

**Process Review Panel
for the Securities and Futures Commission**

18th Floor, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong

TEL.: 2528 9132
FAX.: 2861 1494
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14 November 2006

The Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn.: Ms Rosalind Ma, Clerk to Panel)

Dear Ms Ma,

**Panel on Financial Affairs
Follow-up to special meeting on 29 September 2006**

Regulation of securities firms

Thank you for your letter dated 3 October 2006 inviting the Process Review Panel for the Securities and Futures Commission ("PRP") to review three cases of broker misconduct and provide information on the review findings.

The PRP is tasked to review and advise the SFC upon the adequacy of the SFC's internal procedures and operational guidelines governing the action taken and operational decisions made by the SFC and its staff in the performance of its regulatory functions, including, for instance, the receipt and handling of complaints, licensing and inspection of intermediaries, and disciplinary action. To carry out its work, the PRP may call for and review the SFC's files relating to **completed** or **discontinued** cases to verify that the action taken and decisions made are

consistent with the relevant internal procedures and operational guidelines. It is not the function of the PRP to review merits of individual cases. It will only focus on process relating to specific areas set out in its Terms of Reference.

In the light of the SFC's advice that actions on the three cases concerned are still on-going, the PRP cannot conduct case reviews on these cases at this juncture.

Yours sincerely,



(Ms Jennifer Kwong)

Secretary,

Process Review Panel for
the Securities and Futures Commission

c.c. Chief Executive Officer, SFC