The 2000 Reuters Survey of Hong Kong and China Companies, Investment Research, Sales & Trading

Connaught Room
Mandarin Oriental
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Speech
By
Andrew Sheng
Chairman,
Securities & Futures Commission
Hong Kong

Mr Stephen Parker,
Distinguished Guests
Ladies and Gentlemen

I am very honoured to be the guest of the luncheon today to announce the Annual Reuters Awards to the best fund management groups and stockbrokers covering Hong Kong and China companies for 2000.

I am particularly delighted because, when a regulator makes an announcement about a financial intermediary, very often it is about meting out reprimands rather than dealing out awards for excellence. It is therefore with great pleasure that I have accepted the invitation to this occasion.

First of all, I would like to offer my congratulations to all the award recipients.

The fund management and the stockbroker community are very important part of the securities and futures community in Hong Kong. The Reuters Survey is a useful benchmark to track the main trends of the equity market

in Hong Kong by simultaneously recording the detailed opinions of quoted companies, fund management groups and stockbrokers.

We find such opinions extremely helpful as we need to gauge what are the main trends in the Hong Kong and Asian markets. As regulators, our objective is to listen carefully to the investment community and to set the regulatory framework, so that we have the most open, fair, efficient and liquid equity market in Asia. Yesterday, I made a speech on our proposed Securities and Futures Bill, 2000, where we have just finished an extensive round of market consultations to ensure that the Bill incorporates all the market expertise and opinions on how to achieve our objectives of an open, fair and efficient market.

There is much to be excited about the Hong Kong market:-

- We have recovered ground from 12th position in market cap, post the Asian crisis to become the 10th position;
- The Hong Kong economy is enjoying a V-shaped recovery, with double-digit real growth in the first half of 2000 and an estimated 8.5% growth for this year;
- The Main Board and GEM continue to be major fund-raising centres for companies wishing to raise capital. In the first 8 months of this year, the HKEx raised HK$148 billion (US$19 billion), on par with that in the whole year of 1999;
- The MPF Scheme will begin operations in December this year, strengthening significantly the institutional investor base in both equities and fixed income instruments;
- Our markets are going fully electronic with the successful launch of HKATS for the futures market and the third generation web-friendly AMS/3 trading platform for the cash market;
- The HKMA has just launched the US$ clearing mechanism in Asian time; and

- Mainland China is considering major reforms in their securities and fund management markets in readiness for the accession to WTO.

A recent survey among SFC registered intermediaries and exempt persons who declared their primary advisory business as portfolio management showed that total assets under their management amounted to HK$3,501 billion (US$450 billion) as at the end of last year[1]. While direct comparisons with other markets are difficult, the findings seem to be able to confirm Hong Kong's status as the premier fund management centre in the region[2]. The SFC plans to conduct the Fund Management Activities Survey annually and hopes to identify issues that are instrumental to the further development of the fund management industry.

We strongly believe in maintaining our lead in the equity business in Asia through high quality services. To do this, we need high quality information, knowledge and skills. The fund management and research business of the stockbroking and investment bank communities play a major role in ensuring the high quality of information and analysis in the market and also higher standards of governance. There are exciting times ahead in the New Economy, especially in the light of major structural changes in many Asian markets. The Commission looks forward to working with you in promoting high market standards, which can only add to the liquidity and transparency of our markets.

Once again, I want to congratulate Tempest Consultants on another successful Reuters Survey and the winners of the awards on their contributions to the Hong Kong market.

Thank you.

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[1] Assets that were managed by banks that did not declare their primary advisory business as portfolio management were not included in the findings.

[2] Total assets managed by financial institutions in Singapore were S$246.2 billion (or about HK$1,118 billion) at the end of 1999, according to the Monetary Authority of Singapore's 1999 Fund Management Survey. These institutions included licensed and exempt investment advisers, approved fund managers, banks, finance and treasury centres, and operational headquarters.

Securities and Futures Commission,
Hong Kong,
6 September, 2000