

I have only just become aware of your consultation document in respect of the extension of the categories of person to be included under the definition of professional investors.

I have the following submissions to make.

1. Trustee Companies That Have Been Entrusted With At Least HK\$ 40 Million In Assets

I urge you please to remove this category and not to include this in the extension of the definition. Trustees are expert in trust law and practice they are not investment experts and are not sophisticated investors.

It may be that a trust company retains in-house investment expertise (although I have yet to see this even in the major trust companies). A trust company could not afford to do this however unless they had under trusteeship AT LEAST HK\$ 5 BILLION. HK\$ 40 million is far too low as the hurdle if you are determined to proceed which I urge you not to.

2. High Net Worth Individuals

Again I urge you to exclude this section as it makes a mockery of investor protection. I would not regard an investor with HK\$ 16 million to be a high net worth or sophisticated investor.

Furthermore in my extensive experience dealing with high net worth clients it is not the quantum of wealth that makes an investor experienced but their personal expertise.

In the same way that I, having more than HK\$ 16 million and am qualified as an accountant should retain a qualified lawyer to make my Will (as this is not my expertise), so also a lawyer who has wealth of HK\$ 16 million is most unlikely to have the expertise to determine what is and what is not a good investment.

If once again you are determined to proceed which I urge you not to, then the hurdle should be at least HK\$ 100 million not HK\$ 16 million.

3. Businesses

A business has a Board of Directors and will have composite ability on its board so I have no particular objection to this in principle.

The trouble is however that if this but not 1 and 2 above are included, this corporate will be used as a loophole through which to avoid 1 and 2 above.

I urge you therefore to abandon completely any attempt to extend the definition of professional investor. Most certainly in the present form.

There are certain additional problems.

a) The most likely beneficiary of this relaxation will be the hedge fund and derivative based fund industry which is already totally unregulated or at least under-regulated and untested. If you proceed as proposed you will take a major step back and an extremely dangerous one at that.

b) Few intermediaries fully understand the products they are selling (in particular those which fall under a) above.

The relaxations you propose are in my mind a recipe for investor loss and disaster and I urge you to eliminate any attempt to extend the definition of professional investor.

Yours faithfully,

N.B. Bentley FCA, TEP
Chairman

Bentley Reid & Co (Pacific) Ltd
24/FI. Diamond Exchange Building
Hong Kong
Tel: 2810-1233
Fax: 2810-0849