

Transcript of remarks by SFST on the establishment of Investor Education Council and Financial Dispute Resolution Centre

Monday, December 13, 2010

Following is the transcript (English portion) of remarks by the Secretary for Financial Services and the Treasury, Professor K C Chan, announcing the establishment of an Investor Education Council and a Financial Dispute Resolution Centre today (December 13):

Secretary for Financial Services and the Treasury: Today I announce the Government has decided to establish an Investor Education Council (IEC) and a Financial Dispute Resolution Centre (FDRC) to enhance education and protection for investors.

Let me talk about the IEC first. The IEC will holistically devise and take forward the strategy of improving investors' education in Hong Kong. It will raise the community's awareness of their rights and responsibilities and generic knowledge of financial products. It also helps investors to enhance their abilities in managing finance, hence making better financial decisions.

The FDRC is responsible for managing an independent and impartial dispute resolution scheme by way of 'mediation first, arbitration next'. It offers a speedy and affordable way to handle monetary disputes between consumers and financial institutions.

I need to point out that all the financial institutions regulated by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) will be obligated to be members of the financial dispute resolution scheme.

Let me tell you what we will do next. For the IEC, it will be set up as a wholly owned company and fully funded by the SFC. We aim to introduce legislative amendments to the Securities and Futures Ordinance in this legislative session to authorise the SFC to establish the IEC. The SFC's ambition on investor education will also be broadened to cover financial products and services other than those in the securities and futures sector.

We expect that FDRC will be set up by mid-2012. The Government, together with the HKMA and the SFC, will provide the set-up costs and operation costs of FDRC in the first three years.

Reporter: Could the ceiling be raised when necessary? In other words, if there is a dispute over HK\$500,000, what should the investors do?

Secretary for Financial Services and the Treasury: We actually propose setting a ceiling of maximum claimable amount of HK\$500,000 for cases to be handled by the FDRC. We should recognise FDRC is meant to provide a speedy resolution process for financial disputes between the consumers and financial institutions. As this is a streamlined process, it may not be able to handle all kind of disputes. But we thought that given the amount is less than HK\$500,000, it should be able to provide that kind of resolution. It is not meant to cover every dispute but we are actually providing a good process for resolving most disputes.

Reporter: are you worried that financial institutions will have more influence in arbitration?

Secretary for Financial Services and the Treasury: Absolutely not. Yes, we ask them to foot the major part of cost because of the asymmetry between the financial powers of the consumers and the financial institutions. But the FDRC is going to be an independent mechanism and staffed by professional mediators and arbitrators, so I have every confidence to believe that this will be an impartial and fair mechanism.

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

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