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財經事務及庫務局
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**FINANCIAL SERVICES BRANCH
FINANCIAL SERVICES AND
THE TREASURY BUREAU
GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION**

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22 June 2018

Honourable Holden Chow
Chairman of Subcommittee on
Securities and Futures (Professional Investor)
(Amendment) Rules 2018
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Honourable Chow,

**Dr Honourable Chiang Lai-wan's comments on the Securities and
Futures (Professional Investor) (Amendment) Rules 2018**

We understand from the Legislative Council ("LegCo") Secretariat that the Dr Honourable Chiang Lai-wan has written a letter on 15 June 2018, setting out her request to review and revise the monetary thresholds for individual and corporate professional investors ("PIs"). Having consulted the Securities and Futures Commission ("SFC"), we would like

to provide a response to the Dr Honourable Chiang's request as follows.

The SFC has been keeping in close view the operation of the PI regime and would review, amongst other things, the monetary thresholds for qualification as PIs from time to time. We take note of Members' comments that the monetary thresholds adopted under the PI regime should be reviewed to ensure that the levels can keep up with market changes and that the protection for the investors can be maintained. Any alterations to the existing regime will have considerable impact on the investors and the operation of the industry, and must be considered holistically and after a due consultation process. The Securities and Futures (Professional Investor) (Amendment) Rules 2018 ("the Amendment Rules") that we have tabled for LegCo's scrutiny is to standardise the modifications granted by the SFC to individual intermediaries under section 134 of the Securities and Futures Ordinance (Cap. 571) over the years, and incorporate these modifications into the Securities and Futures (Professional Investor) Rules (Cap. 571D) ("the PI Rules"). The preceding consultation was on the standardisation proposal only. Given that the Amendment Rules can ensure consistency in the application of the PI Rules and provide a level playing field for the market, our view is that they should be implemented as soon as possible.

The monetary thresholds are an important element of the PI regime, providing a simple and easy-to-interpret method for evaluating whether an individual or a corporation qualifies as a PI.¹ Investors and intermediaries are very familiar with their operation. As such, if we are to study whether to revise the thresholds, it must be done after a proper review. In doing so, careful consideration must be given to the implementation, and if applicable, transitional details. Further, there must be a consultation before there can be any basis for proposing any changes. This can avoid causing confusion in the market because of changes made in haste, which would in fact compromise investor protection.

We understand Members' concerns over the PI regime, particularly the monetary thresholds adopted under the regime. We,

¹ Even if a client can meet the PI monetary thresholds, intermediaries must still conduct know-your-client procedures and assess the suitability, investment objectives and affordable risks of every client (including PIs).

together with the SFC, will actively consider the suggestion to carry out a review on the thresholds.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Carrie Chang', written in a cursive style.

(Carrie Chang)
for Secretary for Financial Services and the Treasury

c.c. Securities and Futures Commission (Attn: Ms Julia Leung and Mr Paul Yeung)