

**Banking Development Department**

Our Ref: B1/15C

21 August 2003

The Chief Executive  
All Authorized Institutions

(Including those deemed under the transitional arrangements of  
the Securities and Futures Ordinance)

Dear Sir / Madam,

**New Publications of the  
Securities and Futures Commission (SFC) and the HKMA**

I am writing to inform you that the SFC has issued a new series of publications on investor education in the light of the new securities supervisory regime and recent market developments. Such publications aim to assist investors in understanding, among other things, their rights and protection under the new regime as well as the basics of certain investment products. A brief account of these publications is attached at Annex for your reference.

The HKMA fully supports the SFC's efforts and initiatives in promoting investor education. In this regard, registered institutions (RIs) are invited to distribute the relevant SFC publications to their securities clients where appropriate, particularly at the retail level<sup>1</sup>. Besides, relevant individuals of your institution are strongly recommended to read the SFC publications.

Regarding HKMA publications related to RIs' securities activities, you may be aware that a feature article "Securities-Related Activities of Authorized Institutions: Key Issues for Staff"<sup>2</sup> and a supervisor's memo "The Securities and Futures Ordinance and the Banking (Amendment) Ordinance 2002"<sup>3</sup> have been published in our Quarterly Bulletin (QB)<sup>4</sup> issued in March and June 2003 respectively. The purpose of these publications is to facilitate RIs in complying with the new statutory and regulatory requirements.

In the upcoming September issue of the QB, there will be another supervisor's memo providing further guidance to RIs on some frequently raised questions. In terms of RI applications, one point in this memo to

which we would like to draw your attention is that the SFC application form requires a declaration, among other things, that the board of directors of the RI has passed a resolution approving the application. RI applicants are reminded to make proper arrangement in advance to ensure that such board resolution is in place before submitting their application. Foreign authorized institutions should take particular note of this as the arrangement for such a board resolution may take time.

Should you have any questions relating to the SFC publications or wish to obtain copies of them, please contact Ms Karen Heung of the SFC Investor Education and Communications Department at 2842-7711. For any other questions regarding this circular, you may contact the following HKMA officers: Mr Paul Lee at 2878-8283 or Mr Samuel Leung at 2878-1541.

Yours faithfully,

Danny Leung  
Acting Executive Director (Banking Development)

Encl. Annex (MS Word, 28KB)  
c.c. SFC (Attn: Mrs Ivy Lai, Investor Education and Communications Dept.)

<sup>1</sup> The SFC has also invited licensed corporations to distribute the publications to their clients.

<sup>2</sup> This feature article sets out some key matters that are of interest to relevant individuals.

<sup>3</sup> This supervisor's memo provides guidance to RIs in respect of some frequently raised questions.

<sup>4</sup> The QBs are available on the HKMA website at [www.info.gov.hk/hkma](http://www.info.gov.hk/hkma).

 TOP

**List of new publications on investor education issued by the SFC**

(Softcopies of all the publications, except for “Exotic Warrants”, can be downloaded from the “Advice to Investors” section of the SFC’s website at [www.hksfc.org.hk](http://www.hksfc.org.hk).)

**1. SFO & You**

This publication covers the changes and new features of the Securities and Futures Ordinance (SFO) and in particular explains how these may affect individual investors. A more detailed e-version is available on the SFC website as well as that of its Electronic Investor Resources Centre (eIRC) ([www.hkeirc.org](http://www.hkeirc.org)).

**2. Portfolio Planning – Managing Your Investments to Suit You**

This leaflet explains the steps in the portfolio planning process, and reminds investors to be clear about their own investment objectives as well as to understand the nature and risk of any investment offered. It also provides guidance on how investors can manage risks and points out the importance of rebalancing the portfolio where appropriate. On-line educational articles on portfolio planning can be found at the “Features” section of the eIRC website.

**3. Get Ready to Invest**

This bilingual booklet traces the experience of an investor (a fictitious character) in trading stocks, funds, warrants, futures and bonds, as well as how he selected his broker. It aims to help investors understand the features of various financial products and how to manage their investments and protect their own rights. This booklet is supplemented by two new series of feature articles on the eIRC website.

**4. Getting into Bonds**

This leaflet explains the basic features and risks of bonds as well as provides guidance on how to evaluate the merit of bonds and where to get relevant information. In addition, on-line education resources on bonds can be found at the “Features” section of the eIRC website.

## **5. Exotic Warrants**

(Softcopy of this can be found at the “Features” section of the eIRC website.)

This educational article explains the characteristics of exotic warrants. Other educational materials on derivative warrants and the role of the liquidity providers have also been published on the “Features” section of the eIRC website.

RIs should be mindful that, pursuant to the requirements under the SFC Code of Conduct, intermediaries dealing with clients who trade in exotic warrants should ensure these products are suitable for such clients and assure themselves that the clients understand the nature and risks of these products.

## **6. Real Estate Investment Trusts – What You Have to Know**

This leaflet mainly explains the key features of a Real Estate Investment Trust (REIT) and the relevant risks involved in such product, as well as the rights of a REIT investor.

## **7. “Know the SFC” VCD**

This video series comprises nine episodes which aim to explain the SFC’s regulatory role and daily work. The series also highlights some significant improvements of the regulatory framework under the SFO. The VCD is complemented by a Chinese language leaflet which contains the synopsis for each episode.