



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Public Perception Survey Report of Findings

Hong Kong
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Table of Contents

	Page
Summary	1-3
Chapter 1 Introduction	4
Chapter 2 Methodology	5
Chapter 3 Findings of the Survey	6-16
A. What is the SFC?	
B. Who is the SFC Chairman?	
C. What are the SFC's responsibilities?	
D. How does the SFC perform?	
E. What is the image of the SFC?	
F. How do the public get to know the SFC?	
G. Demographics	
Chapter 4 Conclusions	17

Summary

1. The Securities and Futures Commission engaged an independent research centre to conduct a Public Perception Survey earlier this year on the public's understanding of the SFC's work, their views of its performance and perception of its image.
2. While the SFC has previously conducted surveys on investors' investment behaviour, this is the first survey of the public's perception of the SFC. The survey establishes benchmarks against which the SFC may assess the public's perception and views in the future. The findings may also help the SFC develop its publicity and investor education exercises.
3. The Social Sciences Research Centre (SSRC) of the University of Hong Kong carried out telephone interviews between January and March 2005. It successfully interviewed 1,375 respondents, including 1,055 investors and 320 non-investors.

Main Findings

What is the SFC and who is its Chairman?

4. Respondents were asked to describe what kind of organisation the SFC is¹. A majority (65.7%) of the respondents said the SFC was an overall securities market regulator. More investors (70.3%) said this than non-investors (50.3%). 16% of respondents were not sure. 8.1% and 4.9% mistook the SFC for authorities that approved listings and operated the stock exchange respectively.
5. Respondents were also asked in an unprompted question to name the Chairman of the SFC. 13.8% gave the correct answer (i.e. Mr Andrew Sheng), and 76.9% of all respondents (92.2% of non-investors) said they did not know.

What are the SFC's responsibilities?

6. 19 functions were read out one by one and respondents were asked if those were the SFC's responsibilities. The SFC is responsible for 13 of them.
7. The three functions that were recognised correctly as the SFC's responsibilities by most respondents were "Ensure the securities and futures markets are fair, efficient, competitive, transparent and orderly" (96.9%), "Ensure proper disclosures of information by listed companies" (92.9%) and "Handle investors' complaints about market crimes/misconduct" (90%).
8. Over 80% of respondents correctly recognised "Refuse listing approval for companies that do not make adequate disclosures", "License brokers and monitor their financial soundness", "Protect investors" and "Assist the Government in maintaining financial market stability of Hong Kong" as the SFC's responsibilities.

¹ This is an unprompted question (i.e. no multiple choice of answers). Multiple answers are permitted. See full findings for results on the first spontaneous answers.

9. The two least recognised SFC functions were “Educate investors” (49.5%) and “Compensate investors in the event of broker failures” (40.8%).
10. On the other hand, more than half of the respondents mistook “Supervise banks’ securities business” (68.1%), “Operate the stock exchange” (64.5%), and “Order compensation by brokers to investors” (58.5%) for SFC responsibilities. Significantly more non-investors (14.4%) than investors (6.4%) wrongly believed “Give investment or stock tips” was an SFC responsibility.

How does the SFC perform?

11. Respondents were informed of the six statutory objectives of the SFC. They were asked to rate the performance of the SFC in meeting each of the six objectives (10 points being the highest mark) and give an overall rating.
12. Higher ratings were given to the following three areas: 6.7 for both “Assisting the Government in maintaining financial market stability of Hong Kong” and “Ensuring that securities and futures markets are fair, efficient, competitive, transparent and orderly” and 6.5 for “Reducing systematic risks in the securities industry”. The other ratings were 5.9 for “Protecting investors”, 5.8 for “Fighting securities market crimes” and 4.8 for “Educating investors”.
13. The rating for the overall performance of the SFC was 6.5.

What is the image of the SFC?

14. Respondents were asked to rate how accurately each of four descriptions matched their perception of the SFC (10 points being the most accurate).
15. The findings show that the SFC was being seen to be more a “market regulator” which is fair and authoritative (6.4) or a “market facilitator” which facilitates the development of the market and business of practitioners (6.3), than a “law enforcer” (5.6) or “a partner with investors” which educates investors (5.1).

How do the public get to know the SFC?

16. TV (81.7%) and newspapers (70.5%) were the most frequently mentioned channels through which respondents heard about SFC news, followed by radio (30.4%) and websites (10%). More non-investors (86.9%) heard about SFC news through TV than investors (80.1%) did.

Conclusions

17. Because this is the first public perception survey that the SFC has conducted, there are no comparative figures. The findings will serve as benchmarks against which we will measure our future performance and assess if there is any improvement in public recognition of the SFC’s responsibilities and image. We intend to conduct a similar

survey in two years.

18. We have several observations from the present findings.
19. There is relatively low recognition level (below 50% of respondents) for certain SFC responsibilities (“Educate investors” and “Compensate investors in the event of broker failures”). Publicity or investor education in those areas may be strengthened.
20. On the other hand, we may need to clarify that certain activities – such as “Supervise banks’ securities business”, “Operate the stock exchange”, and “Order compensation by brokers to investors” – are not within the SFC ambit, as more than 50% of the respondents mistakenly thought they were. We also note that more investors than non-investors thought “Fight fraud and commercial crimes” and “Give legal advice” were SFC responsibilities.
21. We will consider further the public perception of the SFC’s image and determine, in light of its corporate strategic directions, what image the SFC wishes to project to the public and how we may effectively do so.

