



強制性公積金計劃管理局  
MANDATORY PROVIDENT FUND  
SCHEMES AUTHORITY

電話號碼 Tel. No. : 2292 1123  
傳真號碼 Fax No. : 2259 8810  
本局編號 Our Ref. :  
來函編號 Your Ref. :

7 December 2001

Investment Products Department  
Securities and Futures Commission  
12/F Edinburgh Tower  
The Landmark  
Central  
Hong Kong

*By Fax and By Post  
(Fax : 2877-0318)*

Dear Sirs,

### **Consultation Paper on the Offering of Hedge Funds**

Thank you for giving us the opportunity to comment on the proposed draft paper on the offering of hedge funds.

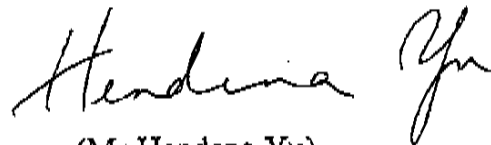
As mentioned in the draft, hedge funds are characterized by highly concentrated investments, combinations of long and short selling, leverage and use of derivative structures. As such, the Authority is of the opinion that hedge funds are not considered permissible investments for purposes of the Mandatory Provident Fund Schemes.

Having said this, we believe that permitting the distribution of hedge funds to higher net worth retail investors will help boost Hong Kong's role as a regional fund management center provided adequate controls are in place to safeguard the interests of the investors in these funds.

We agree that the Management Company of the fund is the primary focus of the control process. It is essential to ensure that the staff of the Management Company including fund managers, key operational management and compliance staff possess adequate knowledge and experience in hedge funds and the strategy types employed by the funds under management. In addition, the agents and distributors should be adequately trained and supervised to ensure that investors are properly informed of the product and the risks involved.

We also support the market segmentation approach using a minimum subscription level as opposed to the full public approach. It may be prudent to set the minimum subscription amount at a high level at the start and then gradually relax it as the market matures and investor's knowledge increases.

Yours sincerely,



(Ms Henden Yu)  
Chief Operating Officer (Compliance)