

The Development of Bilingualism in the Securities Market of Hong Kong

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1. Background

Dealing in securities is a kind of financial activities and has a long history in Hong Kong. It can be traced back to eighteenth century. At the very beginning, all the listed companies were mainly concentrated to those backgrounds of Britain's companies. Owing to the colonial status, all the rules and regulations, ordinances of Hong Kong related to financial activities were copied from the United Kingdom. All the relevant provisions and ordinances of the securities activity were written in English. No Chinese version about the information of the securities market could be found before 1993 until the Stock Exchange of Hong Kong provided the copies of Chinese version of Listing Rules, Trading Rules and Clearing House Rules for investors to purchase afterward. Moreover, the return of sovereignty of Hong Kong to Mainland China in 1997 directly increased the speed of the development of bilingualism in the securities market of Hong Kong and the securities market has also entered into a new era for investors whose can freely get information about the market according to their known languages.

2. Development of the securities market in Hong Kong

Due to the historical background of Hong Kong, most economic developments, legal systems and business concepts were initiated by the British when Hong Kong was ceded to Britain in 1842 via the Treaty of Nanking¹. Some huge British Corporations, such as The Hongkong and Shanghai Banking Corporation, set up their headquarters in Hong Kong. The first stock exchange of Hong Kong, the Association of Stockbrokers ("the Association"), was established in 1891.² The stock exchange fulfilled the need of the commercial society, in which the share of listing companies could freely be transferred. Meanwhile, the general public got not too much the

¹ Hong Kong Exchanges and Clearing Limited, A Glimpse of the Past, May 2011, p.1
<http://www.hkex.com.hk/eng/exchange/corpinfo/history/documents/hkex-01e.pdf> accessed on 1 June 2011.

² Ibid.

concept of capitalization. Most of the business models were copied from Britain, therefore, all documents, rules and regulations of the association were used in English. It seemed to set a barrier to the Chinese, who did not know or was not proficient in English, to join the Association. It is not difficult to understand why the Association did not have Chinese members at that time. In 1914³, the Association was renamed to the Hong Kong Stock Exchange. The actual circumstance of the securities trading kept no change until 1921, an all-Chinese stock exchange, the Hong Kong Sharebrokers Association, was formed.

Before 1921, the stock market did not have Chinese brokers. Due to the problem of communication, Chinese investors were seldom to participate to the stock market. Nevertheless, a new scene appeared after an all-Chinese stock exchange was introduced. The Chinese investors got a platform to take part in the stock trading. They could handle and communicate with their brokers because they all were Chinese. The scene in the Association of Stockbrokers was totally different. All members of the Association were British or foreigner. The main language in the Association was English. A phenomenon about the languages used in two stock exchanges were clear, one used and spoke English but the other used Chinese and spoke Cantonese. No bilingualism of the market could be said at that moment.

Due to the effect of the Second World War, both stock markets were closed during the period from 1939 to 1945. Following the end of the Second World War, both markets were merged and formed the new Hong Kong Stock Exchange⁴. After the merging, the new Hong Kong Stock Exchange recruited both Chinese members and English members. It was the most preliminary bilingualism in the securities market. Most of the documents of the Exchange were still used English and was not used Chinese. Therefore, the action of bilingualism should only be restricted in people's conversation and not extended to documents which they used in daily operation.

After the Second World War, a lot of companies chose Hong Kong as the base of their business development. They went to listing in Hong Kong and traded in the Stock Exchange of Hong Kong. The economy of Hong Kong recovered very fast and the need of the Chinese corporation to go to listing was increasing. The market's phenomenon induced other parties setting up additional stock exchange in Hong Kong. At that time, Hong Kong had not any law or ordinance to restrict the setup of stock exchange. The monopoly regarding the business of stock exchange was

³ Ibid.

⁴ Ibid.

continuously until 1969. The second stock exchange, the Far East Exchange, was established on 17 December 1969⁵. Following the step of the Far East Exchange was the Kam Ngan Stock Exchange which was established on 15 March 1971⁶. The fourth stock exchange was the Kowloon Stock Exchange which was established on 5 January 1972⁷. After the Kowloon Stock Exchange, there was no more Stock Exchange to be formed in Hong Kong when the Stock Exchange Control Ordinance was announced in February 1973⁸.

