

Updating Your Study Manual

Instructions for Inserting Version 1.1, 2003

The followings serve as the instructions for updating **Topic 1 : Regulatory Overview of the Hong Kong Financial Industry** of Study Manual 1 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** the original front page and **Insert** the updated front page
 3. **Remove** pages 1-7 to 1-8 and **Insert** new pages 1-7 to 1-8.
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STUDY MANUAL FOR

PAPER 1

FUNDAMENTALS OF

SECURITIES AND FUTURES REGULATION

of

The Licensing Examination
for Securities and Futures Intermediaries

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2 Regulatory authorities

Roles of the Government hierarchy

(See Figure 1)

(Please note that only the roles of Government officials as they link with the SFC will be analysed here.)

- 2.1 The **Chief Executive** of the Hong Kong SAR ('HKSAR') appoints the Chairman, Deputy Chairman and the directors of the SFC. He may remove any director and also determine the term and conditions of office of the directors (Schedule 2, SFO). The Chief Executive may give written directions to the SFC regarding how it should seek to meet its objectives and how it should perform its functions (section 11, SFO).

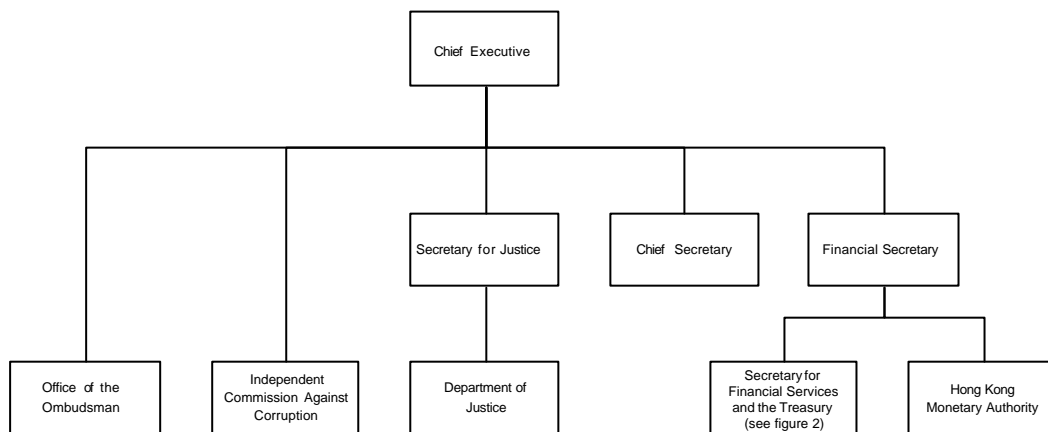


Figure 1: The Government and Financial Services

- 2.2 The **Financial Secretary ('FS')** is one of the most important officials in the Government, together with the Chief Secretary, the Secretary for Justice and 11 bureau directors. The primary duty of the FS is to oversee policy formulation and implementation in financial, monetary, economic and employment matters. He is the Chairman of the Exchange Fund Advisory Committee, the governing body of the Hong Kong Monetary Authority.
- 2.3 The FS has had effective overall authority over the SFC both before and after the implementation of the ministerial system of accountability on 1 July 2002. The FS could require the SFC to provide him with information on the principles, practices and policy it is applying in order to meet its objectives and perform its functions. The SFO states that the SFC may advise the FS on matters relating to the securities and futures industry and provide him with information. The SFC reports all financial matters to the Financial Secretary, such as its budgets, annual financial statements and requests to borrow money, for his approval. In relation to companies, the

FS may appoint inspectors and investigators, if there is a need in problem situations.

2.4 Under the new ministerial system, the SFC has the closest regular contact in Government with the **Secretary for Financial Services and the Treasury**, the Permanent Secretary for Financial Services and the Treasury (Financial Services), who heads the new Financial Services Branch (formerly the Financial Services Bureau) and reports to the Secretary. **Two Deputy Secretaries (‘DS(FS)s’)** report to the Permanent Secretary (see Figure 2).

2.5 The **Commissioner of Insurance** is a Government official who reports directly to the Permanent Secretary for Financial Services and the Treasury and is on the same horizontal level as the DS(FS)s above. The responsibilities of the Insurance Authority of which he is the head are described in paragraphs 2.12 to 2.15 below.

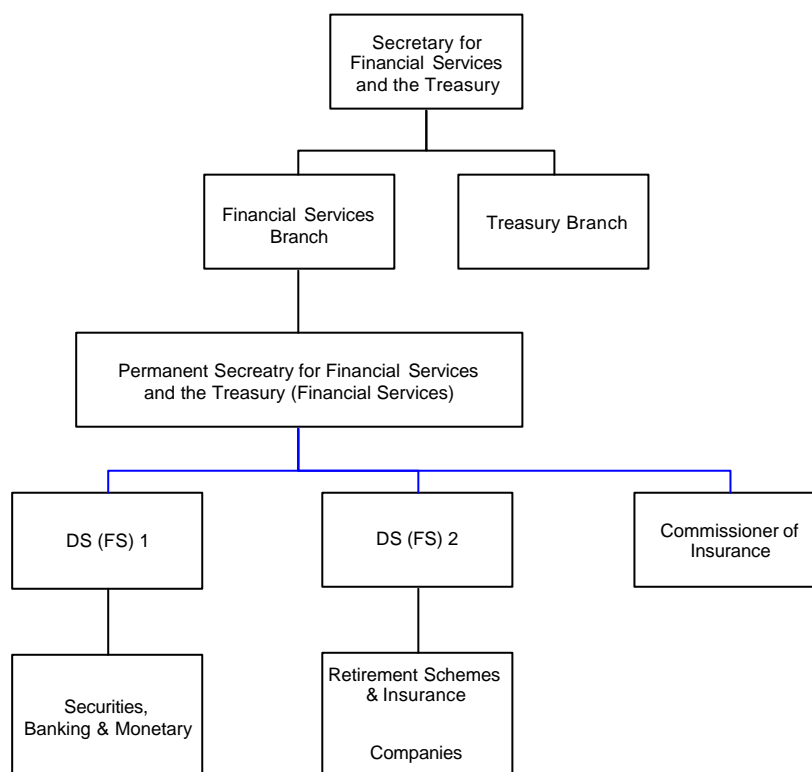


Figure 2: The Structure of the Financial Services Branch