

Dear Sirs

In general terms we are supportive of the moves by the SFC to clarify the current Code on Unit Trusts and Mutual Funds (the "Code") to provide for investments in REITS by authorised funds.

Our only comment in relation to the proposed wording for chapter 7.14 of the Code is that the reference to interests in REITS that "are listed on a stock exchange" should instead refer to REITS that "are listed **or quoted** on a stock exchange". We believe that there are likely to be more and more REITS that are quoted on an exchange but whose principal trading is with the manager or issuer of the REIT rather than through an exchange. This is similar to a number of mutual funds and unit trusts that may be quoted on an exchange but do not actually trade on such exchange.

We would also like clarification of the following points:

- (1) Does HK SFC have a list of recognised exchanges on which REITS are listed? (Reference: UK Financial Services Authority (FSA) - list of Recognised Investment Exchanges <http://www.fsa.gov.uk/register/servlet/uk.gov.fsa.register.exchange.ExchangeMain>)
- (2) Will HK SFC provide more detailed guidance on instrument types which can potentially be identified as REITS in overseas markets (e.g. "stapled units" included as Listed Property Trusts in Australia)? Otherwise, there is room for interpretation.
- (3) Will REITS be "collective investment schemes" (i.e. funds) or "securities" for instrument classification purposes (i.e. fund disclosure to shareholders)?