

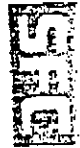
CONFIDENTIAL**Hong Kong Monetary Authority** 香港金融管理局**Banking Development Department**

Our Ref: G16/1C

31 July 2003

Securities and Futures Commission
Corporate Finance Division
8th Floor, Chater House
8 Connaught Road Central
Hong Kong

2003 AUG -2 AM 9:19



Dear Sir,

**Re: Consultation Paper on the Regulation of Sponsors
and Independent Financial Advisers**

Your captioned consultation paper of May 2003 refers.

We welcome your proposals to reinforce the regulatory regime for sponsors, underwriters and independent financial advisers. As indicated in the consultation paper, there will inevitably be a degree of overlap between the SFC's regime and that of the Hong Kong Stock Exchange. You will also be aware that there are authorized institutions registered with the SFC for engaging in type 6 regulated activity. In this regard while there will be close liaison and co-operation between the SFC and the Hong Kong Stock Exchange in dealing with enforcement cases of mutual interest, the HKMA will appreciate being informed at an early stage where a case involves a registered institution engaging in type 6 regulated activity and/or its executive officers/relevant individuals.

In relation to the proposed Code of Conduct for Sponsors and Independent Financial Advisers, we note that a sponsor is required to undertake a review of the past conduct of controlling shareholders which includes inquiries with relevant regulatory bodies. Since regulatory bodies are generally subject to secrecy provisions in their respective empowering legislation, it may be beneficial to clarify upfront what is expected of them when approached with

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such inquiries. The purpose intended to be achieved by these inquiries may need to be set out more clearly.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Danny Leung', with a stylized flourish at the end.

Danny Leung
Division Head
Banking Development