

For information
on 24 October 2002

Paper No. 42/02

**Subcommittee on Draft Subsidiary Legislation to be made
under the Securities and Futures Ordinance**

Securities and Futures (Associated Entities) Rules

Introduction

When considering the draft Securities and Futures (Associated Entities) Rules on 6 June 2002, Members asked us to review clauses 3(2)(1) and 4(2)(d) of the draft Rules to clarify the term “circumstances” referred to therein.

Follow up action taken

2. The draft Rules prescribe the particulars that an associated entity of an intermediary must provide under section 165 of the Securities and Futures Ordinance to the Securities and Futures Commission (SFC) by notice in writing when it becomes or ceases to be such associated entity.

3. Under clauses 3(2)(1) and 4(2)(d) of the draft Rules last considered by Members, a corporation is required to provide the SFC with particulars in respect of “the circumstances under which it becomes an associated entity of the intermediary” and “the circumstances under which it ceases to be an associated entity of the intermediary” respectively. In the light of Members’ comments and for greater clarity, we have made amendments to qualify the particulars to be provided to the SFC as “the facts that gave rise to the corporation becoming an associated entity of the intermediary” and “the facts that gave rise to the corporation ceasing to be an associated entity of the intermediary” respectively. We envisage that the relevant “facts” may include changes in an intermediary’s shareholding of the corporation concerned.

Securities and Futures Commission
Financial Services and the Treasury Bureau
17 October 2002