

hkaob

The HK Association of Online Brokers

香港網上經紀協會

20 December 2002

BY HAND

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

Attention: Mr Stephen Po
Director of Intermediaries Supervision

Dear *Stephen*,

Re: Proposed Revisions to the Code of Conduct for Persons Registered with the Securities and Futures Commission ("SFC")

We refer to your letter of 21 November 2002 on the captioned subject and would like to summarize our views on your Consultation Document on the Proposed Revisions to the Code of Conduct for Persons Registered with the Securities and Futures Commission.

General Comments

We appreciate that the main purposes of the proposed revisions are to rationalize the Code with the Securities and Futures Ordinance and its rules and to have a uniform code of conduct applicable to all intermediaries (including authorized institutions and licensed leveraged foreign exchange traders) and their representatives.

Specific Comments

12.2 Employee dealings

We suggest adding to the end of subsection (b) (iv) "unless the licensed or

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registered person has alternative means to monitor its employees' transactions" as employees' transactions may be monitored electronically through automated systems and there is no need to arrange for duplicate trade confirmations and statements of account.

Other Comments

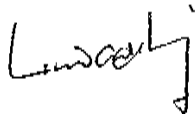
1. In SCHEDULE 3, both sections 12 & 13 under Securities borrowing and lending are applicable where the licensed or registered person is an exchange participant of SEHK. It seems that the placing of collateral received under subsection 12 (d) and the value of the collateral under subsection 13 (f) only apply to exchange participants of SEHK and not to all registered intermediaries, thus no level playing field.
2. We note that the SFC has prior discussions in considering alleviating the requirement under Section 81A of the Securities Ordinance to have written authority of the client which may be renewed in writing for one or more further period not exceeding 12 months. We would appreciate the SFC's advice on the status.

We thank you for giving us the opportunity to express our views. Please feel free to contact us should you require to further discuss the subject matter.

Yours faithfully,

For and on behalf of

The Hong Kong Association of Online Brokers



Stewart Shing

Chairman