
DBS VICKERS SECURITIES

March 14, 2002

Securities and Futures Commission
12/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Attn: Ms Alexa Lam
Executive Director

Dear Ms. Lam

Re: Consultation on the Draft Securities and Futures (Professional Investor) Rules
(the "Draft Rules")

We are writing to reflect our views on some of the provisions of the Draft Rules with respect to the definition of "professional investor".

We welcome the expansion of the definition of "professional investor" to include trustee companies, high net worth individuals and corporations and partnerships. On the other hand, we are concerned that the criteria for classifying individuals and businesses might be too strict and thereby have an adverse impact on the market. We set out below our specific issues and suggested changes to the Draft Rules:

We feel that portfolio size should not be the sole qualifying criteria for determining whether an investor is a professional investor or not. Other equally important factors such as trading history and pattern, investment objectives and risk tolerance should be included in the definition.

In the current market especially for IPO's, the active participants are high net worth individuals and corporate investors whose business involves the buying or selling or holding of securities. These investors generally fall under the category of "professional investors" according to sections 3(1) and 72(5)(a) of the Securities Ordinance. However, they may not necessarily hold a large enough portfolio of securities. If we preclude such customers from the market, we will run the risk of cutting off a good chunk of market liquidity.

On the other hand, there are high net worth individuals who possess huge and inactive portfolios. On this basis, they may qualify as "professional investors". However, they may not possess the necessary understanding of market risks. We may be putting such customers in harm's way, rather than affording them protection under the Draft Rules.

We note that the Draft Rules and the Code of Conduct provide different monetary thresholds for individual's and business' portfolio size. We are concerned that this will cause confusion in the market and suggest that the numbers be made consistent.

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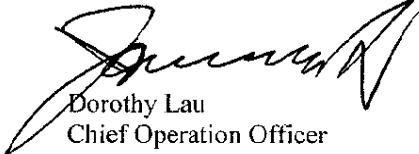
We propose that the minimum size of portfolio for an individual investor be reduced from HK\$16 million to US\$1 million (or its equivalent). As noted above, this will bring about consistency with the Code of Conduct provision. We also know that individual investors generally spread their assets among a number of institutions such that the amount of assets deposited with any one particular institution may not reach the threshold amount. It may not be practical to expect to obtain sufficient proof of an individual's overall holdings. Finally, in the current economic environment, we deem US\$1 million to be a significant sum, and may be beyond the means of an average retail investor.

We likewise propose that the minimum portfolio for corporation and partnerships be decreased and be brought in line with the Code of Conduct. Many of the corporate investors in HK are actually controlled by high net worth individuals. Their pattern of investment behavior is also to spread business among different institutions, making it difficult to ascertain the value of their overall portfolio.

We propose two additional criteria for individual professional investors: (1) an individual with an annual income of at least HK\$1 million in the two most recent tax years and (2) an individual who is a registered person with the SFC.

We trust that you will find our comments useful.

Yours faithfully
For and on behalf of
DBS Vickers (Hong Kong) Limited



Dorothy Lau
Chief Operation Officer