Annex

Circulars issued by the Hong Kong Monetary Authority on the selling of investment products by authorized institutions (AIs)

(1) Circular of 1 March 2005 "The Securities and Futures Commission's Report (the Report) on Selling Practices of Licensed Investment Advisers": requires relevant AIs to ensure compliance with the recommendations in the Report.

(2) Circular of 3 March 2006 "Retail Wealth Management Business": shares with all AIs the examination findings and industry good practices on retail wealth management. These include compliance with the relevant codes and guidelines, customer profiling, product suitability assessment, risk disclosure (including additional precautionary measures when selling retail wealth management products to vulnerable customers, e.g. the elderly).

(3) Circular of 1 March 2007 "Thematic Examinations on Investment Advisory Activities": draws relevant AIs' attention to the issues and good practices identified in thematic examinations on investment advisory activities. These include customer profiling, product suitability (matching of product risk rating with client's risk tolerance level), classification of vulnerable clients, provision of product documents, management supervision, monitoring of compliance and staff competence.

(4) Circular of 7 May 2007 "Questions and Answers on Suitability Obligations Published by the Securities and Futures Commission (SFC)": requires relevant AIs to review systems and practices in their wealth management and investment advisory activities to ensure compliance with the standards set out in the SFC's Frequently Asked Questions on suitability obligations.

(5) Circular of 1 June 2007 "The Securities and Futures Commission's Report on Findings of Second Round of Thematic Inspection of Licensed Investment Advisers (the Report)": requires relevant AIs to ensure compliance with the regulatory standards stated in the Report.

(6) Circular of 23 September 2008 "Investment products related to Lehman Brothers": urges relevant AIs to properly deal with customers' enquiries and complaints about investment products, and requires them to review the risk level of investment products and the selling process and to implement enhancements where necessary.