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9 June 2011

Dear Sirs

**Re: Consultation Paper on Proposed Amendments to the Securities and Futures
(Financial Resources) Rules**

We welcome the opportunity to provide comment on the Consultation Paper on Proposed Amendments to the Securities and Futures (Financial Resources) Rules (FRR's).

One of the exceptions to the restriction on set-off of assets and liabilities of licensed corporations under section 11 of the FRR's is set out in section 11(2); section 11(2) provides that any amounts receivable by a licensed corporation from, and any amounts payable by it to, a recognized clearing house where the rules of the clearing house permit the setting-off of such amounts against each other for settlement purposes, can be set-off against each other.

In the case where a licensed corporation chooses to outsource its clearing functions to a general clearing participant (GCP) whose business is to provide third party clearing services to The Stock Exchange of Hong Kong participants, the exceptions to the restriction on set-off do not apply. We suggest the SFC extend the exceptions to the restriction on set-off to a GCP such that any amounts receivable by a licensed corporation from, and any amounts payable

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by it to, a GCP can be set-off against each other for settlement purposes under a third party clearing arrangement.

Yours faithfully,