



消費者委員會 CONSUMER COUNCIL

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來函編號 YOUR REF.

本函編號 OUR REF.

20 December 2002

SFC (Code of Conduct)
12/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Attn: Mr. Stephen PO, Director of Intermediaries Supervision

Dear Mr. Po,

Consultation Document on the Proposed Revisions to the Code of Conduct for Persons Registered with the Securities and Futures Commission (SFC)

Thank you for your letter of 21 November 2002 inviting the Consumer Council to give comments on the captioned consultation document.

In view of intensified competition from financial institutions expanding beyond their traditional product boundaries to seek and exploit new market opportunities, the Council considers there is a need for financial sector supervisors/regulators to increase supervisory cooperation and harmonization of policies and procedures across different functional areas, and to strengthen communication among themselves (banking, securities, and insurance).

The Council is pleased therefore that the SFC has proposed revisions to the Code of Conduct for registered persons, with a view to extending the Code's application to all intermediaries; including authorized institutions registered with the SFC (which are not currently covered by the existing Code) and their representatives.

The Council also supports the amendment to the Banking Ordinance (insertion of sub section 20(10) through the *Banking (Amendment) Ordinance*) that clarifies the extent of responsibility for compliance with the Code by providing that a "registered person" means not only a "registered institution" but also a "relevant individual"; i.e. an individual who performs for or on behalf of or by an arrangement with the institution any regulated function in a regulated activity.

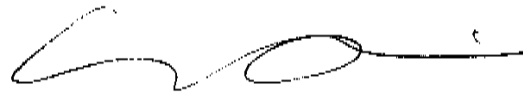
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With regard to the proposal that a disclosure statement should be made regarding client assets received or held outside Hong Kong, the Council agrees that clients should be given such a warning. However, while clients who have given instructions to purchase specific assets outside Hong Kong would be aware of where the assets are held, and could therefore be expected to gauge for themselves the protection that might exist for those overseas assets, there may be a category of consumers who rely on their broker's advice to purchase overseas assets without making specific instructions as to the shares or the locations. For example, a broker managing a trust fund that has a general brief to diversify a portfolio's shareholdings with overseas assets.

In these circumstances, unless the broker's practice is to note the actual location of the overseas shareholding on monthly statements, a client will not be in a position to gauge the extent of risk associated with having assets in a particular country. The Council suggests that the SFC considers whether the risk disclosure statement would therefore benefit from having an additional condition that requires an intermediary to indicate in a client's statement the country where assets not located in Hong Kong are held.

Should you have any question on the above views, please feel free to contact my colleagues, Ron Cameron on 2856 8523, or Vera Tam on 2856 8543.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chan Wong Shui', with a long horizontal flourish extending to the right.

CHAN WONG Shui
Chief Executive