Annex

Expected standards of AIs in implementing the IFS requirements

1. AIs should provide the customer with the IFS in his/her preferred language (i.e. Chinese or English).

2. AIs should request the customer to set out his/her reasons/considerations for procuring the ILAS product in the "Statement of Purpose" paragraph of the IFS and should give due regard to such information set out by the customer, together with other relevant information (e.g. the information completed by the customer in the Financial Needs Analysis ("FNA") Form and the Risk Profile Questionnaire ("RPQ")), in assessing whether or not an ILAS product is suitable for the customer.

3. Where inconsistent answers are given by a customer in the "Statement of Purpose" paragraph of the IFS, the FNA Form and/or the RPQ, AIs should seek clarifications from the customer and properly document justification(s)/reason(s) provided by the customer.

4. AIs should disclose and explain the remaining paragraphs in the IFS, together with other relevant information[1], to the customer <u>during</u> the selling process so that the customer has sufficient time to consider the important facts before deciding whether to make an application for the ILAS product.

5. AIs that distribute ILAS products for insurance companies within their group are required to ensure that the level of remuneration they receive from their group insurance companies for the distribution of ILAS products should be determined on arm's length basis and commercially justifiable. There should not be any arrangement which may prejudice the disclosure requirements directly or indirectly, such as transfer pricing that can have the effect of concealing or distorting the remuneration receivable from the insurance company under the calculation and disclosure requirements.

6. AIs should not proceed with an ILAS application if any of the applicable confirmations in the IFS has not been properly signed by the customer. A copy of the IFS duly signed by the customer, among other documents, should be provided to the customer at the point of sale.

[1] Among other things, the content of the illustration document should be disclosed and explained to the customer during the selling process to facilitate him/her in making an informed decision.