

Morgan Stanley

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THE HONG KONG EXCHANGE
OF SECURITIES AND FUTURE CONTRACTS LIMITED

31 July, 2003

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

073496

Hong Kong Exchanges and Clearing Limited
Listing Division
11th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

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

I refer to the above Consultation Paper dated May 2003.

Morgan Stanley has, today, responded to the Consultation Paper as one member of a larger group of Hong Kong-based international investment banks, through the law firms Freshfields Bruckhaus Deringer and Linklaters.

Paragraph 20.2 of that response refers briefly to the idea of allowing the continuing sponsor role to be treated, in essence, as a separate role from that of the sponsor to the initial listing, and to allow other forms of professionals (for example, accountants and lawyers) to perform that function, rather than the current presumption in the Consultation Paper (that the sponsor to the initial listing will continue in that role). This is an idea which we have mentioned at senior levels within the HKSE and the SFC on previous occasions and was part of our submission to the recent Legco Panel on Financial Affairs (looking at enhancement on the regulations on listed companies and corporate governance of companies).

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In concept, the idea is to split the initial sponsor role from the ongoing corporate governance advisory role, thus enabling the roles to be separately priced and to be undertaken by different firms (or, indeed, professions), as appropriate. We believe that this is worth further consideration (and possibly wider consultation) since we believe it would alleviate certain of the concerns which sponsors may otherwise feel about that ongoing role post-listing whilst at the same time providing the necessary comfort to the regulator that listed companies have access to appropriate advice in relation to their ongoing listing obligations. Lawyers, accountants and smaller "boutique" investment banks may well be in a better position to provide that ongoing advice to listed companies - and to provide it on a more cost-effective basis - than the sponsor to the initial listing (who is likely to have been chosen on the basis of distribution/underwriting capability). Whilst this approach may not have been adopted in other jurisdictions, such an approach would, we suggest, demonstrate Hong Kong's willingness to be forward-thinking in the area of corporate governance.

We would be very happy to meet with you to discuss this idea further if that would be of interest to you.

Yours sincerely,



David Graham
Managing Director and General Counsel

cc: Mario Francescotti, Advisory Director, Morgan Stanley Asia