



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/103C
G16/1C
C2/5C

30 September 2020

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Findings of Mystery Shopping Programme (“MSP”) on Selling Practices of Authorized Institutions (“AIs”) in respect of Investment and Insurance Products

The Hong Kong Monetary Authority (“HKMA”) engaged a service provider from the second half of 2018 to 2020 to undertake a MSP to test check the selling practices in respect of investment and insurance products by AIs. A report summarising the findings and good practices of the MSP is attached. AIs should give due regard to the findings, and review their policies and controls to promptly implement any appropriate measures to enhance the selling process, staff training, compliance monitoring and other relevant internal controls.

In respect of the sale of investment products, the AIs were generally in compliance with the Know-Your-Customer (“KYC”) procedures, suitability assessment and implementation of additional safeguards for less sophisticated customers (including pre-investment cooling-off period), save for some isolated samples.

As regards the sale of insurance products, while the AIs generally complied with the relevant requirements, there was room for improvement in a few areas such as KYC procedures, suitability assessment, and disclosure of product features and risks.

The HKMA has taken into account the findings of the MSP in formulating the supervisory plans. The individual AIs concerned have been required to take

appropriate follow-up actions. The HKMA will continue to monitor the selling practices of AIs in its on-going supervision.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.

c.c. Securities and Futures Commission
(Attn: Ms Julia Leung, Deputy Chief Executive Officer and Executive
Director (Intermediaries))

Insurance Authority
(Attn: Ms Carol Hui, Executive Director (Long Term Business)
Mr Peter Gregoire, Head of Market Conduct (Acting) & General
Counsel)