



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Conduct Department
Our Ref: B1/15C
G16/1C

銀行操守部

2 August 2010

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

Circular Issued by the Securities and Futures Commission (SFC) Regarding Important Information on Market Developments

I am writing to draw your attention to a circular issued by the SFC on 29 July 2010 ("the SFC Circular"). The SFC Circular advises intermediaries to keep abreast of market developments by browsing the SFC's website regularly for the latest information. For example, the SFC's Dr Wise Article issued on 27 July 2010 mentioned the synthetic nature of some of the exchange-traded funds ("ETFs") and the risks of such synthetic ETFs (including the credit risk of the counterparties who issued the derivatives).

A copy of the SFC Circular is attached at **Annex**. Intermediaries are reminded to be vigilant and act in the best interest of their clients when providing services to them. In particular, intermediaries should put in place appropriate measures to ensure that their staff are familiar with the investment products and comply with the applicable rules and regulations when serving their clients.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

c.c. SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)

55th Floor, Two International Finance Centre,
8 Finance Street, Central, Hong Kong
Tel: (852) 2878 8100 Fax: (852) 2878 2100
E-mail: Meena_Datwani@hkma.gov.hk
Website: www.hkma.gov.hk

香港中環金融街8號國際金融中心2期55樓
電話: (852) 2878 8100 傳真: (852) 2878 2100
電郵: Meena_Datwani@hkma.gov.hk
網址: www.hkma.gov.hk