

28th February 2002

SFC Professional Investor Rules
12/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Dear Sirs

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

We refer to the above paper and would like to comment as follows:

1. The definition of "corporation" in Schedule 1 of the Securities and Futures Bill ("SF Bill") excludes a company or other body corporate which is prescribed by rules made under Section 384 of the SF Bill. Hence, a separate definition of corporation should be added to the Draft Rules.
2. The current definition of "custodian" is too narrow and we would suggest that it be extended to banks, brokerages, fund managers and intermediaries. This is because investors could have their assets placed in the custody of various financial institutions and intermediaries, whose principal business may not solely be the provision of custody services.
3. With regard to the definition of "portfolio", we would recommend that this definition be extended to include certificate of deposits and precious metals. In addition, the word "or" in the definition of "portfolio" should be replaced with the words "and/or".
4. With regard to clause 3(1)(b), investors in Hong Kong tend to spread their assets over several banks. While a client may have an overall networth which is quite substantial, a particular bank may only have a portion of the assets. For such reasons, we would recommend that the portfolio value in the Draft Rules should be set at USD1 million to take into account the fact that investors may have other assets with other institutions. The threshold set out in the SFC Code of Conduct at the present with regard to the definition of a professional investor is USD1 million.

In addition, Asian investors as a whole prefer to keep their financial status relatively private and as such, the requirement of certification from an investor's auditors would be unpopular with the investing public. We would recommend that this requirement be removed. We also suggest that the proof of threshold should be re-drafted to read "as stated in the current total relationship balance set out in the statement of account issued by his custodian".

5. With regard to Clause 3(1)(c)(i), it is preferable that the threshold be set at a portfolio of not less than USD1 million, in view of the fact that investors when they are investing through a corporation or partnership may have their assets among several banks.

Yours sincerely

Eva Wong
Secretary, Hong Kong Association of Banks