Chapter 1 Introduction

- 1.1 The SFC has commissioned the Social Sciences Research Centre of the University of Hong Kong to conduct a research on the public's understanding of the SFC's work, their views of its performance and perception of its image. It is hoped that the findings may help the SFC develop its publicity and investor education exercises, with the ultimate objective of creating greater public confidence in the market.
- 1.2 The SFC has previously conducted surveys on investors' investment behaviour. This is the first time the SFC has conducted a survey on the public's perception of the SFC. The findings of the survey establish benchmarks against which the SFC may assess the public's perception and views in the future.
- 1.3 The survey was completed in March 2005. This Report contains a brief discussion of the methodology and the key findings of the survey. More details may be obtained by contacting the Corporate Communications Department of the SFC at 2840 9287.
- 1.4 The SFC would like to thank all the respondents in the survey and the SSRC.

Chapter 2 Methodology

- 2.1 The SSRC used CATI (Computer Assisted Telephone Interview) to conduct the survey. Telephone calls were made between 6:30pm and 10:30pm from 28 January to 2 March 2005.
- 2.2 Interviewers attempted 32,895 telephone numbers. They successfully reached and completed the interview with 1,375 eligible respondents, including 1,055 investors and 320 non-investors. Eligible respondents were those aged 18 or above, had heard of the SFC, and had never been licensed or employed by the SFC. Investors were “those who are holding investment products regulated by the SFC (such as stocks, warrants, futures, options or investment funds) or those who have traded any such products during the last two years”.
- 2.3 The overall response rate was 48.5%².
- 2.4 There is 95% confidence that the true population proportion falls within the sample proportion plus or minus 2.6%.
- 2.5 All SSRC interviewers were well trained in a standardised approach prior to the commencement of the survey. The interviews were conducted in Cantonese, Putonghua or English.
- 2.6 The SSRC has had quality checks for each stage of the survey to ensure high standards of performance. At least 5% of the questionnaires completed by each interviewer were checked by the SSRC independently.

² Response rate = the number of successfully completed interviews (1,375) divided by the sum of the numbers of successfully completed interviews (1,375), dropout cases (135) and refusal cases (1,325).

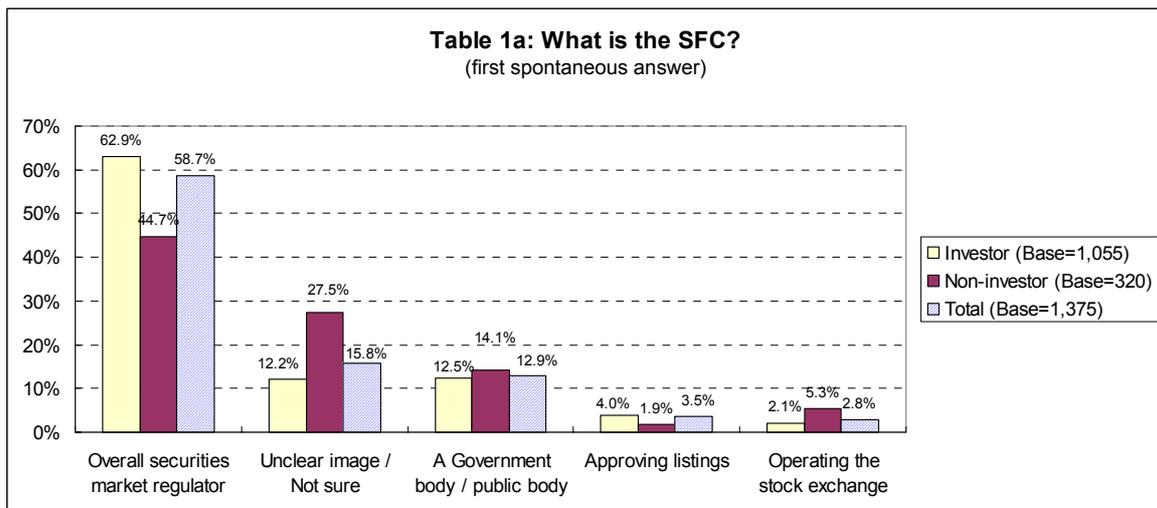
Chapter 3 Findings of the Survey

3.1 This chapter presents the findings of the survey. The results are broken down by investors and non-investors.

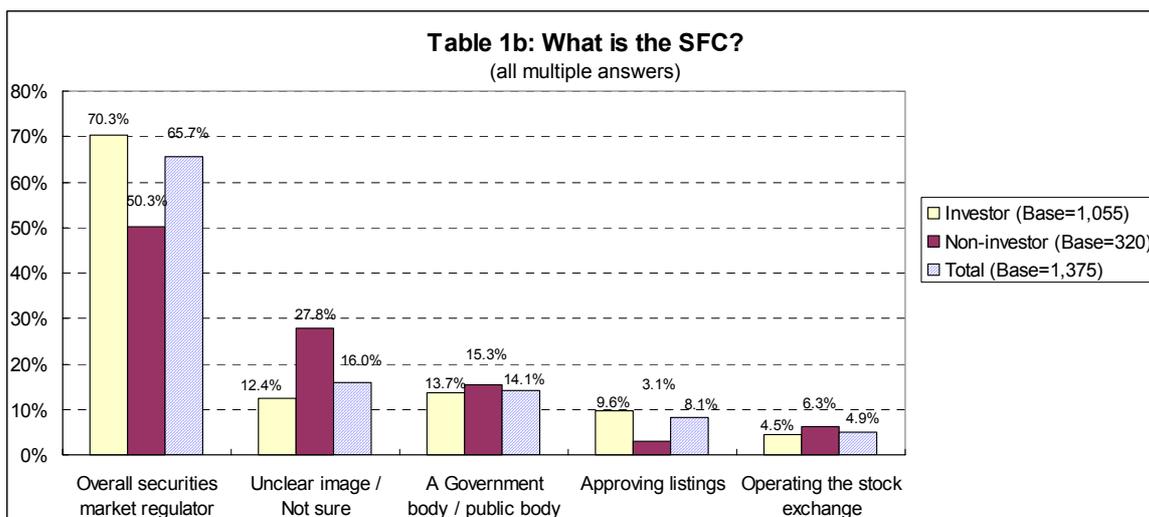
A. What is the SFC?

