thereby enable the SFC to better assess potential implications for the market.

Having considered the comments from the Legal Service Division and the Subcommittee formed under the House Committee of the Legislative Council, I propose to amend the Amendment Rules by stating the "specified contracts" and "specified percentage" in the Rules instead of by notice in the Gazette as originally proposed. This will mean any future changes to the "specified contracts" and "specified percentage" will be subject to negative vetting by the Legislative Council. Separately, having considered the Legal Service Division's comments on differences between the bilingual texts of the new section 4(7)(a) and (8) of the Amendment Rules, I also propose to amend the English text of the relevant provisions to ensure drafting consistency.

The Amendment Rules and the amendments I proposed have gained the support of the Legislative Council Subcommittee on the Amendment Rules. I move that the resolution be passed. Thank you, Madam President.

Ends