



Hong Kong Investment Funds Association

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November 25, 2011

Hon Jasper Tsang Yok-sing
President
Legislative Council
Room 101, Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Tsang

Re: Legco Subcommittee on Securities and Futures (Professional Investor)(Amendment) Rules 2011

We note that at the Legco Subcommittee on Securities and Futures (Professional Investor)(Amendment) Rules 2011, that was held on November 11, 2011, some legislators have proposed to introduce amendments to uplift certain requirements from the Code of Conduct to the Rules.

Whilst we don't know the full details of the proposal as no papers have been issued, we wish to stress that as the proposal (based on our preliminary understanding of the discussion at the November 11 meeting) would have major implications to investors as well as the private placement market in Hong Kong, **it is of paramount importance that the Government conducts a full market consultation**, with sufficient lead time to allow all stakeholder groups to voice their opinions and share their views.

In addition, as a general policy, we would like to exhort the Government to consider the following before introducing any amendments or new measures:

- there should be careful and detailed cost-benefit analyses, a practice which is common in US, UK and other major international jurisdictions. This is an approach that we have been advocating and we believe Hong Kong should also be adopting.
- a careful balance must be struck between investor protection and market development. Ultimately, only if there is a well-regulated and vibrant market which provides sufficient choices for investors, will investor's interest be best served.

Please do keep the market posted of the discussion and we look forward to having the opportunity to contribute to the discussion.

Yours sincerely,

Sally Wong
Chief Executive Officer

c.c.: Hon Chan Kam-lam/Hon Raymond Ho/Hon James To/Hon Abraham Shek/Hon Audrey Eu/
Hon Wong Ting-kwong/Hon Chim Pui-chung/Hon Kam Nai-wai, Members of the LegCo
Subcommittee on Securities and Futures (Professional Investor) (Amendment) Rules 2011
Prof KC Chan/Miss Au King-chi/Ms Salina Yan, FSTB
Mr Ashley Alder/Mr Stephen Po, SFC