

20th December 2002

TO: SFC (Code of Conduct)

Dear Sirs

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

With reference to the above Consultation Document, we would like to seek clarification on section 12.2 of the draft revised Code regarding employee dealings:

- In the context of Registered Institutions, 12.2 of the Code on "Employee dealings" has generally been interpreted as applying only to the securities dealing staff of the RI. We would like to take this opportunity to seek clarification on whether the application of 12.2 is intended to be confined to securities dealing staff or extends to include non-securities dealing staff.
- The meaning of "related accounts" should be clearly defined. According to 12.2(b)(ii), "related accounts" includes accounts of the employees' minor children and accounts in which the employees hold beneficial interests. We suggest the SFC make available an exhaustive list of related accounts, e.g. are spouse accounts regarded as related accounts.
- 12.2(b)(iii), (v) and (vi) appear to contemplate that the subject account is opened with a licensed or registered person who is the employer of the dealing staff. How are these provisions intended to apply to RIs who only act as intermediaries between the dealing staff and the broker?

Although the above requirements of 12.2 are not new, we feel they have always been somewhat ambiguous. The SFC's clarification on these issues would therefore be greatly appreciated.

Yours faithfully

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Secretary

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