



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

20 December 2012

The Chief Executive
All Authorized Institutions

Dear Sir/ Madam,

Applicability of the Securities and Futures Commission (SFC)’s regulatory requirements to sale of structured products that are not regulated by the Securities and Futures Ordinance (SFO)

We are writing to remind Authorized institutions (AIs) that they are expected to apply consistently high standards and act in best interests of their customers in the sale of investment products. As a general principle, the Hong Kong Monetary Authority (HKMA) expects AIs, in selling investment products that are not regulated by the SFO, to follow similar standards as those applicable to SFO-regulated investment products. In particular, as mentioned in the HKMA’s circular of 13 July 2009¹, AIs should ensure suitability of their recommendations and/ or solicitation, give proper disclosure of product features and risks to customers, and ensure that marketing materials are clear, fair and present a balanced picture.

Subsequent to the HKMA’s circular of 13 July 2009, the SFC has introduced the following regulatory requirements and incorporated these in the Code of Conduct for Persons Licensed by or Registered with the SFC (“Code of Conduct”):

- 3.11 Use of gifts by distributors in promoting a specific investment product
- 5.1A Know your client: investor characterization
- 8.3 Pre-sale disclosure of monetary and non-monetary benefits
- 8.3A Disclosure of sales related information

Following discussions with the banking industry, the HKMA expects AIs to apply the above regulatory requirements to their sale of all structured products not regulated by the SFO, including but not limited to products that are linked to currency(ies) and/ or interest rate(s).

¹ “Selling of Investment Products”

The requirement concerning the use of gifts will take immediate effect. Individual AIs that require time for implementation due to substantial practical difficulties could contact the HKMA for further guidance. In respect of the other requirements above, AIs should implement them no later than six months from the date of this circular.

If you have any questions on this circular, please contact Ms Florence To at 2878-1582, or Ms Candy Tam at 2878-1292.

Yours faithfully,

Meena Datwani

Executive Director (Banking Conduct)

c.c. Securities and Futures Commission (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)