

July 9, 2002

Consultation Paper on the Securities and Futures (Financial Resources) Rules

I refer to the consultation paper and submit our comments as follows:

It is noted that Equity Linked Instrument is not considered as liquid asset for the purpose of calculating the liquid capital.

Comments:

Equity Linked Instrument should be regarded as liquid asset as it is a listed product which can be traded freely on a recognized exchange. In addition, there is liquidity providing facility to provide liquidity of the product. The SFC may consider adding a provision to the effect that all products listed or traded on the markets operated by HKEx, which can be traded freely on a recognized exchange, be considered as liquid assets for the purpose of calculating liquid capital, which are subject to a specified haircut of the Rules.

Yours sincerely