At the time of the co-existence of four stock exchanges, it could be said that Hong Kong actually had not a real authority to monitor the market's trading activities. There were no Securities Ordinance, Securities and Futures Ordinance ("SFO") and Securities Futures Commission ("SFC"). Stock brokers hurt the interest of investors and breached the rules for their own benefits. In fact, all the securities market was running in a circumstance of confusion. You could imagine that how the confusion was when various securities were listed in four stock exchanges and got different trading hours. In order to standardize the trading hours of the four stock exchanges, they started to negotiate and concluded to standardize their trading sessions on 8 January 1973⁹.

A small city just like Hong Kong having four stock exchanges was quite special in the world. In addition, different Exchanges had their rules and the pricing of listing stocks in four stock exchanges sometime was also different. It created the problem of fault in the market and created the problem of unfairness to investors. Finally, under the pressure of the Hong Kong Government, the four stock exchanges decided to merge. Over ten year's preparation and negotiation, four exchanges were formally merged on 2 April 1986¹⁰ and called The Stock Exchange of Hong Kong Limited which opened the new era of the securities trading in Hong Kong. The concept of bilingualism in the securities market of Hong Kong was also started.

3. Major languages to be used before the amalgamation of four Exchanges

Except the Hong Kong Stock Exchange of 1947, the members of other three stock exchanges mainly used the language of Chinese. At that time, we got no automation in securities dealing and securities settlement. After trading, clients and stock brokers

⁵ Supra n.1, p.2.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Supar n.1, p.4.

needed to make a physical delivery. All transactions were adopted the method of open crying and used a black board to write down the prices of dealing. Brokers and clients were seldom to communicate with correspondence. No trading rules and regulations required brokers to follow until the stock market crashed in October 1987¹¹. In order to control the performance of brokers and the listing companies, the Securities Ordinance and the Protection of Investors Ordinance were prorogated and passed by the Legislation Council of Hong Kong. Nevertheless, the content of ordinances was only written in English and did not have the version of Chinese. A common investor without a sound English standard was hard to understand the meaning of the ordinances.

4. The status of English after amalgamation of four stock exchanges and the development of the computerization.

After the amalgamation of four stock exchanges, all kinds of communication among the stock exchanges, brokers and investors got an obvious improvement. For example, the new stock exchange, The Stock Exchange of Hong Kong Limited (the “Exchange”) started to print its rules and regulations with both Chinese and English. You could buy the printing of the Exchange of Hong Kong Limited either the version of English or Chinese. Computerization also led the Exchange to a new era which assisted the promotion of bilingualism in the securities industry in Hong Kong. Due to the development of internet, the Exchange got its own website and passed different information to brokers, listing companies and investors via its website in March 2000¹². Computerization was the changing point about the development of bilingualism. You could easily access both languages in the website of the Exchange and could learn a lot of new technical terms in Chinese or English. The approach of bilingualism of the Exchange in the website directly assists people to learn both languages. A Glossary of Securities and Financial Terms have been added in the Exchange website and updated time to time. A lot of financial terms both meaning of Chinese and English can easily be found in the website.

5. Bilingualism was fully introduced near 1997 and implemented after 1997

Hong Kong was conquered and governed by the United Kingdom as colony from the year of 1842. After serious rounds of contacts, meetings and negotiations between senior officers of the United Kingdom and the People’s Republic of China, the return

¹¹ Supra n.1, p.5.

¹² Information from The Stock Exchange of Hong Kong Limited General Hotline (Tel: 28403895 Ms Cheung).

of sovereignty of Hong Kong was formally confirmed in 1984 and executed on 1 July 1997. Under the control of United Kingdom for a long period, English actually become a main language in all departments of the government, courts and legislation but also has been regarded as a general language commonly to be used in the commercial sector. To compare with English, the value of Chinese was obviously neglected and the statuses of both languages looked like to have a little bit of losing balance in the past century.

In order to show the return of sovereignty, existing ordinances of the Hong Kong Special Administrative Region (“Hong Kong”), and titles of the Hong Kong’s officers and the name of Hong Kong’s departments were requested to have an official Chinese translation. The version of Chinese could enjoy the same legal status with the version of English. You could demand to use Chinese in the court and choose the judge who could speak or understand Chinese after the year of 1997.

