

## **Transcript of remarks by SFST**

Monday, March 29, 2010

Following is the transcript of remarks (English portion) by the Secretary for Financial Services and the Treasury, Professor K C Chan, at a stand-up session on the Proposed Statutory Codification of Certain Requirements to Disclose Price Sensitive Information by Listed Corporations today (March 29):

Today, we commence a three-month consultation on the legislative proposal obliging listed corporations to disclose price sensitive information in a timely manner.

Our objective is to encourage continuous disclosure to enhance the transparency, quality and reputation of our equity market, without stifling market development.

We understand that the market is concerned about how "price sensitive information" is defined in the law. In this regard, we propose following the approach of the United Kingdom and other member states of the European Union - that is, to adopt the concept of "inside information" currently used in the insider dealing regime, and to oblige listed corporations to make timely disclosure of such "inside information". In other words, price sensitive information will be equivalent to the information currently prohibited from being used in insider dealing under the Securities and Futures Ordinance. This concept has been in use under our law for 20 years, and the market is familiar with it.

To cater for certain circumstances where information has to be preserved in confidence, we propose the provision of certain safe harbours.

The statutory disclosure obligation is on listed corporations. Under our proposal, listed corporations have to disclose to the public as soon as practicable any "inside information" that has come to its knowledge.

In addition, all directors and officers involved in the management of listed corporations have to take all reasonable measures from time to time to ensure compliance.

The Securities and Futures Commission will enforce the statutory disclosure requirements. It may also institute proceedings directly before the Market Misconduct Tribunal.

We will engage the public and market participants in the next three months in gauging their views. We aim at introducing the Bill to the Legislative Council in the 2010/11 legislative session, to codify the disclosure requirements into the Securities and Futures Ordinance.

Reporter: Why is a criminal sanction not considered and how do you plan to convince the business sector to avoid repeat of the directors' treating of blackout?

Secretary for Financial Services and the Treasury: In looking at how to set up a statutory backing on this disclosure of price information, we take note of the definition of such information as well as the sanctions from the European Union's (EU) directives, so what we are proposing are very much equivalent to the EU directives, which cover all the markets in EU including London. We believe our sanction is very consistent with that.

(Please also refer to the Chinese portion of the transcript.)

Ends