3.2 Respondents were asked to describe what kind of organisation that they had perceived the SFC to be. The question was unprompted (i.e. no multiple choice of answers) and respondents were allowed to give more than one answer.

3.3 In their first spontaneous answer, a majority of respondents (58.7%) said the SFC was an “Overall securities market regulator”. Significantly more investors (62.9%) than non-investors (44.7%) said this. 15.8% of respondents were unclear about the image of the SFC or not sure (12.2% of investors and 27.5% of non-investors). 12.9% of respondents perceived the SFC to be a “Government body/public body” (Table 1a).

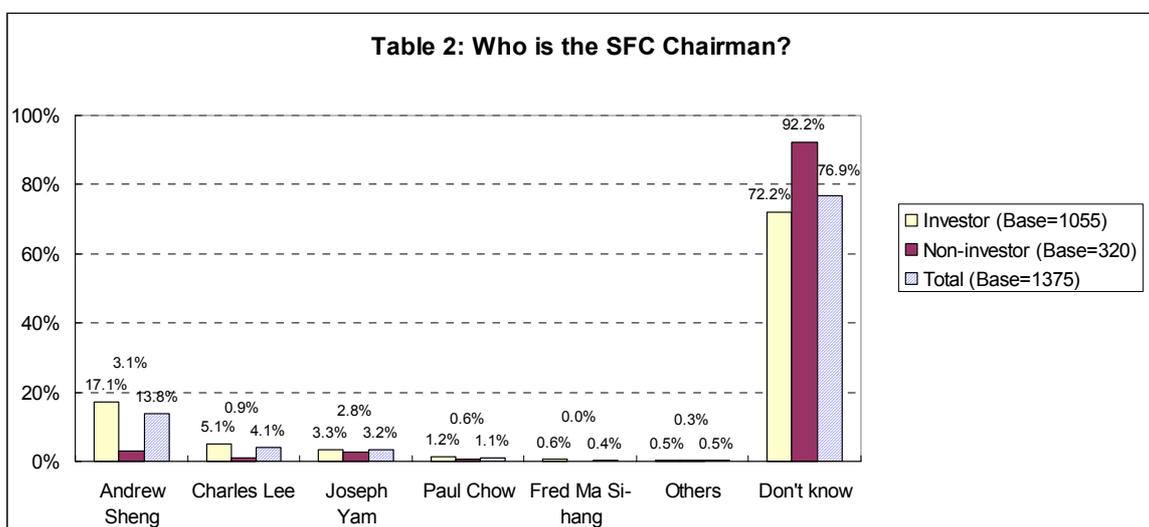


3.4 Table 1b shows the findings of all answers given by the respondents. Again, most respondents (65.7%) said the SFC was the “Overall securities market regulator”, followed by “unclear image/not sure” (16%) and “A government body/public body” (14.1%). Similarly, more investors (70.3%) regarded the SFC as the overall securities market regulator than non-investors (50.3%), while more non-investors (27.8%) than investors (12.4%) found the image of the SFC unclear or were not sure.



B. Who is the SFC Chairman?

3.5 Respondents were asked in an unprompted question to name the Chairman of the SFC. 13.8% of respondents (17.1% of investors and 3.1% of non-investors) gave the correct answer (i.e. Mr Andrew Sheng). 76.9% of all respondents (72.2% of investors and 92.2% of non-investors) said they did not know (Table 2).



C. What are the SFC's responsibilities?

- 3.6 19 functions were read out one by one and respondents were asked if those were the SFC's responsibilities. The SFC is responsible for 13 of them³. The order of these 19 functions was rotated randomly for each interview in order to eliminate any order effect.
- 3.7 Table 3 shows that the three functions that were recognised correctly as the SFC's responsibilities by most respondents were "Ensure the securities and futures markets are fair, efficient, competitive, transparent and orderly" (96.9%), "Ensure proper disclosures of information by listed companies" (92.9%) and "Handle investors' complaints about market crimes/misconduct" (90%).
- 3.8 Over 80% of respondents correctly recognised "Refuse listing approval for companies that do not make adequate disclosures", "License brokers and monitor their financial soundness", "Protect investors" and "Assist the Government in maintaining financial market stability of Hong Kong" as the SFC's responsibilities.
- 3.9 Fewer than half of the respondents correctly identified "Educate investors" (49.5%) and "Compensate investors in the event of broker failures"⁴ (40.8%) as the SFC's responsibilities.
- 3.10 The six functions shaded in Table 3 are not the responsibilities of the SFC⁵. Over half

³ These 13 functions do not represent all the functions performed by the SFC. For further information about the SFC, please visit the SFC website at www.sfc.hk, and read the SFC Annual Report 2004-2005, which is also available on the website.

