



6 May 2010

(By post and by e-mail: iec_consultation@fstb.gov.hk and
fdrc_consultation@fstb.gov.hk)

Division 1, Financial Services Branch
Financial Services and the Treasury Bureau
18/F, Tower I, Admiralty Centre
18, Harcourt Road,
Hong Kong

Dear Sir/Madam,

RE: Consultation Paper on the Proposed Establishment of an Investor Education Council and a Financial Dispute Resolution Centre

In light of the importance of the captioned report, the Hong Kong Mediation Centre has set up a committee to discuss its contents and views from our accredited mediators are collated for your consideration as follows.

Part I: Investor Education Council (“IEC”)

Without doubt, Hong Kong as a major international financial centre processes an integrated network of institutions and markets that provide a wide range of financial products and services to local and international consumers and investors. Induced by the global financial crisis from 2008 to 2009, particularly the Lehman Brothers Minibonds incident, it has been realized that some investors would certainly need more support and protection as they engage in financial services. It cannot be denied that investors with more understanding towards markets and products will eventually lead to better decisions that fit their needs.

However, we do not agree to setting up an IEC to centralize the investment education by the Government as a whole which in return, will fatally hamper the financial



development of Hong Kong as a major international financial centre in the long term. In practice, banks, insurance and securities institutions, the Hong Kong Monetary Authority, the Securities and Futures Commission, the Hong Kong Exchanges and Clearing Limited, and the Consumer Council etc. have put tremendous efforts in advocate the wisdom and importance of investment education to the consumers and investors in various aspects. To optimize the allocation of resources, we suggest that the Government should first and crucial to formulate guidelines, but not limitations, and to enforce compliance in order to facilitate the smooth running of the entire financial well-being in Hong Kong. To enhance the financial literacy of the public, supplement series of seminars, workshops, media promotion and publication will have a more thorough penetration into different levels of investors.

Part II: Financial Dispute Resolution Centre (“FDRC”)

The complexity and variation of financial products will undoubtedly accelerate the number of disputes between individual investors and financial institutions. Mediation is certainly a speedy, affordable, independent and impartial way to resolve problems. We support the implementation of a financial dispute resolution scheme by way of primary mediation, and failing which, arbitration. We oppose to setting a limit of HK\$500,000 as the maximum claimable amount under the scheme. To be realistic, the cost of arbitration is far above the said amount and we believe that most of the investment amounts are much higher than HK\$500,000. The limitation will only post adverse effects to the investors and hinder their motives to use mediation as a means to resolve their disputes.

It is important that detailed charges arising from the process of mediation or arbitration to the parties involved should be disclosed in order to let them make a decision whether to opt for mediation or arbitration. Periodic reveal of the mediation cases, without exposure of the names of the parties, will ease the curiosity of the public and smooth the overall enforcement of mediation in the community. Nevertheless, the Government should tackle the problem of one’s willingness to report the result of mediation for statistical purpose.

The initial attempt to deal with the Lehman Brothers Minibonds incident jointly by the Hong Kong Mediation Centre and Hong Kong Mediation Council definitely demonstrated the sophistication, efficiency and effectiveness of existing professional entities in handling financial mediation cases. Many of the experts are well-versed with



the techniques in handling financial mediation and are deemed trustworthy. To maximize their expertise, it is worth granting of governmental subsidies to the existing professional organizations to expedite the development of mediation and put forward the milestone of mediation in the immediate future.

Our Conclusion and Suggestion

We do not concur with the establishment of the IEC and FDRC. We strongly suggest subsidizing the existing training and mediation institutions respectively with part of the budget as an alternative to achieve efficiency and maximize results. Please consider.

Yours sincerely,

Tsang Ping Chiu Paco
President
Hong Kong Mediation Centre