



香港證券經紀業協會有限公司 HONG KONG STOCKBROKERS ASSOCIATION LTD.

(註冊及保證 Limited by Guarantee)

永遠名譽會長
PERM. HON. PRESIDENTS

黃偉傑 徐國炯 吳兆聲 胡經昌 湛祐棠 朱頌田 張天生 李佐雄 范佐浩
DAVID TJUNG ZEE KWOK KUNG SUNNY NG HENRY WU CHAM YAU TONG CHU CHUNG TIN CHEUNG TIN SANG DANNIS LEE PAUL FAN

主席

CHAIRMAN

黃偉傑
WILFRED WONG

副主席

VICE-CHAIRMEN

李耀新
KENNY LEE

陳銘湘
HENRY CHAN

陳栢宇
MARTIN CHAN

義務秘書

HON. SECRETARY

陳盛川
RICKY CHAN

義務司庫

HON. TREASURER

孫志遠
TSUN CHI YUEN

委員

COMMITTEE MEMBERS

鄭智林
CHENG CHI LAM

張天生
CHEUNG TIN SANG

仇蔚傑
JAMES CHOU

周煥耀
CHOW YUEN YEE

艾秉禮
ANTHONY ESPINA

范佐浩
PAUL FAN

許原中
HUI CHIU CHUNG

關百忠
EDWARD KWAN

劉祥岳
LAU SHING NGON

羅啟
EUGENE LAW

李佐雄
DANNIS LEE

廖漢波
DESMOND LIU

伍兆祥
SAMUEL NG

羅沙
JOSE ROSA

湯亮生
TONG LEUNG SANG

尹應彪
RICHARD YIN

余維強
YUE WAI KEUNG

袁敏
YUEN MUN

義務法律顧問

HON. LEGAL ADVISORS

關黃光
KWAN YEE KWONG

林炳坤
CLEMENT P.K. LAM

核數師

AUDITOR

呂熾恒會計師事務所
KFNENN L.H. LUI & CO. LTD.

31 December 2002

Mr Stephen Po
Director of Intermediaries Supervision
Securities & Futures Commission
12/F Edinburgh Tower
The Landmark
15 Queen's Road C
Hong Kong

Dear Mr Po,

Proposed Revisions to the Code of conduct for Persons Registered with the Securities and Futures Commission

We attach herewith our comments on the Proposed Revisions to the Code of conduct for Persons Registered with the Securities and Futures Commission.

Yours faithfully,

Wilfred Wong
Chairman

c.c. Hon Henry Wu



香港證券經紀業協會有限公司 HONG KONG STOCKBROKERS ASSOCIATION LTD.

(非牟利團體 Limited by Guarantee)

香港中環永吉街6-12號誠利商業大廈6樓C座 電話 2541-8832 2541-0322 FAX: 2541-1368
Flat C, 6th Fl., Shing Lee Comm. Bldg., 6-12 Wing Kut St., Central, H.K. E-mail: info@hkasa.com.hk

COMMENTS ON SFC CODE OF CONDUCT

Page 11 : Paragraph 5.1(b)(ii)

The procedural steps suggested to identify a client by encashing a cheque of not less than \$10,000 is not always a practical. If a new client opens an account in the presence of the registered person, his identity can be verified by his ID card and his signature is witnessed in RI's presence. This practice is a more direct and certain way of identifying a client. Cashing a cheque could probably be used to identify a client who opens an account in internet trading only.

Page 13 : Paragraph 5.4(e)

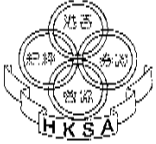
The paragraph refers to 5.4(a) regarding the identity of clients. It is noticed that "one of the Hong Kong exchanges" was replaced by "a recognized stock market or a recognized futures market". We should be grateful if it can be confirmed that the change is only a matter of terminology and not a change of intention that this provision shall apply to markets outside Hong Kong.

Page 16 : Paragraph 7.1

Since the question of authorization and operation of a discretionary account shall be under the Client money Rules and Client Securities Rules, we suggest that a reference to the relevant parts of those rules will suffice. Any duplication would only cause confusion.

Page 32 : Paragraph 15.2B

In the SFC's consultation conclusions on the draft Securities and Futures (Professional Investor) Rules issued on 4 June 2002, the SFC said that, in response to the feedback, they have decided to align the Code of Conduct definition for professional investors with that of the legislation. The definition of "professional investor" under the SFO does not mention any element of experience nor is there any provision to include any test on the this matter, but such tests are set out in para.15.3 of the revised Code. It is noted that investment experience should not be a criterion for a professional investor. It is extremely difficult to ask a professional client to produce records of 40 previous transactions as evidence of experience, since they could be confidential, particularly those records with other brokerage firms. Being a professional investor, it is suggested that his declaration that the number of previous transactions is over 40 should be sufficient. It is also observed that Professional Investors need not be assessed annually since experience gained in one year cannot be lost in the next.



香港證券經紀業協會有限公司
HONG KONG STOCKBROKERS ASSOCIATION LTD.

(非牟利團體 Limited by Guarantee)

香港中環永吉街6-12號誠利商業大廈6樓C座 ☎ 2541-8832 2541-0322 FAX: 2541-1368
Flat C, 6th Fl., Shing Lee Comm. Bldg., 6-12 Wing Kut St., Central, H.K. E-mail: info@hksa.com.hk

Page 40 : Schedule 1

under "Risk of providing authority to repledge client's collateral" in the penultimate paragraph, one is required to "explain the purposes for which one of these authorities is to be used." The word "purposes" is in issue. When a client opens a margin account, the agreement already states that LP has the right to repledge the client's collateral for any financial accommodation. If "purposes" mean the pledging, then it is self-evident and hardly needs any further explanation since it is already covered by the agreement. If "purposes" mean the reasons behind the pledging, then we suggest that is entirely a matter of how the business is run and is something beyond the interest of the client. We should be grateful for a clarification which interpretation is nearer the mark.

Page 62 : Schedule 3 - Paragraph 13(p)

Para. 13(p) requires that the stock borrowing and lending agreement should include a warranty by the borrower that it shall register the agreement with the Collector. This should be done no later than 2 weeks after the execution of the agreement for HK borrowers and 1 month after the execution of the agreement for non-HK borrowers. In contrast, section 19(12A) of the Stamp Duty Ordinance requires that the deadline for providing the Collector with a copy of the executed agreement is 30 days after the stock borrowing is effected. It could be envisaged that the date of the execution of the agreement and the date of the actual stock borrowing may well be different dates. One wonders if this requirement in the code would have the effect of superseding the application of the stamp duty law by changing the deadline as well as the time when the obligation starts to run.

Page 88 : Schedule 5 – paragraph 5

It mentions the pledging of securities collateral belonging to margin clients should be prudent. Stockbrokers are now obliged to adhere to stringent FR Rules with a high gearing adjustment and various haircuts. If the FRR are complied with, it can be said that a stockbroker is conducting his business within the law. On that basis he should not be further criticised as not prudent for matters which is business decision and commercial policy. We suggest a reference to the compliance of the FRR shall be sufficient and is more unequivocal to carry out in practice.

Page 90 : Schedule 5 - Paragraph 12

As a general comment, it is observed that the sub-paragraphs set out in detail how a business should be conducted under the situations and go beyond the framework of a policy which should only state the philosophical principles and leave the details to be worked out by firms of different sizes, with different clients and business risks.