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Investment Products Department  
Securities and Futures Commission  
12/F Edinburgh Tower  
The Landmark  
Central  
Hong Kong

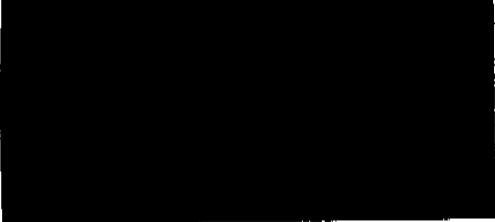
Hong Kong, 7 December, 2000

Dear Sir,

Re : Submission for Consultation on the Offering of Hedge Funds

With regards to the consultation paper on the Offering of Hedge Funds, we have the following points to make on this subject :

1. The paper addresses investment in funds invested in individual hedge funds and also fund-of-hedge-funds. There is no mention of capital and/or return guaranteed fund-of-hedge-funds products (note that the term capital guarantee could be 100% capital guaranteed or less). We believe there are, therefore, three different levels of risk which the investor can take on and these should be individually addressed.
2. As capital and/or return guaranteed fund-of-hedge-funds represent the least risk to the investors, we believe this type of products should be allowed the easiest access by the public in terms of distribution.
3. For capital and/or return guaranteed fund-of-hedge-funds, we also believe the reliance should be drawn on the financial strength and/or the credit rating of the guarantor instead of the management company.
4. We agree that liquidity is key and the SFC should insist on at least monthly liquidity at the capital and/or return guaranteed fund-of-hedge-funds level.
5. We suggest a maximum prior notice redemption period of no more than 40 days so as to offer better protection to the investors.



- 6. We suggest that the SFC should also consider the legal risks of some funds in certain jurisdictions of cross contamination between funds. This means that if there is an umbrella fund structure, even if the subject fund is not leveraged, a sister fund within the same umbrella fund structure may be leveraged and the assets of the subject fund could be used to cover the losses of the sister. Ring fencing is permitted in some jurisdictions - either the invested fund should be a single purpose fund or if it is to be an umbrella fund, there should be ring fencing.

We would wish our name to be withheld from publication but we will be happy to discuss this topic with the SFC.

