

Dear sir/madam

I was born in HK and migrated to Sydney, Australia since 1988. In 1990 I established my financial planning practice and obtained my CFP status in 1999. Beginning of last year I sold my practice and have not been working since. I travel to HK on a regular basis and came across this consultation and it covers one of my most passionate subject. Please bear in mind I do not have access to full office facilities and therefore my comments may not have been as specific as you'd like. However, I'm here until mid Jan and available for face to face consultation or further written submission if required. I believe my view is one of the few that have no vested interest except for the following reasons:

- Protecting the investing public
- Elevating standards of the quality of advice
- Improving the public's trust on provision of financial advice
- Reducing conflict of interest of intermediaries.

Ever since I started in the industry in 1990 in Sydney, we've been subject to disclosure of commissions on investment products. Around the turn of the century the disclosure of commissions included insurance products, which effectively saw off whole of life policies and endowment policies. It's imperative that the public is aware of the interest of the intermediaries and that the adviser acts in the interest of the clients.

There has been a long debate of fees vs commissions. My own practice went down the path of fee based and used wholesale products some 15 years ago and it enabled me to grow the business and provide on going financial planning advice to my clients knowing that my interest and the clients' are aligned.

Whilst I believe that the Australian model is not perfect I am in the position to see how it could be adopted for HK as most of my clients were indeed of HK origin.

The fee based model not only aligns mutual interest but also created an on-going revenue of me which became an asset and was ultimately sold as a multiple of on-going revenue.

However, I believe in HK there may not be sufficient products that are geared for fee based clients and charges at wholesale rates.

Education needs to come from the government, consumer advocate groups as well as professional bodies as there are parties with vested interest who may not wish the status quo changed.

I noticed that one area of consultation is the cooling off period. In terms of insurance products, that was around for as long as I can remember but on the investment products, it also came in quite a while ago. The investor still wears the market

variation of the 14 days but the fees are not chargeable for the transaction should the investor changes his mind within this period.

Then again if this advice is fee based and wholesale products were used this would not even be an issue!

Audio recording is not used for provision of financial advice but file notes were necessary. I suppose audio recording is useful should a dispute arise but difficult to police for auditing purpose. File notes and written clients instructions are much easier to audit!

Commission that are heavily upfront does not only provide little incentive for provision of on going service but also makes the advisor less sustainable. How can the advisor be certain of future income if it's mainly by selling to new clients!

All in all I congratulate the SFC by taking the initiative to make HK a more modern environment for provision of financial advice. Without a level playing field, international firms are reluctant to enter the market to compete with established institutions in HK. Investors need to know the value of paying fees and this can only be done via education.

Thanks and good luck.

Matthew Poon