⁴ The SFC administers the Investor Compensation Fund which makes compensation payments to investors in the event of broker defaults based on the determinations of investors' claims processed by the Investor Compensation Company Ltd.

⁵ Why are these six functions not SFC responsibilities?

- The supervision of banks' securities business is the responsibility of the Hong Kong Monetary Authority. Under a Memorandum of Understanding signed between the SFC and the HKMA, the HKMA will supervise the banks using the same high standards the SFC uses in supervising its licensees.
- While the SFC is the oversight regulator of Hong Kong Exchanges and Clearing Ltd, the SFC does not operate the stock exchange. The Stock Exchange of Hong Kong is operated by HKEx, which is a profit-making organisation.
- The SFC may fine, suspend or impose other disciplinary sanctions on licensed intermediaries (including brokers) for misconduct, but it has no power to order a licensee to compensate clients. There have been cases where licensees made voluntary payments to affected clients in settling SFC disciplinary action.
- The SFC may discover fraud or other commercial crimes in its investigations, but these cases are normally referred to the Police.
- The SFC enforces the law but is not in a position to give legal advice to the public.

of the respondents mistakenly thought that “Supervise banks’ securities business” (68.1%), “Operate the stock exchange” (64.5%) and “Order compensation by brokers to investors” (58.5%) were the responsibilities of the SFC. Also, more investors than non-investors perceived that “Fight fraud and commercial crimes” and “Give legal advice” were the SFC’s responsibilities. A relatively small number of respondents (8.3%) said “Give investment or stock tips” was the SFC’s responsibility. Of these, more non-investors (14.4%) were under the wrong impression than investors (6.4%).

3.11 Generally, investors had better knowledge of the SFC’s responsibilities. Significantly more investors than non-investors correctly recognised the SFC’s responsibilities in nine out of the 13 areas⁶. The nine areas are:

- Ensure the securities and futures markets are fair, efficient, competitive, transparent and orderly
- Ensure proper disclosures of information by listed companies
- Refuse listing approval for companies that do not make adequate disclosures
- Protect investors
- Fight securities market crimes
- Reduce systemic risks in the securities industry
- Punish bad brokers, investment advisers and other intermediaries
- Authorise funds for sale to the public
- Educate investors

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- As an independent market regulator, the SFC will not predict market movement, comment on stock performance, or give investment and stock tips. We educate investors so they understand the risks of investment and that they need to get all the facts before they invest.

⁶ Significance at 5% level (two-tailed), i.e. when p-value of chi-square test is equal or less than 0.050, the difference is considered to be statistically significant.

Table 3: Respondents who perceived the function as an SFC responsibility

Functions	Investor (Base=1,055)	Non-investor (Base=320)	Total (Base=1,375)
Ensure the securities and futures markets are fair, efficient, competitive, transparent and orderly *	97.4%	95.0%	96.9%
Ensure proper disclosures of information by listed companies *	94.8%	86.6%	92.9%
Handle investors' complaints about market crimes/misconduct	90.9%	86.9%	90.0%
Refuse listing approval for companies that do not make adequate disclosures *	90.3%	86.6%	89.5%
License brokers and monitor their financial soundness #	88.8%	89.4%	88.9%
Protect investors *	87.5%	81.6%	86.1%
Assist the Government in maintaining financial market stability of Hong Kong	84.4%	80.6%	83.5%
Fight securities market crimes, e.g. market manipulation *	81.9%	72.5%	79.7%
Reduce systemic risks in the securities industry, e.g. making sure the exchange trading and clearing systems can cope with high volume and volatility *	79.5%	77.8%	79.1%
Punish bad brokers, investment advisers and other intermediaries *	80.5%	69.1%	77.8%
Authorise funds for sale to the public *	70.0%	68.4%	69.7%
Supervise banks' securities business	68.3%	67.2%	68.1%
Operate the stock exchange #	62.7%	70.3%	64.5%
Order compensation by brokers to investors #	58.2%	59.4%	58.5%
Educate investors *	51.8%	42.2%	49.5%
Fight fraud and commercial crimes	42.6%	38.4%	41.6%
Compensate investors in the event of broker failures	41.6%	38.1%	40.8%
Give legal advice	34.6%	31.6%	33.9%
Give investment or stock tips #	6.4%	14.4%	8.3%

#: % of non-investors > % of investors

*: significantly more investors than non-investors correctly recognised this as an SFC responsibility

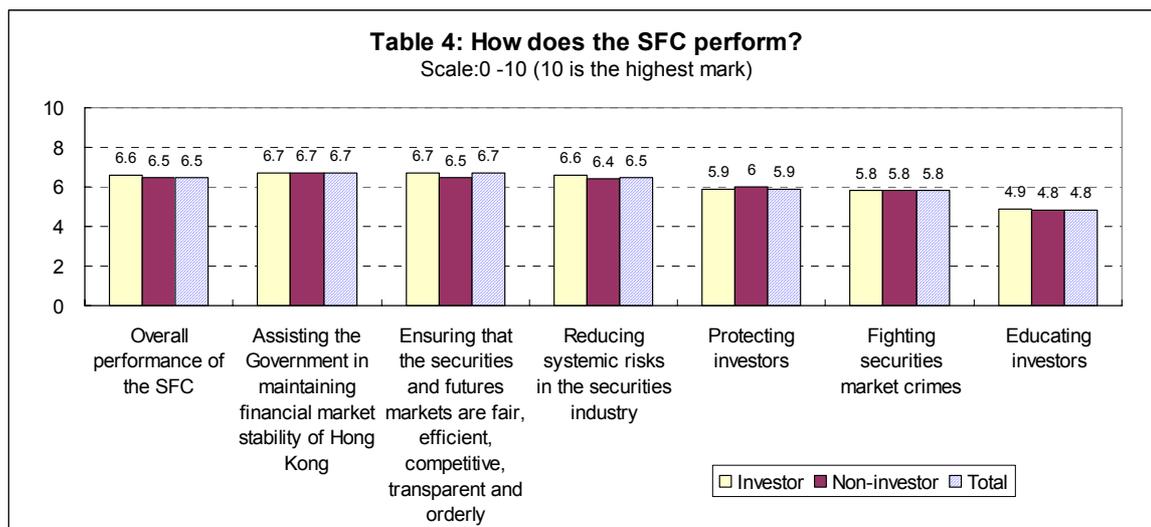
D. How does the SFC perform?

