



**FRIENDS PROVIDENT
INTERNATIONAL**

英國友誠國際有限公司

Securities and Futures Commission
8/F Chater House
8 Connaught Road Central
Hong Kong
Attention : Consultation on Proposals to Enhance Protection for the Investing Public

28th December 2009

Dear Sirs

We would like to offer the following comments on behalf of Friends Provident International Ltd. in respect of selected questions posed within the Consultation Paper. We would also like to affirm our support for the efforts of the SFC in seeking to enhance protection for the investing public.

- Q16. Do you have any comments on (1) the Product KFS requirements, (2) the enhanced disclosure requirements on “with-profit” features and internal funds, (3) the deletion of Chapters 5, 8 and 9 of the Current ILAS Code and (4) the codification of the existing practices regarding the computation of surrender values and the notification on scheme changes.
- A16. We have no comment on the Product KFS requirements other than that the template on ILAS may need to be updated to reflect the recent HKFI changes to Cooling Off requirements which were subsequent to the SFC Consultation Paper. We welcome the proposal on notification of scheme changes continued in Section 211 as this would appear to be taking a realistic approach and recognising the fact that notification periods are not always within the control of the applicant.
- Q22. Where a distributor and/or any of its associates explicitly receives or will receive monetary benefits from a product issuer (directly or indirectly) which of the following 3 disclosure options would be more appropriate.
- A22. Option 1.3 Generic Disclosure
We believe that the above option strikes a fair balance between consumers and distributors which would be relatively straightforward to implement.

Our overriding concern with regards to this proposal is that consumers interests should be equally protected irrespective of which distribution channel the purchase is being made through. We would urge the SFC to collaborate with other regulators and Self-Regulatory Organisations such as the OCI, HKFI and HKCIB who are also considering the disclosure issue in order to achieve a consistent basis of disclosure across all distribution channels and to include other financial products of a long term nature such as non-ILAS insurance products. To do otherwise would risk creating a patchwork of



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different disclosure rules and standards which would only serve to confuse Hong Kong investors and fail to provide a uniform level of protection.

Q26. Do you consider it appropriate to restrict distributors from offering investors supermarket gift coupons, audio visual equipment or other kinds of gifts having monetary value (except discount of fees and charges) in promoting a specific investment product to investors?

A26. We believe that distributors of all types should be restricted from using gifts as a marketing tool to promote a particular investment product.

Our preference would be to see such practices being prevented completely.

Whilst it is difficult to prove whether investors are distracted from properly reviewing the features of an investment product by the offering of such gifts we believe that they serve no constructive purpose, have no relevance to a sound investment advisory process and cheapen the image of distributors and financial intermediaries.

The one exception to removing this practice entirely should be that suggested in Section 79 of the paper whereby discount of fees and charges for substantial purchases or transactions should be allowed as it will reduce investor's initial outlay. We believe that this practice should be allowed to continue as it is directly linked to the investment product being offered and as such does not represent a distraction or marketing gimmick.

The above comments represent our response to the Consultation Paper and we look forward to seeing the outcome of the Consultation in due course.

Yours sincerely

David Knights
General Manager – Hong Kong