



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C

11 September 2019

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Sufficiency of Authority of Responsible Officers of Licensed Insurance Intermediaries which are Authorized Institutions

Pursuant to the licensing regime for insurance intermediaries under the Insurance Ordinance (“IO”) to be commenced on 23 September 2019, a licensed insurance agency or a licensed insurance broker company should have responsible officer(s) (“ROs”) approved by the Insurance Authority (“IA”) to supervise its carrying on of regulated activities under the IO (hereafter referred as “insurance regulated activities”), and to ensure that proper controls and procedures are in place for the purpose of compliance with all statutory and regulatory requirements relevant to the insurance regulated activities carried on by the licensed insurance intermediary.

An individual who is or proposed to be an RO of a licensed insurance intermediary which is an authorized institution (“AI”) (or an AI applying to become a licensed insurance intermediary) under the IO should, among others, have sufficient authority from the AI for discharging his/her responsibilities as an RO. Having regard to organisational and management structure of AIs and its supervisory experience, the Hong Kong Monetary Authority (“HKMA”), after consulting the IA, hereby provides guidance to AIs on its expectations in relation to sufficiency of authority of ROs of AIs under the IO as follows:

- (1) If any of the individuals responsible for directly supervising the conduct of insurance regulated activities of an AI is the AI's chief executive, alternate chief executive or director as defined in the Banking Ordinance ("BO"), the HKMA would expect such individual to be appointed as an RO of the AI for the purpose of the IO.
- (2) If the situation in (1) above is not applicable, the appointment of an RO of the AI should be based on seniority in accordance with the AI's internal organisational and management structure. In other words, the RO should be the individual in the highest rank responsible for directly supervising the AI's insurance regulated activities.
- (3) An AI should ensure that at least one RO is the chief executive, an alternate chief executive, a director or a manager as defined under the BO of the AI, and any remaining ROs of the AI should not be more than one rank below the chief executive, an alternate chief executive, a director or a manager of the AI if they do not themselves fall into these categories.

In order to ensure the carrying on of insurance regulated activities are adequately supervised, an AI should appoint a sufficient number of ROs, taking into account relevant factors including the scale of business; nature of insurance services and products; number of licensed technical representatives; organisational and management structure (for example, carrying on of insurance regulated activities by different business units or in different lines of businesses may be supervised by different individuals), etc. of the AI.

Flexibility in assessing an RO's sufficiency of authority would only be allowed on an exceptional basis with justifications taking into account factors such as size of the AI; significance of insurance regulated activities in relation to the overall business of the AI; the AI's organisational and management structure; and the reporting line of the RO.

For the avoidance of doubt, this circular does not by any means affect the applicability of other statutory or regulatory requirements.

The guidance in this circular takes effect with the implementation arrangements of the licensing regime for insurance intermediaries under the IO.

If you have any questions on this circular, please contact Mr Kevin Sham at 2878-1594 or Ms Candy Tam at 2878-1292. Regarding implementation issues, please approach your usual supervisory contact at the Banking Conduct Department of the HKMA.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. Insurance Authority
(Attn: Mr Stephen Po, Executive Director (Market Conduct))