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Ms Mary Ahern
Legal Consultant
Legal Services Division
Securities and Futures Commission
8/F Chater House
8 Connaught Road Central
Hong Kong

9 November 2007

BY FAX

Fax No. : 2521 7884

Dear Ms Ahern,

**Securities and Futures (Contracts Limits and Reportable Positions)
(Amendment) (No. 2) Rules 2007
(L.N. 198 of 2007)**

At the House Committee meeting held on 9 November 2007, it was decided that a subcommittee would be formed to study the above Rules.

To assist members of the Subcommittee in their scrutiny of the above Rules, I should be grateful if you could clarify the following:

- (a) It is noted that while section 35(1) of the Securities and Futures Ordinance (Cap. 571) (SFO) under which the above Rules are made specifies that the rules are to be made by the Securities and Futures Commission (SFC), the above Rules, as published in L.N. 198, are made or signed by the Chief Executive Officer of SFC. Under section 10(2)(b) and Part 2 of Schedule 2 to SFO, no delegation of SFC's functions shall be made in respect of the function to make subsidiary legislation under or pursuant to any Ordinance. Please therefore clarify the legal basis for the making of the above Rules by the Chief Executive Officer of SFC.
- (b) It is noted that rules made by SFC under SFO before the commencement of the Securities and Futures (Amendment) Ordinance (15 of 2006) on 23 June 2006 were made or signed by the Chairman of SFC. Is there any reason for changing this arrangement upon the commencement of that Ordinance?

I would appreciate it if you could let me have your reply in bilingual form on or before 14 November 2007.

Yours sincerely,

(Connie FUNG)
Assistant Legal Adviser

cc: DoJ (Attn: Miss Amy CHAN, SGC) Fax No. 2869 1302
FSTB (Attn: Mr Paul CHEUNG) Fax No. 2294 0460
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