



SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Circular

29 July 2010

Circular to All Licensed Corporations

Important Information on Market Developments

The Commission posts new information to reflect investors' interests and market developments on its website (<http://www.invested.hk/invested/en/html/section/index.html>) from time to time. Such information would help licensed corporations to keep abreast of market developments and better tailor their services for clients.

For instance, the Commission issued a Dr Wise Article on "Synthetic Exchange-traded Fund: What Does it Do for You?" ("the Article") on 27 July 2010. Licensed corporations are reminded to take note of the synthetic nature of some of the exchange-traded funds ("ETFs") and the risks of such synthetic ETFs. As mentioned in the Article, investors of synthetic ETFs are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks of the shares and bonds the ETFs synthetically replicate. As the website will be updated by the Commission from time to time, licensed corporations are advised to browse the website regularly for the latest information.

Licensed corporations are reminded to be vigilant and act in the best interest of their clients when providing services to them. In particular, licensed corporations 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.

Should you have any queries regarding the contents of this circular, please contact Ms Lorraine Chan on 2842-7751.

Intermediaries Supervision Department
Securities and Futures Commission

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