3.12 Respondents were informed of the six regulatory objectives of the SFC⁷. They were asked to rate the performance of the SFC in meeting each of these six objectives, using a scale of 0 to 10 (10 being the highest mark). Respondents were then asked to give an overall rating. Table 4 shows the mean ratings.

3.13 The mean rating for the overall performance of the SFC was 6.5. Of the six statutory objectives, higher ratings were given to “Assisting the Government in maintaining financial market stability of Hong Kong” (6.7), “Ensuring that the securities and futures markets are fair, efficient, competitive, transparent and orderly” (6.7) and “Reducing systemic risks in the securities industry” (6.5).

3.14 The other ratings were 5.9 for “Protecting investors”, 5.8 for “Fighting securities market crimes” and 4.8 for “Educating investors”.

3.15 There is no statistically significant difference in the ratings by investors and non-investors.



Base: All respondents except those who answered “Don’t know”

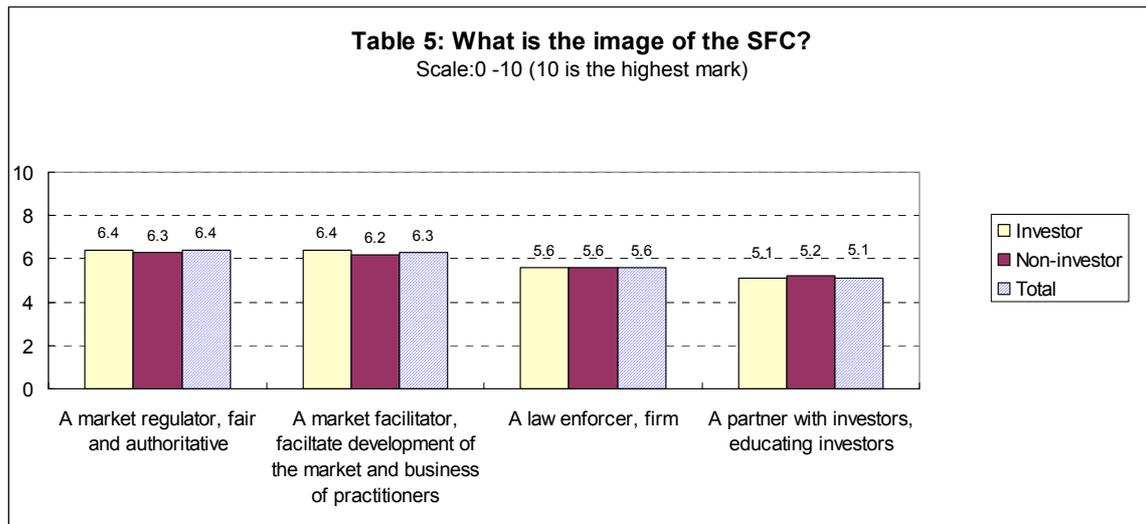
E. What is the image of the SFC?

3.16 Four descriptions of the SFC were read out. Respondents were asked to rate how accurately each of these descriptions matched their perception of the SFC, using a scale from 0 to 10 (10 being the most accurate).

⁷ The regulatory objectives of the SFC are set out under section 4 of the Securities and Futures Ordinance.

3.17 Table 5 shows that the SFC was being seen to be more a “market regulator” which is fair and authoritative (6.4) or a “market facilitator” which facilitates the development of the market and business of practitioners (6.3), than a “law enforcer” which is firm (5.6) or a “partner with investors” which educates investors (5.1).

