Our Ref: B1/15C
G16/1C

9 September 2026

The Chief Executive
All Registered Institutions

Dear Sir/ Madam,

Private market investments

As you are aware, the Securities and Futures Commission ("SFC") issued on 3 September 2026 the Circular on SFC-authorised funds with exposure to private market assets[1] ("the SFC Circular"). The SFC Circular sets out guidance regarding SFC-authorised funds with direct or indirect exposure to private credit and private equity (collectively, "private market assets"), including enhanced disclosure in offering documents, complex product designation, target market identification and distributor selection, etc.

The Hong Kong Monetary Authority ("HKMA") has also observed growing bank customers' interest in funds and other investment products that provide exposure to private market assets[2] as customers search for higher returns. However, private market investments[3] are not suitable for all investors. Their underlying assets are often subject to limited regulatory oversight and exhibit characteristics that may render them illiquid or difficult to value. The risk of capital loss may be significantly heightened due to the corresponding lending or governance standards.

In light of the above, the HKMA is providing guidance in this circular to remind registered institutions ("RIs") of the relevant regulatory requirements in respect of sale and distribution of private market investments, publicly or privately offered.

[1] https://apps.sfc.hk/edistributionWeb/api/circular/openFile?lang=EN&refNo=26EC55
[2] Referring to private credit and private equity in this circular.
[3] For the purpose of this circular, "private market investments" refer to funds and other investment products that have direct or indirect exposure to private market assets, including financial instruments whose returns are derived from the value or performance of private market assets. Registered institutions may refer to the SFC Circular for examples of direct exposure and indirect exposure to private market assets.

Product due diligence

RIs are reminded to conduct proper product due diligence on private market investments, taking into account, amongst other factors, the product's nature, features and risks, target clients, any restrictions on sale, and where applicable in what aspects the private market investment is considered suitable for different risk categories of clients.

In assigning product risk ratings, RIs are reminded to ensure the product risk rating assigned to a private market investment is appropriate, taking into account all relevant factors, including the product's nature, features and risks (e.g. the generally higher inherent risks of underlying private market assets).

Disclosure of product information

RIs should provide clients with sufficient information on the characteristics, nature and extent of risks associated with a private market investment to enable clients to understand their investments.

RIs are reminded to ensure that information provided to clients is fair, balanced and not misleading, and disclose the key risks associated with private market investments, such as those in respect of limited liquidity, limited transparency and valuation uncertainty of private market investments and/ or underlying private market assets[4].

Know your client and suitability assessment

RIs are reminded to ensure that any recommendation or solicitation made is suitable for the client in all circumstances. Where a private market investment is a derivative product, RIs are reminded to ensure compliance with the SFC's requirements on derivative products[5]. If a private market investment is a complex product, RIs are reminded to comply with the SFC's requirements on the sale of complex products[6], including but not limited to ensuring the suitability of the product for the client irrespective of whether solicitation or recommendation is involved.

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[4] Although the SFC Circular is related to SFC-authorised funds with exposure to private market assets, the key risks mentioned therein are also relevant to other private market investments.

[5] Paragraphs 5.1A and 5.3 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC's Code of Conduct").

[6] Paragraph 5.5 of SFC's Code of Conduct and Chapter 6 of the SFC's Guidelines on Online Distribution and Advisory Platforms, and the relevant Frequently Asked Questions.

In the case of SFC-authorised funds with exposure to private market assets, the SFC Circular provides guidance on complex product designation. RIs should refer to the designation by the SFC to such SFC-authorised funds. In assessing whether other private market investments are complex products, RIs should follow the prevailing guidance[7].

Given the combination of illiquidity, opacity and valuation uncertainty, RIs should exercise particular care in assessing suitability and explaining to clients why the investment is considered suitable.

Exemptions for Institutional Professional Investors and Qualified Corporate Professional Investors[8]

In dealing with Institutional Professional Investors and Qualified Corporate Professional Investors, the existing exemptions related to the relevant requirements continue to apply.

RIs should have in place adequate policies and procedures, and controls and monitoring, and provide sufficient staff training, to ensure compliance with relevant regulatory requirements.

If you have any questions regarding this circular, please feel free to contact Ms Candy Tam at 2878-1292 or Ms Ian Au at 2878-1757.

Yours faithfully,

Kenneth Hui
Executive Director (Banking Conduct)

c.c. Securities and Futures Commission
(Attn: Ms Elisa Ng, Executive Director (Investment Products)
Dr Eric Yip, Executive Director (Intermediaries))

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[7] Including paragraphs 6.1 and 6.2 of the SFC's Guidelines on Online Distribution and Advisory Platforms, the notes under paragraph 5.5 of the SFC's Code of Conduct, the non-exhaustive list of examples of non-complex and complex products set out on the SFC's website, and the relevant Frequently Asked Questions of the SFC.

[8] "Institutional Professional Investors" is defined under paragraph 15.2 of the SFC's Code of Conduct and "Qualified Corporate Professional Investors" refers to Corporate Professional Investors which have passed the assessment requirements under paragraph 15.3A and gone through the procedures under paragraph 15.3B of the SFC's Code of Conduct.