6. Creation of new Chinese terms due to the development of bilingualism

As we know, the foundation of the Hong Kong legal system and the structure of its legislation were basically copied from the United Kingdom. A lot of legal terms in ordinances were adopted long time ago. Basically, the meaning of Chinese was hard to be translated. Sometime, the actual meaning in English could not easily be replaced by Chinese. It was a painful experience for those experts who had participated into the task of translation! According to the Securities and Futures Ordinance (Chapter 571), the following are some examples which were created owing to the processing of bilingualism:

- short position (淡倉)¹³
- Maker (莊家)¹⁴
- Unsolicited call (未獲邀約的造訪)¹⁵
- Monetary Authority (金融管理專員)¹⁶
- Specified Jurisdiction (指明司法管轄區)¹⁷
- Specified bank regulator" (指明銀行規管當局)¹⁸
- Associate (有聯繫者)¹⁹

¹³ Chapter 571X s.2.

¹⁴ Ibid.

¹⁵ Chapter 571A s.2.

¹⁶ Ibid.

¹⁷ Chapter 571B s.2.

¹⁸ Ibid.

¹⁹ Chapter 571D s.2.

- Party (當事一方)²⁰
- Agreement in writing (書面協議)²¹
- Standing Authority (常設授權)²²
- Segregated Account (獨立帳戶)²³
- Written Direction (書面指示)²⁴
- Approved subordinated loan (核准後償貸款)²⁵
- Marking to market (按照市值計算差額)²⁶
- Blanket assurance (概括性保證)²⁷
- Borrow (借用安排)²⁸
- Hold (持有確認)²⁹
- Controlling person (控權人士)³⁰
- Securities margin financing (證券保證金融資)³¹
- Approved share registrar (認可股份登記員)³²
- Issuer (發行人)³³

Some of the translations could be said as a creation which had been added an imagination of the translator. You can just read the Chinese translation that you can get the meaning of the content in English. Let me try to analysis some terms of translation and explore the actual technique of it.

Short position can also be called as 短倉 in Chinese but we can hardly realize the actual meaning of short position just from the sound of Chinese. Nevertheless, the other Chinese translation 淡倉 is different. Short position is described the investor who does not have position but sells position in the market first because the investor guesses the market will be going down. The Chinese 淡 has a meaning of negative, for example 淡忘、淡化、淡出, etc. 淡 also has a meaning of decreasing or diminishing. In commercial society, if you want 淡出 that means you want to fade out. Applying it to the stock market, if somebody thinks the stock price will go down that he will sell it to the market. Therefore, 淡倉 is a good translation and can easily tell us what

²⁰ Chapter 571F s.2.

²¹ Chapter 571H s.2.

²² Ibid.

²³ Chapter 571I s.2.

²⁴ Ibid.

²⁵ Chapter 571N9 s.2.

²⁶ Chapter 571Q s.2.

²⁷ Chapter 571R s.2.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

³¹ Chapter 571T s.2.

³² Chapter 571V s.2.

³³ Ibid.

means of the activity of the investor.

The word of maker(莊家) is also a wonderful word. In the Chapter 571R s.2, you can see the “Future Market Maker” (期貨莊家) and the “Securities Market Maker” (證券莊家). According to the meaning of dictionary, maker means 製造者, 上帝. If the maker was translated as 製造者 that the people can hardly understand what means about 期貨製造者 or 證券製造者. Through the word of 莊家, a sense of gambling is obviously showed. In fact, dealing in securities can also be said as a kind of gambling. Just like the casino which also be called as casino maker 賭場莊家 .

But there are not all translations are perfect. Let us see the “Unsolicited call” which was translated as 未獲邀約的造訪. The meaning of unsolicited in the dictionary is explained as 未經請求的; 主動提供的; 自發的; 無緣無故的; 多事的; 多餘的 but it does not have a meaning of 未獲邀約的. Nevertheless, the word of “Call” has both the meaning of calling by phone or visiting in person but the Chinese of 造訪 does not have such meaning. In Chinese, we always use 造訪 together with 登門造訪. The word of 造, the actual meaning is to go somewhere (本義為到、往某處去). Therefore, a solicited call should be said a call which is made by a person calling the other premises and should not be included any phone calls. In fact, an unsolicited call in Chapter 571A s.2 is included either calling by phone or calling in person by the caller who does not have any invitation before the specified call. The Chinese of 未獲邀約的造訪 seems hardly refracting the actual meaning of unsolicited call if we just read the Chinese translation. You must need to read other sections of SFO about the interpretation of this particular term. I view that the translation is better changed as 未獲邀約的專訪 because 專訪 has a meaning of calling by phone or calling in person.

