

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

19 December 2002

Our Ref: JT/L131/02

Dear Mr Po

Consultation on Proposed Revisions to the Code of Conduct for Persons Registered with the SFC

We refer to the above consultation document and submit our comments as follows.

**Paragraph 5.4 Client Identity: Origination of Instructions and Beneficiaries
Schedule 2 Client Identity Guidance Note**

In subsection (e) of paragraph 5.4 and in Schedule 2, we note that "one of the Hong Kong exchanges" is to be replaced by "a recognized stock market or a recognized futures market". We would like the Commission to confirm that the change is only a matter of terminology and not a change of intention that the Client Identity Rule Policy shall apply to markets outside of Hong Kong. We suggest that it should be clarified as "a recognized stock market or a recognized futures market in Hong Kong" to reflect the original intention of the Client Identity Rule Policy.

Paragraph 15 Professional Investors

We note that in subsection 15.3, investment experience is being maintained as a criterion for a professional investor. This is not consistent with the legal definition of a "professional investor" under the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules which do not recognize investment experience as relevant to the assessment of a professional investor.

We suggest that the Commission standardize the criteria for this group of investor. It is confusing to both the market and the investors to apply two sets of criteria to professional investors. Also, we do not see the reason that investors who are experienced enough to be exempted from signing account agreement and risk disclosures needs to be of a higher standard of professional investors that includes investment experience.

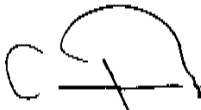
Schedule 5 Paragraph 12 Additional Requirements for Licensed Persons Providing Margin Lending

We note that the requirement under paragraph 12 remain unchanged from the existing Code and only minor amendment is proposed to this section. However, since the Commission is revising the Code, we would like to take this opportunity to offer our comments and hope the Commission will share our view.

The requirements set out in the sub-sections of paragraph 12 are detailed operational procedures which go beyond the framework of a policy or a code. We suggest that the Code should only state the general principals to be observed by licensed person when providing margin lending and leave the operational details to be worked out by the licensed persons themselves in accordance with their client base, financial resources, size and business risk tolerance.

Please contact the undersigned at 2867 1970 if you have any questions.

Yours sincerely



Jennifer S Teng
Legal Adviser/Compliance Officer

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