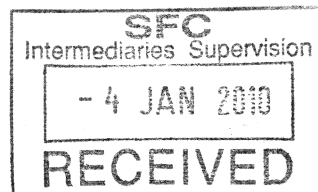


December 31, 2009

Securities and Futures Commission
8th Floor, Chater House
8 Connaught Road Central
Hong Kong



Dear Sirs

RESPONSES TO CONSULTATION PAPER ON PROPOSALS TO ENHANCE PROTECTION FOR THE INVESTING PUBLIC (“CONSULTATION PAPER”)

We refer to the Consultation Paper issued by the Commission on September 25, 2009.

We hereby submit our responses on the Consultation Paper for the consideration of the Commission. As an asset management company, our focus is on the key areas of Mutual Fund & Unit Trust products in the consultation paper.

CONSISTENT REGULATORY REGIME

We fully agree with the Commission’s approach to protect the investing public and appreciate the Commission taking a proactive stance on this. While supporting the disclosure principles as stated in the Consultation Paper, we advocate a consistent approach in the regulatory regime through effective communication amongst all regulators. We believe the quality of investment advice or recommendation to be given by intermediaries on comparable investment products should be consistent and intermediaries accordingly should be subject to similar regulatory requirements regardless of which regulator provides oversight to the particular intermediary or product category.

USE OF INTERNET

The Internet is increasingly being used for customer service. Handling financial transactions on-line is gaining popularity in the investing public. The Consultation Paper focuses strongly on face-to-face sales, and we recommend that consideration be given to the best way to ensure that customers undertaking transactions on-line are also aware of the inherent risks in their investment decisions.

OVERARCHING PRICIPLES (QUESTION 1)

The overarching principles emphasize product disclosure, general standards for product issuers and advertisement issuers and ongoing monitoring of product information to investors. We believe the focus should be on consistent advice across the comparable investment products rather than investors' understanding of all product details.

With reference to the new paragraph 5.3 of the Overarching Principles Section, we believe that the industry will require further guidance from the Commission on the scope and extent of due care and diligence for the purpose of selection and appointment of distributors as this will enable product issuers to adopt a consistent approach and distributors to understand the scope of the due diligence process.

PROPOSALS ON STRUCTURED FUNDS AND FUNDS THAT INVESTS IN FDI (QUESTION 11)

We agree to the initiative to provide clarity on structured funds and the use of FDI. However, certain areas require further clarification on the application of sections 8.8 and 8.9. For example:

- In the case of a fund with the investment objective to track the performance of an index comprising stocks of an emerging market, if the fund cannot invest directly in the constituent stocks and needs to achieve the investment objective through participation instruments issued by a 3rd party issuer, should the fund fall under section 8.6 and would section 8.9 then not apply?
- In the case of a guaranteed fund, under which 90% of the capital is guaranteed by a guarantor and the investment objective is to give an investment exposure to an index through a swap with a counterparty pursuant to which an investor may participate in a leveraged exposure to the index growth of up to a capped return, if most the assets of the fund are invested in the swap, would such a fund fall within sections 8.5, 8.8 and would Chapter 7 then not apply?

DISCLOSURE AND REPORTING REQUIREMENTS (QUESTION 12)

We agree that the publication of a Chinese language annual report should be made on a voluntary basis for SFC-authorized schemes that are recognized jurisdiction schemes ("RJS"), provided that distributors of such schemes marketed to the public in Hong Kong would take steps to make investors aware that the annual reports would only be available in English. However, we consider the disclosure requirement for authorised schemes should be similar and therefore the optional arrangement should be also made available to non-RJS funds authorized for distribution in Hong Kong.

To improve the clarity of key product features and risks, we view positively the proposal of issuing Key Facts Statements ("KFS"). However, to avoid investors being

overwhelmed by the information provided, the KFS needs not form part of the Offering Document (“OD”). Our concern is that if the KFS forms part of the OD, which normally requires regulatory approval by home and registered regulators, it creates issues to offshore funds and additional costs for the shareholders of the funds without arguably enhancing investor protection.

KEY FACTS STATEMENT (“KFS”) (QUESTION 14)

We believe the content of Key Information Document (“KID”) is similar to KFS and is able to fulfill the purpose of KFS. Therefore, it is our view that KID should be acceptable for KFS purposes. Should there be any additional disclosure required under the Hong Kong regulatory regime, we would recommend the placement of a standardized addendum to the KID. It would be more cost effective and would provide appropriate investor protection to maintain one set of key fact sheets for the funds in question.

