HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C
G16/1C

14 March 2011

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Enhanced Regulatory Requirements on Selling of Investment-Linked Assurance Scheme (ILAS) Products

In view of the popularity of ILAS products and their salient features and risks (including in many cases long tenor or lock-in periods), the Hong Kong Monetary Authority (HKMA) considers it necessary to further enhance the regulatory requirements for the sale of ILAS products by Authorized Institutions (AIs).

When selling ILAS products, AIs should ensure compliance with the relevant regulatory requirements[1], particularly the control measures set out in **Annex**. Most of these measures are existing regulatory requirements or practices generally adopted by the industry that are now being formalized as regulatory requirements to ensure their consistent application by all AIs to enhance investor protection.

AIs should review their existing control procedures and practices in the sale of ILAS products to ensure that they comply with the relevant regulatory requirements. The HKMA expects compliance with the control measures set out in this circular as soon as practicable. Where a control measure entails system changes, the HKMA expects full compliance with that particular measure no later than six months from the date of this circular. However, AIs should, as far as practicable, take prompt alternative measures in the interim, to implement the control requirements while system changes are being made. The onus is on the AIs to ensure that proper control measures are in place for the sale of ILAS products.

---

[1] Including, inter alia, "The Code of Practice for the Administration of Insurance Agents" and "Updated Requirements Relating to the Sale of ILAS Products following the Introduction of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products" issued by the Hong Kong Federation of Insurers.

If you have any questions on this letter, please feel free to contact Ms Alice Lee at 2878-1603 or Ms Florence To at 2878-1582.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

c.c. Insurance Authority (Attn: Ms Carol Hui, Acting Assistant Commissioner of Insurance (Policy & Development))
SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)