7. The importance of the development of bilingualism to the stock market of Hong Kong

In the past, it was impossible for a Chinese, who did not have a good English standard, to realize the law, ordinances and regulations because all the above mentioned ordinances and regulations were drafted in English and did not have copies of Chinese version. Due to the political need of 1997, the concept of bilingualism totally changed the actual structure of investors both in Hong Kong and the Mainland China. Even though they do not know English; they could read the Chinese version of the relevant ordinances and regulations. The Chinese version of the ordinances and regulations have the same legal status with English. Legal bilingualism increases the

legal concept of the general public. They have started to participate into the stock market because they can read the ordinances, rules and regulations in their own language. All the things have become transparent. A Chinese who does not know English can refer to the relevant chapter of ordinance by himself and does not need a lawyer to explain.

8. How bilingualism extends the status of international financial centre of Hong Kong to Mainland China

Due to the potential market of Mainland China, the Stock Exchange of Hong Kong Limited was eager about the development of bilingualism in order to induce those potential enterprises in Mainland China to come to listing in Hong Kong. *It is worth mentioning that in addition to the shares issued in the Chinese domestic market, Chinese companies frequently list other types of shares on overseas stock exchange. The most common of these shares are H shares listed on the Hong Kong Stock Exchanges.*³⁴ A mainland company, Tsingtao Beer, became the first mainland company to be listed in The Stock Exchange of Hong Kong on July 15, 1993³⁵. It opened a new page and increased the speed of bilingualism in the securities market of Hong Kong. After the listing of Tsingtao Beer, many of Chinese companies come to listing in Hong Kong and become as the mainstream of listing companies in Hong Kong. Owing to the need of the market, the demands for the service of translation became keen. It has directly assisted the development of bilingualism. All the rules and regulations of the Exchange could be found both versions of Chinese and English. At the beginning, most of the publishing of the Exchange were already printed in both Chinese and English. Investors could buy from the specified counter of the Exchange. The printing materials included the listing rules, securities trading rules, futures trading rules, Clearing House rules, etc. After the year of 1997, the attitude of the Exchange to the question of bilingualism became aggressive. Investors needed not to buy the above mentioned printing from the Exchange. All those materials were put in the website of the Exchange and could freely be downloaded. It provided a good condition for the development of bilingualism regarding the securities market of Hong Kong and assisted the Government in the job of translation to the Banking Ordinance, Securities and Futures Ordinance and those kinds of Ordinances related to the securities and futures market.

³⁴ Stock market Liquidity (Francois-Serge Lhabitant Greg N. Gregoriou P.303 paragraph 4)

³⁶ Wikipedia. the free encyclopedia, the paragraph of privatization (http://en.wikipedia.org/wiki/Tsingtao_Brewery#Privatization)

9. Conclusion

The development of bilingualism in the securities market of Hong Kong was a painful experience to those experts. At present, you can easily find any rules, regulations, codes, circulars, guidelines and ordinances of different regulators in both languages of Chinese and English. You can search with both languages for any kinds of ordinances through the “Bilingual Laws Information System”; you can shift the Chinese and English just pushing a button on the keyboard. According to the Basic Law of Hong Kong, the version of Chinese and English gets the same legal status. All investors in the local market or overseas are protected by Ordinances of Hong Kong no matter the prosecution is referred to the version of Chinese or English. As an international financial centre and getting an unlimited backing up of the Mainland China, the development of bilingualism has already become as a needed policy in respect of any financial and social activities.

Reference:

1. Hong Kong Exchanges and Clearing Limited, A Glimpse of the Past, May 2011, <http://www.hkex.com.hk/eng/exchange/corpinfo/history/documents/hkex-01e.pdf> accessed on 1 June 2011.
2. Interview Ms Anna Lun who is the Depute Managing Director of United Simsen Securities Limited and also was a member of the Far East Exchange.
3. Interview Mr. Tsun who was a member of Kam Ngan Stock Exchange.
4. Enquiry to the General Hotline of The Stock Exchange of Hong Kong Limited Telephone No. 2840 3895 Ms Cheung.
5. Lhabutant, Francois-Serge & Gregorious, Greg N., Stock Market Liquidity: Implications for market microstructure and asset pricing, John Wiley & Sons, Inc., 2008.