TRANSITION PERIOD (QUESTION 15)

We propose to have a transition period of 12 months.

KNOWLEDGE OF DERIVATIVES UNDER KYC (QUESTION 19)

The use of derivatives for hedging and efficient portfolio management for all authorized funds / authorized collective investment schemes has become common practice in sophisticated financial markets like Hong Kong. We believe that hedging for these purposes should not fall within this requirement for the following reasons:-

- Neither derivatives, nor their responsible use is inherently bad for investors. Indeed, used correctly and responsibly, derivatives can enhance investor returns on a risk adjusted basis. Additionally, investments in collective investment schemes have evolved to enable investors to rely on the expertise of the investment manager to manage their assets. Individuals investors can, by way of funds and unit trusts, achieve the benefits of diversification and access to more complex financial instruments that would otherwise be beyond the reach of the individual investor in absence of such fund products. Accordingly, we do not expect (and the regulations should not require) fund investors to have the requisite knowledge of the underlying investment instruments including derivatives.
- If authorized funds / authorized collective investment schemes are to be included in the definition of “unlisted derivatives”, it could well have the effect of denying local investors access to the use of derivatives in Hong Kong authorized funds that have become an integral part of responsible investment management functions in other global markets. The net effect could therefore be adverse to Hong Kong investors as they may have more limited access to legitimate risk and

portfolio management tools. Therefore, it is our considered view that authorized funds / authorized collective investment schemes should not be considered “unlisted derivatives”.

For structured products and structured funds, we agree the investors should understand the additional risks taken on investing a product which is linked to derivatives essentially.

COMMISSION DISCLOSURE (QUESTIONS 22 & 23)

Our concerns with commission disclosure are two fold: -

- It does not assist an investor in making an investment decision to understand in details any commission payable to intermediaries. Commissions payable to intermediary would have no bearing to inherent value of the investment product. It would be more meaningful and important for the investing public to understand the benefits and aggregate fees payable as these do impact the value to the investors.
- There are different structures within the industry on compensation to distributors, such as trailer fee scale based on total asset under management, or progressive rate based on the total sales. It is not feasible to provide detail information on payable commission at the time of product sale.

As such, if some compensation disclosure is decided on, we firmly believe a generic disclosure on the fact that commission would be payable to intermediaries who successfully conclude a sale would be sufficient for the investing public to appreciate this fact. This could also avoid any potential confusion to investing public.

USE OF GIFTS (QUESTION 26)

We support the elimination of gifts not directly related to the product being sold. However, we support to have the flexibility of incentives still meet the principle of enhancing customer value for the product, such as bonus units of the product.

We also recommend that the SFC should allow the flexibility on issuing corporate gift for low re-sale value for client at marketing event.

AUDIO-TAPING (QUESTION 28)

Audio taping is not practical for a mobile sales force. Furthermore, in a holistic financial advice process, the purchase of product is only the final implementation stage of a lengthy, complex, interactive process, more than likely over a number of separate meetings between the adviser and the investor. After the sale we would need to find a way to retrieve a number of audio tapes from the distributor, collate them and find a way to link them to the investors' record. We see no way to do this effectively. There is also the additional factor that all audio taping facilities have limited capacity, even a laptop, and the tape may end part way through a sale. We do not believe that restricting investors to always visit a distributor's office where taping may be possible, is a sensible alternative.

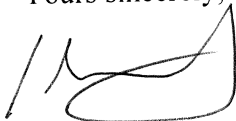
COOLING-OFF PERIOD (QUESTION 29)

We agree with the proposal that cooling-off mechanism should only applicable to products where there is no secondary market for resale and which having a relatively long lock in period.

Given mutual funds generally have daily liquidity and a ready mechanism for exit, these should not be subject to this cooling-off requirement. Investors should be able to liquidate their investments at the NAV. Some existing redemption arrangement, like redemption charges etc., helps to prevent short-term trading activities, which would be detrimental to the interests of the long-term investors.

We look forward to hearing to the Commission on the Consultation Conclusion.

Yours sincerely,



Michael Huddart
Executive Vice President &
Chief Executive Officer