



HONG KONG MONETARY AUTHORITY

香港金融管理局

Banking Conduct Department

銀行操守部

Our Ref: B1/15C  
G16/1C

13 May 2015

The Chief Executive  
All Registered Institutions

Dear Sir / Madam,

**Circular Issued by the Securities and Futures Commission (“SFC”) concerning Know Your Client and Account Opening Procedures**

I am writing to draw your attention to the attached circular issued by the SFC to licensed corporations on 12 May 2015 concerning know-your-client (“KYC”) and account opening procedures. The SFC’s circular highlights deficiencies and unsatisfactory practice as noted in its recent supervisory reviews, and it also reminds intermediaries of some control and compliance matters in implementing the KYC requirements under the Code of Conduct<sup>1</sup>.

Intermediaries are reminded that where the certification of the signing of the client agreement and sighting of related identity documents (the “Certification Process”) is not performed by their employees physically, it should be performed physically by any entity or professional person as specified in paragraph 5.1 (a) of the Code of Conduct. The relevant supplementary FAQs have been updated by the SFC. In particular:

- If an affiliate of an intermediary is appointed to conduct the Certification Process, it is the responsibility of the intermediary to ensure that the affiliate has maintained and implemented the equivalent policies and procedures that are applicable to intermediaries in performing the Certification Process. Intermediaries are strongly discouraged from appointing any affiliate which is not a regulated financial institution to conduct the Certification Process<sup>2</sup>.

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<sup>1</sup> Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

<sup>2</sup> Please refer to Q27 (updated on 12 May 2015) of the SFC’s FAQs for the Code of Conduct.

- If an account is opened otherwise than on a personal, face-to-face basis by employees of an intermediary, the intermediary is encouraged to contact the client directly to ensure the necessary risk disclosures and reminders under Schedule 1 to the Code of Conduct are drawn to the client's attention<sup>3</sup>.

The SFC's circular also sets out that where an intermediary becomes aware that two or more unrelated clients have authorised the same third party to place orders for their accounts, the intermediary should actively enquire and critically evaluate the reasons behind and ascertain the relationship between them, and properly monitor these client accounts for irregularities.

Registered Institutions should pay attention to the issues and controls highlighted in the SFC's circular, and ensure compliance with the relevant regulatory standards.

Yours faithfully,

Carmen Chu  
Executive Director (Banking Conduct)

Encl.

cc SFC (Attn: Mr James Shipton, Executive Director (Intermediaries))

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<sup>3</sup> Please refer to Q57 (updated on 12 May 2015) of the SFC's FAQs for the Code of Conduct.