

Press release

Order to reduce securities and futures trading levies gazetted

Thursday, May 20, 2010

The Securities and Futures (Levy) (Amendment) Order 2010, which provides for a 25% reduction of the levy payable in respect of trading in securities, futures or options contracts, was published in the Gazette today (May 20).

A spokesman for the Financial Services and the Treasury Bureau said, "The proposed levy reduction will reduce the transaction cost to be borne by investors and thus be conducive to the development of our securities and futures markets. It is estimated that the proposal would reduce the transaction cost to the market by about \$386 million a year."

Under the Order, the levy payable by a seller or a purchaser in respect of a transaction of securities will be reduced from 0.004% to 0.003%. The levy payable in respect of a transaction of a futures contract will be reduced from \$0.80 to \$0.60, while the levy payable in respect of a transaction of a Mini-Hang Seng Index Futures Contract, a Mini-Hang Seng Index Options Contract, a Mini-Hang Seng China Enterprises Index Futures Contract, a stock futures contract or an option for such a contract will be reduced from \$0.16 to \$0.12.

According to the Securities and Futures Ordinance (SFO), if during a financial year of the Securities and Futures Commission (SFC), the reserves of the SFC after deducting depreciation and all provisions are more than twice its estimated operating expenses for the financial year; and the SFC has no outstanding borrowings, the SFC shall consult the Financial Secretary with a view to recommending to the Chief Executive in Council that the rate or amount of a levy be reduced.

"Given the substantial increase in turnover in the past few years, the SFC has accumulated a sizable amount of reserves. So the Government decided to reduce the levies in accordance with the SFO. Having regard to the need to

maintain a healthy financial position of the SFC, the proposed scale of reduction is considered reasonable," the spokesman said.

The Order will be tabled at the Legislative Council for negative vetting on May 26, 2010. Subject to Legislative Council's negative vetting, the Order will be effective from October 1 this year.