

To: <smlr@sfc.org.hk>  
cc:

From: "Yeh V-Nee"  
Date: 17/02/2005 08:41 AM

Our Ref:

Subject: Consultation Paper on Proposed Amendments to the Securities and Futures (Stock Market Listing) Rules

Dear Sir / Madam - I am writing to you both in my capacity from the perspective of a) Value Partners Limited (director & co-founder), b) Argyle Street Management Limited (chairman) & c) Hsin Chong Construction Group Limited (chairman). The former 2 are fund managements firms, with the first specializing in value investing Asia ex-Japan and the second in distressed assets Asia ex-Japan. The latter is a publicly listed company in HK.

I will not delve into the actual drafting of the rules as I believe the entire regime is fundamentally flawed. I concur without reservation on the need to bring statutory backing to the Listing Rules in order to bring enforcement credibility. As a long time member of the Listing Committee, I have been frustrated by the inability of the Exchange to provide an adequate deterrence against market mis-behaviour. I also am in favour of the 3 of the 4 principles, namely a) requirements relating only to disclosure; b) minimal substantive changes; and c) no pre-vetting or approval requirements. However I find the insistence on SEHK as the frontline regulator puzzling.

As paragraph 7, p.2 of the Consultation Paper recognizes, *"the SFC" is 'responsible for enforcing those provisions.'* Surely for any regulatory regime to be effective and broadly accepted, the framework has to be intuitive to the public. Here we effectively have 2 bodies interpreting the same body of rules, the SEHK and the SFC. Only the latter has binding authority. Even amongst market practitioners, such parallel and overlapping jurisdiction creates confusion and uncertainty. The regulatory regime would seem even more perplexing to the investing public. When a crisis eventually develops and one would, this obtuse structure can only invite criticism and in HK's current environment, politicize an issue.

My suggestion therefore is to make the SFC both the front end and the back end regulator with the SEHK removed from its current regulatory role.

Best  
**V-Nee Yeh**