3.18 There is no statistically significant difference in mean ratings by investors and non-investors.

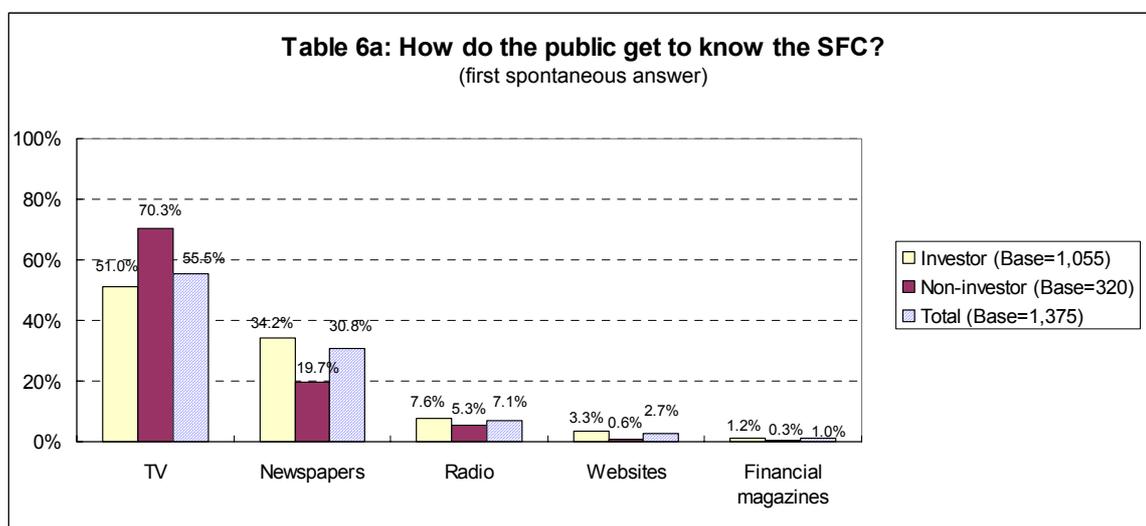


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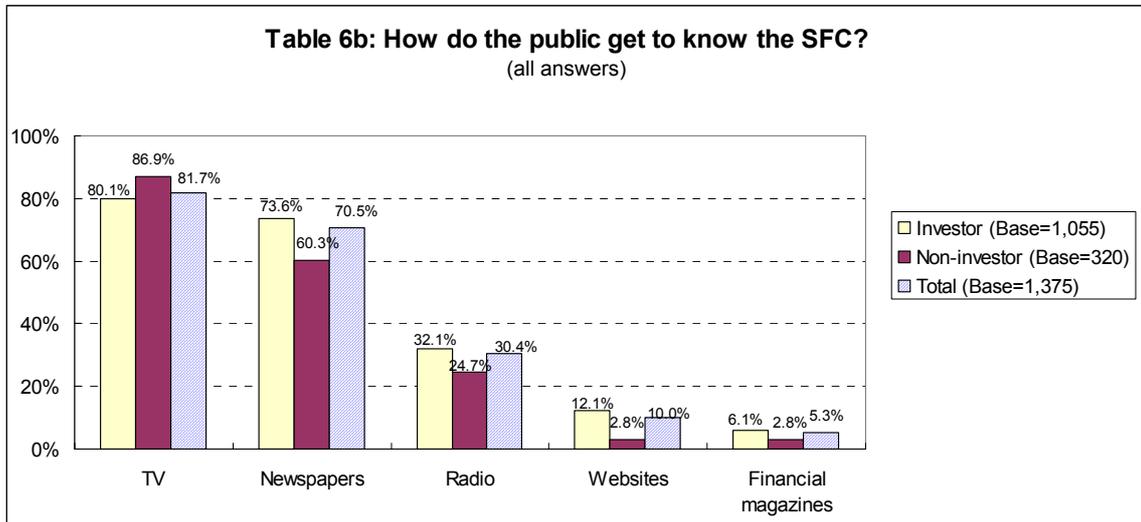
F. How do the public get to know the SFC?

3.19 Respondents were asked to name up to three channels through which they heard about SFC news most often.

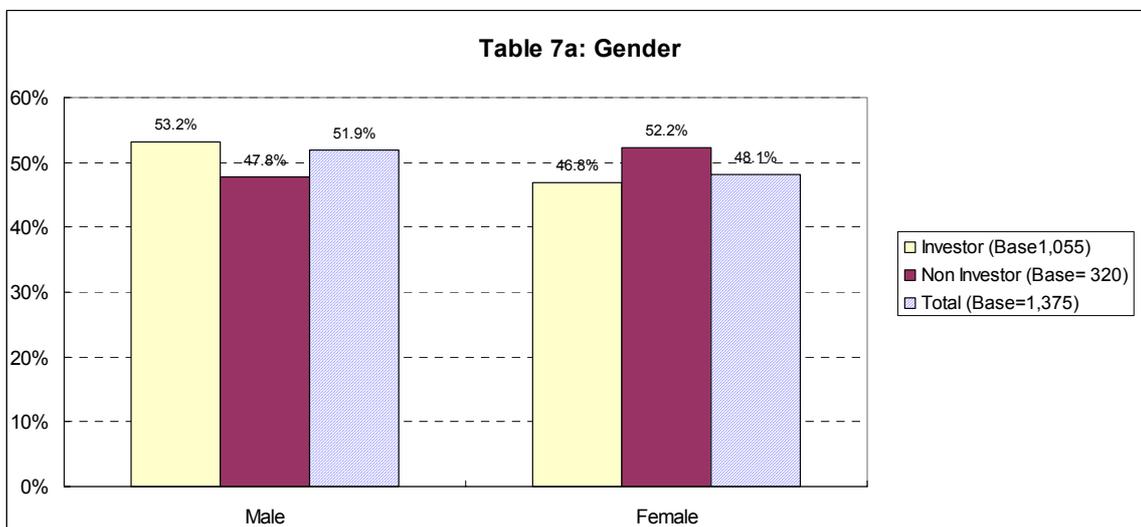
3.20 In their first spontaneous answer, TV was the most frequently mentioned channel (55.5%), followed by newspapers (30.8%) (Table 6a).



