



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

15 February 2016

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

Circular Issued by the Securities and Futures Commission (“SFC”) on Protecting Client Assets Against Internal Misconduct

I am writing to draw your attention to the attached circular issued by the SFC to licensed corporations (“LCs”) licensed for dealing in securities on protecting client assets against internal misconduct (“The Circular”). In the course of its supervisory work, the SFC observed that some LCs have weak internal controls and lax management supervision that render those LCs susceptible to the threat of internal misconduct. The Circular highlights the importance of internal controls and management supervision in guarding against the threat of internal misconduct. A non-exhaustive list of potential red flags, pitfalls and vulnerabilities, and a list of some key measures to which intermediaries should have regard when designing and implementing their operating and internal control procedures, are set out in the appendices to The Circular.

Registered Institutions (“RIs”) should have regard to The Circular when designing and implementing relevant operating and internal control procedures, as applicable and appropriate to their particular circumstances. The HKMA will continue to monitor RIs’ compliance with relevant regulatory requirements in its supervisory process.

Yours faithfully,

Carmen Chu
Executive Director (Banking Conduct)

Encl.

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

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