HONG KONG MONETARY AUTHORITY
香港金融管理局

Our ref : B1/15C
G16/1C

30 October 2018

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Requirements Applicable to Online and Offline Distribution of Non-SFO-Regulated Structured Investment Products

I am writing to provide guidance on requirements applicable to offline distribution of structured investment products not regulated by the Securities and Futures Ordinance (non-SFO-regulated structured investment products).

The Securities and Futures Commission (SFC) issued the Guidelines on Online Distribution and Advisory Platforms on 28 March 2018. In this connection, the Hong Kong Monetary Authority (HKMA) consulted the banking industry in May 2018 on applying the same principles to online and offline distribution of non-SFO-regulated structured investment products on a risk-based basis. Taking into consideration feedback received from the industry, the HKMA provided guidance by issuing a circular entitled "Online Distribution and Advisory Platforms for Non-SFO-Regulated Structured Investment Products" (Circular on Online Platforms) on 24 August 2018.

Subsequently, the SFC issued the consultation conclusions on offline requirements applicable to complex products on 4 October 2018, with the relevant requirements becoming effective on 6 April 2019. The HKMA's requirements for offline distribution of non-SFO-regulated structured investment products are highlighted below.

Offline distribution of non-SFO-regulated structured investment products

To avoid potential regulatory arbitrage, in respect of distributing or providing advice on non-SFO-regulated structured investment products in an offline environment, the HKMA expects Authorized Institutions (AIs) to follow the same applicable requirements as those applicable to the online platforms. In other words, Section II (Application of the Suitability Requirement) and Section IV (Exemptions for Institutional Professional Investors and Corporate Professional Investors) of the Annex to the Circular on Online Platforms are equally applicable to distribution and advice in an offline environment. Section III (Minimum Information and Warning Statements) of the Annex to the Circular on Online Platforms will be slightly adapted to cater for the offline environment.

A combined version covering guidance for both online and offline distribution of non-SFO-regulated structured investment products is set out in the **Annex**.

Implementation arrangement

To provide consistent customer experience in both online and offline channels, AIs are expected to implement the requirements applicable to the offline environment by the same implementation date as that applicable to online platforms (i.e. 23 August 2019). Individual AIs having strong justifications for an extended transition period should approach the HKMA for discussion.

If you have any questions on this circular, please contact Ms Anita Chan on 2878-1538 or Ms Florence To on 2878-1582.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. SFC
(Attn: Ms Julia Leung, Deputy Chief Executive Officer and Executive Director (Intermediaries) and
Ms Christina Choi, Executive Director (Investment Products))