



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

23 Jun 2009

Circular Issued by the Securities and Futures Commission (SFC) Regarding Risk-disclosure Duties of CLN Issuers

Our Ref.: B1/15C

23 June 2009

The Chief Executive
All Registered Institutions

Dear Sir/Madam,

Circular Issued by the Securities and Futures Commission (SFC) Regarding Risk-disclosure Duties of CLN Issuers

I am writing to draw your attention to a circular issued by the SFC on 17 June 2009 ("the SFC Circular"). The SFC Circular reminds issuers of credit-linked notes (CLN) of their risk-disclosure duties and urges them to disclose in a timely manner meaningful and easy-to-understand information about risks associated with the notes they issued so that investors can make informed decisions or conduct risk analysis of their credit exposure. A copy of the SFC Circular is attached. At the same time, trustees of CLNs may also issue notices from time to time to registered noteholders.

As registered institutions (RIs), rather than investors, are registered holders of these notes, they are the recipients of these notices from issuers or trustees. RIs are required to despatch these notices to relevant investors promptly. Also, as investors do not normally have direct access to CLN issuers or trustees, they will have to rely on RIs that have sold them the notes to answer any queries on the information provided by the issuers and trustees. RIs are therefore required to take appropriate steps to assist investors' understanding of these information. Such steps include but are not limited to:

- provide a dedicated enquiry hotline for investors to make enquiries on the information received;
- ensure that responsible staff manning the hotline are well briefed on these notices so that they can competently handle enquiries from investors; and
- where necessary, approach relevant CLN issuers or trustees, as the case may be, for further information, to ensure that investors' enquiries are properly addressed.

For monitoring purpose, RIs should maintain a register of the notices received from CLN issuers and trustees, and when these notices were passed to investors. Where necessary,

the HKMA will inspect the register of individual RIs through onsite examination and/or offsite review to assess compliance with the relevant requirements.

Yours faithfully,

Nelson Man
Executive Director
(Banking Supervision)

Encl. [Circular to issuers of retail credit-linked notes](#) (PDF file, 50KB)

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