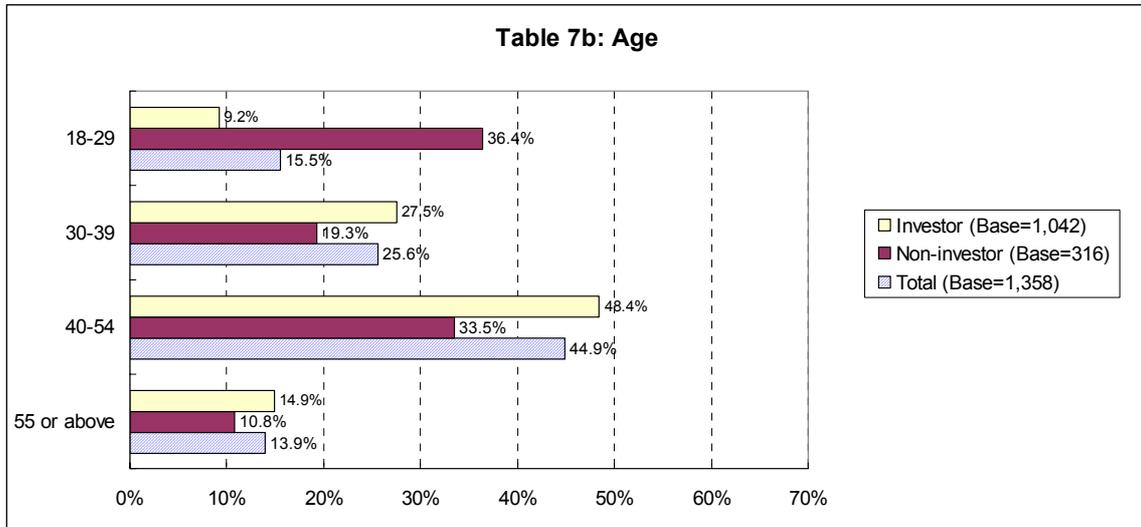
3.21 Table 6b shows all multiple answers. Again, TV (81.7%) and newspapers (70.5%) were the most frequently mentioned channels, followed by radio (30.4%) and websites (10%). More non-investors (86.9%) heard about SFC through TV than investors (80.1%) did.



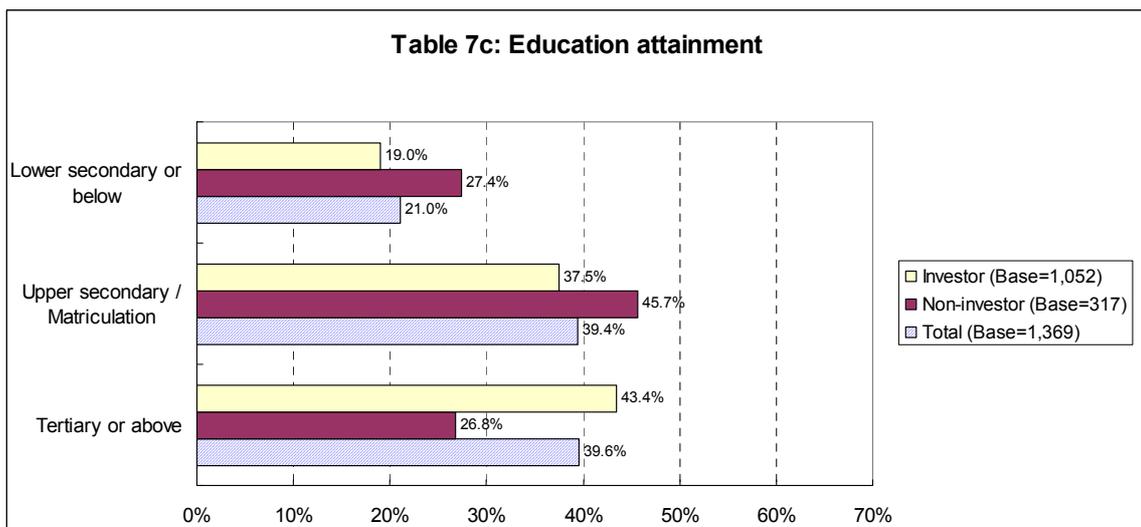
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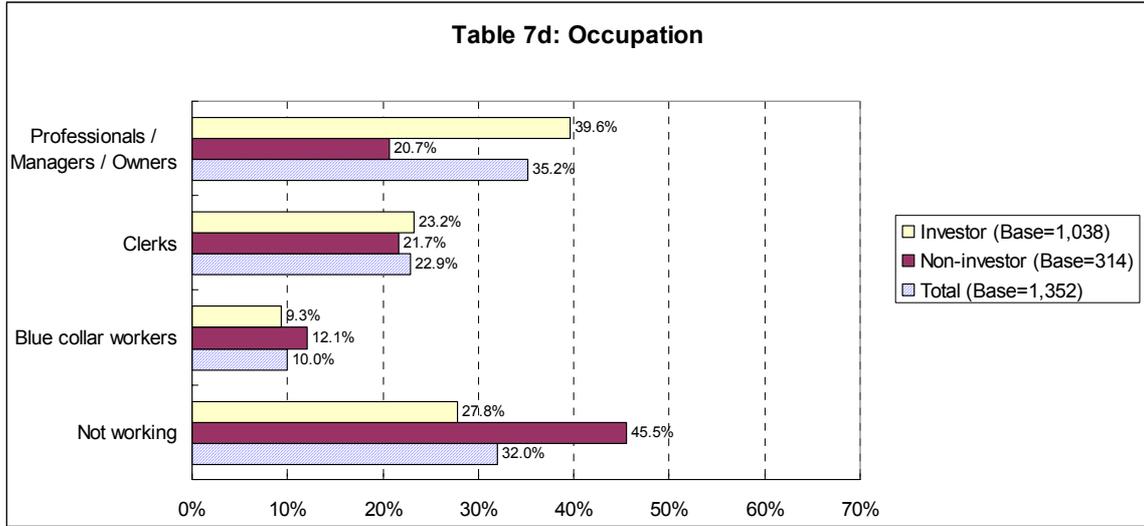
Base: All respondents



