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7 October 2002

Ms Millie KIANG
Assistant Secretary (Banking & Monetary) 1
Financial Services and the Treasury Bureau

Dear Ms KIANG,

LegCo Panel on Financial Affairs

The Penny Stocks Incident

The following two issues, among others, were raised at the previous meetings of the Panel -

- (a) the consultative machinery adopted by the Securities and Futures Commission and/or the Hong Kong Exchanges and Clearing Limited for introducing changes to the Listing Rules; and
- (b) the mechanisms to assess market reaction and to ensure adequate communication among the Government, SFC and HKEx over market sensitive matters.

I should be grateful if the Administration would confirm, **before the close of play today**, whether the above issues are covered by the terms of reference of the Expert Group to Review the Operation of the Securities and Futures Market Regulatory Structure. This information will facilitate the Panel's deliberation at the coming meeting on 8 October 2002.

With best regards,

Yours sincerely,

(Ms Anita SIT)
Clerk to Panel