



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

25 March 2014

The Chief Executive
All Registered Institutions

Dear Sir/ Madam,

Circular Issued by the Securities and Futures Commission (“SFC”) on Selling of Complex Bonds and High-Yield Bonds

I am writing to draw your attention to the attached circular issued by the SFC today on Selling of Complex Bonds and High-Yield Bonds. The SFC’s circular summarizes some common issues in relation to certain areas of the selling process for bonds with special features¹ and high-yield bonds identified in the SFC’s recent on-site inspections of licensed corporations.

Registered Institutions (“RIs”) should pay due regard to the issues and guidance set out in the Appendix of the SFC’s circular, review and enhance their policies, procedures and controls to address any issues that are relevant to their institutions. The HKMA will continue to monitor RIs’ compliance with regulatory requirements in its supervisory process.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

c.c. Securities and Futures Commission
(Attn: Mr James Shipton, Executive Director (Intermediaries))

¹ Examples of special features include perpetual, subordinated, callable, variable and/or deferral of interest payment terms, extendable maturity dates, convertible/ exchangeable, contingent write down or loss absorption feature, etc.