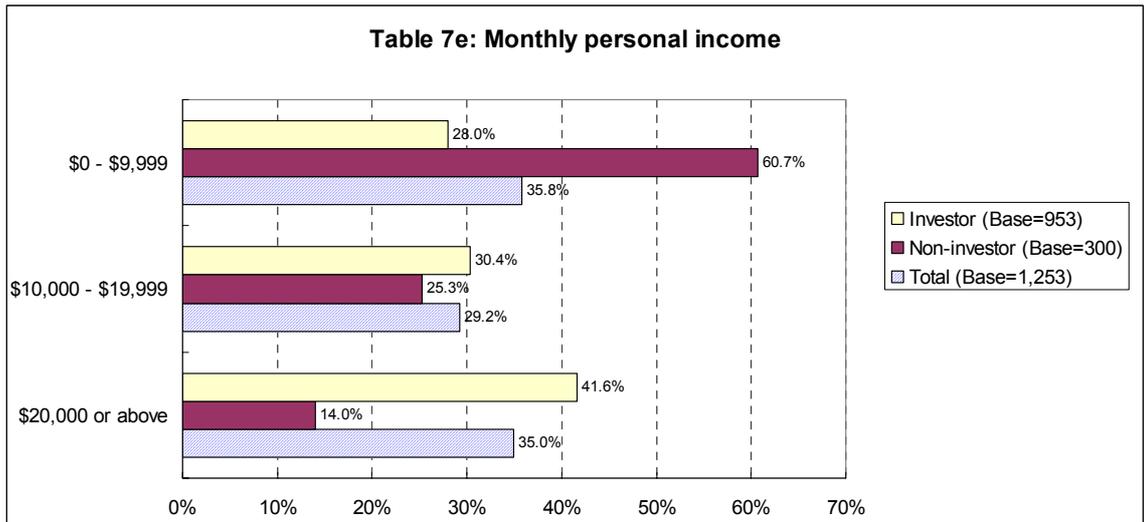
Base: All respondents except those who refused to answer.



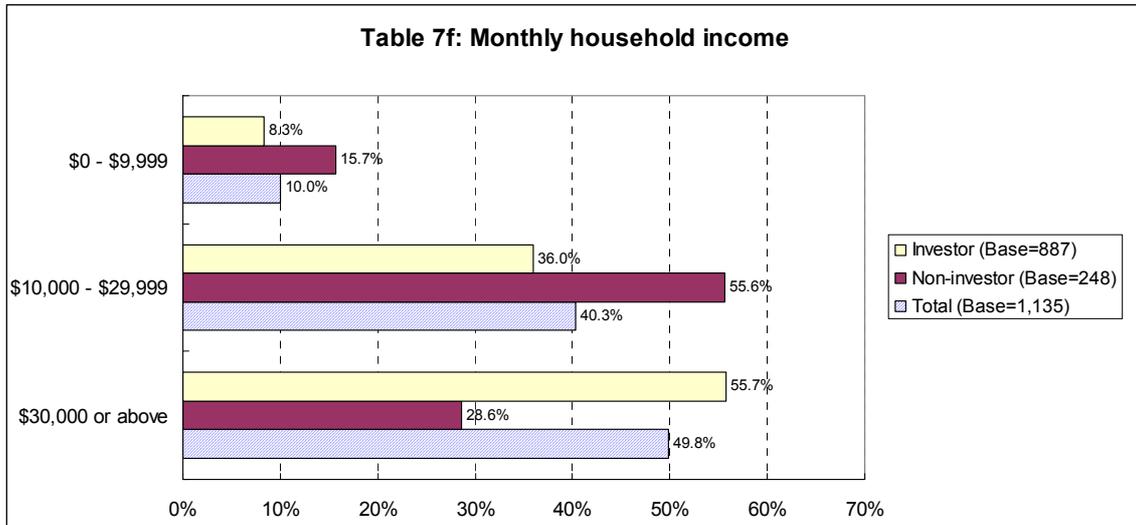
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Chapter 4 Conclusions

- 4.1 Because this is the first public perception survey that the SFC has conducted, there are no comparative figures. The findings will serve as benchmarks against which we will measure our future performance and assess if there is any improvement in public recognition of the SFC's responsibilities and image. We intend to conduct a similar survey in two years.
- 4.2 We have several observations from the present findings.
- 4.3 There is relatively low recognition level (below 50% of respondents) for certain SFC responsibilities ("Educate investors" and "Compensate investors in the event of broker failures"). Publicity or investor education in those areas may be strengthened.
- 4.4 On the other hand, we may need to clarify that certain activities – such as "Supervise banks' securities business", "Operate the stock exchange", and "Order compensation by brokers to investors" – are not within the SFC ambit, as more than 50% of the respondents mistakenly thought they were. We also note that more investors than non-investors thought "Fight fraud and commercial crimes" and "Give legal advice" were SFC responsibilities.
- 4.5 We will consider further the public perception of the SFC's image and determine, in light of our corporate strategic directions, what image the SFC wishes to project to the public and how we may effectively do so.