



SECURITIES AND FUTURES COMMISSION
Further Consultation on the Securities and Futures
(Short Position Reporting) Rules

The Law Society has the following comments on the Securities and Futures Commissions' (SFC) Further Consultation on the Securities and Futures (Short Position Reporting) Rules:

We have "no comments" on the specific issued raised in respect of the consultation outlined in paragraphs 18-24 of the Consultation Report.

However we note comments were raised in the initial consultation by others on issues which have not been fully addressed in the SFC response and we wish to comments as follows:

1. Criminal penalties.

The SFC has conceded that breaches should not attract absolute or strict liability, and has proposed a "reasonable excuse" exemption, and so we hope the scope for criminal liability can be clarified further.

2. Jointly held positions.

The draft rules currently have the effect that jointly held positions (other than those of unit trusts) must be reported by all joint holders. The SFC has suggested they will address this in guidance notes but we are of the opinion this is not the most appropriate way to clarify this issue.

The Law Society of Hong Kong
Investment Products & Financial Services Committee
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