

**SECURITIES AND FUTURES COMMISSION**

To: consult/SFC@SFC CEOO Ext :  
cc:

From: \\\\...  
Date: 11/12/2009 11:50 AM

Subject: Consultation Paper Comment - Consultation Paper on Proposals to Enhance  
Protection for the Investing Public (Ref: 20091211.1150.15729)

---

From : Ko

Other Name : Tsun Hung Nelson

Title : Mr.

I would like to remain anonymous : N

Phone :

Fax :

Email :

Address1 :

Address2 :

Address3 :

Country :

Q1 :

Q2 :

Q3 :

Q4 :

Q5a :

Q5b :

Q5c :

Q5d :

Q6a :

Q6b :

Q6c :

Q7 :

Q8a :

Q8b :

Q9 :

Q10 :

Q11 :

Q12 :

Q13 :

Q14 :

Q15 :

Q16 :

Q17 :

Q18 :

Q19 : I think the above a), b) & c) are good suggestions determining the clients are obtaining enough knowledge about the derivative. However, on the other hand, I think the most important part is not only characterizing clients, but whether to characterize the products. I think it's highly misleading for some derivative products such as ELI/ELN as high deposit saving. It is more important and effective to control how to characterize these products.

Q20 :

Q21 : HK\$8M (about US\$1M) is a reasonable amount. However, I think the portfolio size is not the key factor to determine professional investors.

Q22 : I don't think disclosing commission can resolve the conflict of interest because it always exists. To get a balance among interests of practitioners and clients more depends on the ethics but not the system. We should think in another way, practitioners receiving commission is kind of incentive to provide good service and advice to his clients. Disclosing the commission may eventually decrease the remuneration practitioners can receive. This in some sense seems to be good to the clients. However, it also discourages those practitioners who have high education level and professional qualification, which may in effect lower the standard of the industry. Just like the market of property agents, I don't think now disclosing the commission rate can eliminate the conflict of interest or fraud.

Q23 : I don't think disclosing commission can resolve the conflict of interest because it always exists. To get a balance among interests of practitioners and clients more depends on the ethics but not the system. We should think in another way, practitioners receiving commission is kind of incentive to provide good service and advice to his clients. Disclosing the commission may eventually decrease the remuneration practitioners can receive. This in some sense seems to be good to the clients. However, it also discourages those practitioners who have high education level and professional qualification, which may in effect lower the standard of the industry. Just like the market of property agents, I don't think now disclosing the commission rate can eliminate the conflict of interest or fraud.

Q24 : I don't think disclosing commission can resolve the conflict of interest because it always exists. To get a balance among interests of practitioners and clients more depends on the ethics but not the system. We should think in another way, practitioners receiving commission is kind of incentive to provide good service and advice to his clients. Disclosing the commission may eventually decrease the remuneration practitioners can receive. This in some sense seems to be good to the clients. However, it also discourages those practitioners who have high education level and

professional qualification, which may in effect lower the standard of the industry. Just like the market of property agents, I don't think now disclosing the commission rate can eliminate the conflict of interest or fraud.

Q25 : I don't think disclosing commission can resolve the conflict of interest because it always exists. To get a balance among interests of practitioners and clients more depends on the ethics but not the system. We should think in another way, practitioners receiving commission is kind of incentive to provide good service and advice to his clients. Disclosing the commission may eventually decrease the remuneration practitioners can receive. This in some sense seems to be good to the clients. However, it also discourages those practitioners who have high education level and professional qualification, which may in effect lower the standard of the industry. Just like the market of property agents, I don't think now disclosing the commission rate can eliminate the conflict of interest or fraud.

Q26 :

Q27 :

Q28 : I think making audio recording is practically not applicable, especially when the meeting is not conducted in office. Honestly, having record is to protect the practitioners more than clients. I think making record in paper form such as meeting notes are generally enough.

Q29 : The implementation of cooling off period will definitely increase extra cost to the product providers, which in effect to the investors. I agree that it may cause negative effect such as causing the investors less vigilant or even abusing it. Taking the case of Lehman Brother mini-bond as an example, even there existed cooling off period, it could not protect those investors. The problems were discovered after months. I think it's not feasible to have cooling off period talking about half year or one year. The point is not whether the investors having enough time to digest those sophisticated products, the point is whether the intermediaries are delivering the correct and suitable message and advice. I think the current implementation of cooling off period is sufficiently enough.

Q30 : The implementation of cooling off period will definitely increase extra cost to the product providers, which in effect to the investors. I agree that it may cause negative effect such as causing the investors less vigilant or even abusing it. Taking the case of Lehman Brother mini-bond as an example, even there existed cooling off period, it could not protect those investors. The problems were discovered after months. I think it's not feasible to have cooling off period talking about half year or one year. The point is not whether the investors having enough time to digest those sophisticated products, the point is whether the intermediaries are delivering the correct and suitable message and advice. I think the current implementation of cooling off period is sufficiently enough.

Q31 : It will create moral hazard to the product providers, the investors may have chance to abuse it. Think of an example, an investor may want to sell back the product to the providers after he suffers a loss due to market activities. I think the product providers are responsible to provide the correct and right information to clients. If the intermediaries are proved to deliver untrue information to the clients, the contract could be reversed. Otherwise, the providers should not responsible to the loss to the investors.

Q32 :

Attachment :