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25 October 2002

Miss Anita Sit
Clerk to Panel
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Miss Sit

**LegCo Panel on Financial Affairs
The Penny Stocks Incident**

I refer to your letter of 16 October to the Secretary for Financial Services and the Treasury, who has asked me to reply on his behalf.

As the Chief Executive had said on 10 September, the Administration would accept the Report made by the Panel of Inquiry on Penny Stocks Incident and, together with the SFC and HKEx, take forward the implementation of the Panel's recommendations as set out in its Report.

In this regard, Members may wish to note that the Secretary for Financial Services and the Treasury has asked me to chair a coordinating committee to bring together the SFC and HKEx to expedite the implementation of the recommendations. As the Financial Secretary undertook at the meeting of the LegCo Panel on Financial Affairs held on 16 September, the Administration will keep the LegCo Panel informed of the progress made. Members may have also noted that the Financial Secretary has appointed an Expert Group to review the operation of the regulatory structure for the securities and futures market, in order to follow up the longer term issues identified in the Report. The Group is tasked to take into account the views of LegCo Members in its review, which is scheduled for completion in March 2003.

Like others, individual officers were invited by the Panel of Inquiry to assist in the course of the inquiry. The inquiry was concluded with the Report made by the Panel of Inquiry. The Administration has nothing to add to the Report. Members may wish to refer to the Report for details.

Yours sincerely

(Tony Miller)
for Secretary for Financial Services
and the Treasury

cc Hon Ambrose Lau, Panel Chairman
AA/FS
AA/SFST