

9 March 1999

Code of Conduct Client Identity Rule Policy

On 9 March 1999, the Securities and Futures Commission (SFC) announced and published its policy (“**Policy**”) for the new client identity rule, paragraph 5.4 of the Code of Conduct for persons registered with the SFC (“**Rule**”).

A copy of the Policy is included in Chinese and English.

The Policy explains the Rule and the general approach the SFC will take in enforcing the Rule. The Policy has been produced after discussions with the Exchanges and industry participants.

The SFC recognises the difficulties that may arise in complying with the Rule. The Policy addresses areas such as when and how the required information should be provided, the application of the Rule to the fund management industry, examples of how to comply and the terms used in the Rule.

The aim is to minimise any unnecessary burden of the Rule on business, while ensuring that Hong Kong’s markets still benefit from the improved surveillance information the Rule will provide to the Exchanges and the SFC.

The main highlights of the Policy are:

- information will no longer be requested about subscriptions to, redemptions from or switches between collective investment schemes;
- except in unusual market conditions, client identity information need only be available within two business days of a request for the information; and
- a registered person can comply with the Rule in any way, as long as it is satisfied on reasonable grounds before a transaction that the client identity information will be available within two business days of a request.

The SFC will administer the Rule flexibly and will take into account genuine difficulties that a registered person may face in complying with the Rule in deciding whether or not to take disciplinary action against a registered person for breach of the Rule.

The SFC will not to take disciplinary action against a registered person who acts honestly and reasonably in complying with the Rule.

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