

SECURITIES AND FUTURES COMMISSION

To: consult/SFC@SFC
CC:

CEO Ext :

From: -
Date: 28/12/2009 03:02 PM

Subject: Consultation Paper Comment - Consultation Paper on Proposals to Enhance Protection for the Investing Public (Ref: 20091228.1502.02714)

From : So

Other Name : Raymond W.

Title : Mr.

I would like to remain anonymous : N

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Q1 : In terms of the principles, they are laid down clearly and are consistent with the objectives of enhancing investor protection. Thus, in principle, the issues / suggestions / recommendations raised in the Handbook should be beneficial to investors. Nevertheless, some technical issues like the cooling-off period or the restrictions on marketing tools could increase the costs and could be a concern to the industry.

Q2 : The proposed requirements are logical and useful. The remuneration disclosure requirement can give clients a better picture on the bank's potential conflict of interests.

Q3 : I strongly agree with the proposal of ongoing disclosure of information. Structured products, by definition, are complicated and their market values and risk factors will vary alongside with market conditions. Hence, ongoing disclosure of the types of information set out in the SP code is not only useful but also provides important risk control inputs for investors. As an Issuer, the most relevant ongoing disclosure will be the market value and change in risk elements of the structured products. Investor should also be alert on any change in Issuers' potential conflicts of interest.

Q4 : The requirements are suitable.

Q5a : The requirements are suitable.

Q5b : The proposed arrangement can provide a "watch dog" for compliance. I welcome this proposed arrangement.

Q5c : I strongly believe that a Product Arranger should also be appointed

for structured products issued by Issuers.

Q5d : The Product Arrangers should be liable to a pre-defined extent if the Product Arrangers fail to provide their professional service. The Product Arrangers indirectly provide monitoring services and they are remunerated for these tasks. If later they are proved to be negligent, they are supposed to compensate clients.

Q6a : They are suitable.

Q6b : The proposed eligibility criteria are acceptable. One concern is the requirement on credit rating. It is often the case that credit ratings are not forward looking. Top rated assets do not mean safe and the ratings can be changed overnight. What kinds of arrangements are there if the credit ratings of the collaterals go down?

Q6c : I support this suggestion.

Q7 : Yes. Some of the criteria include: whether there is any currency issue, e.g., if the reference asset is in a country with FX control.

Q8a : Yes. It will be more useful if the liquidation value is also provided.

Q8b : I think that firm price quotation and no exemption should be allowed. In theory, issuers fully hedge their positions when they issue structured products. Giving firm price quotations will not increase the risk of the issuers.

Q9 : Using annualized returns makes comparisons more easy. It will be confusing to many if one is quoted a return of 5% for 24 days and another 3% for 19 days.

Q10 : The arrangement is acceptable. But investors should be alert about this and they are clearly informed when the products are authorized.

Q11 : No comment.

Q12 : Agree. Chinese is an official language in HK, why there is no reports in Chinese?

Q13 : I agree with the assertion that the code needs to compete with UCITS III and yet gives room for growth of local markets.

Q14 : No comment.

Q15 : The proposed approach to implementation is the "highest common factor" for various stakeholders.

Q16 : No comment.

Q17 : I agree that the proposed approach to implementation of the revised ILAS Code as acceptable.

Q18 : I think that the proposals should apply to both listed and unlisted investment products.

Q19 : It is a difficult issue. Some investors may come across some terms and can use jargons though they may not fully understand derivatives. If asked if it is suitable for intermediaries to know their clients, the answer is an obvious "yes." However, it is not an easy task since it is difficult to determine if an investor knows derivatives or not.

Q20 : No comment for (a). But it will be difficult to implement (b), since there are so many courses in the market and some are run in a hollow way. A study in such courses will not be very useful. Is the AAAC of the SFC going

to endorse courses that are qualified under (b)?

Q21 : No comment.

Q22 : Option 1.2

Q23 : over x% to y% will balance between commercial secrets and transparency.

Q24 : Option 2.1

Q25 : Option 3.1

Q26 : I think that this is a commercial tool in marketing the products and the regulators should not intervene. The regulators should educate the public, rather than adopting a "central planner" approach to regulation.

Q27 : I agree with the proposed arrangements.

Q28 : Yes. I think that both audio and video recording should be made. The recording should be kept in place for a period of time, say 3 years, after the liquidation of the products.

Q29 : Cooling-off is a good concept but difficult to implement, in particular if the market conditions are volatile.

Q30 : It is generally beneficial to investors. Products that involve long lock up periods should be given such an opportunity.

Q31 : no comment.

Q32 : Yes. But the % of the administrative charge should not be higher than or equal to the sales commission.

Attachment :