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By Fax (2877 5029) & By Hand

Our Ref: 126/LG/5012/0100/005

Your Ref: LS/S/07-08

13 November 2007

Ms. Connie Fung
Assistant Legal Adviser
Legal Service Division
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Fung

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

I refer to your letter dated 9 November 2007. You have asked me to clarify the following issues -

(a) *Legal basis for the making of the above Rules*

The Commission's rules are not made by the Chief Executive Officer ("CEO"). The Amendment Rules were made by the Commission in its meeting on 29th August 2007 pursuant to section 35(1)(a) and (b) of the Securities and Futures Ordinance ("SFO"). In line with the Commission's usual practice the Amendment Rules were subsequently signed on behalf of the Commission by the CEO.

(b) *Change of arrangement upon commencement of the Securities and Futures (Amendment) Ordinance (15 of 2006)*

The above Ordinance amended the SFO by establishing the post of CEO and effectively transferring the executive responsibilities of the Chairman post-holder to the CEO post-holder. As a result, the Chairman was no longer an executive post and subsequently, the CEO has performed the executive functions previously performed by the Chairman.

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Since the commencement of the above Ordinance, the Commission's practice has therefore been that all rules made by the Commission have been signed by the CEO.

Yours sincerely

Mary Ahern
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c.c.
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