



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C

30 August 2023

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Alternative Arrangement for Meeting the Audio Recording Requirement of Protection Linked Plan (“PLP”)

Pursuant to the circular “Selling of Protection Linked Plan” dated 8 July 2022 issued by the Hong Kong Monetary Authority (“HKMA”), authorized institutions (“AIs”) are required to audio record the selling process of protection linked plan (“PLP”) with retail banking customers and no opt-out of the audio recording arrangement is allowed. Having considered the market development and industry feedback, and with a view to enhancing customer experience, the HKMA issues this circular to provide flexibility for AIs to choose to adopt an alternative arrangement for meeting the audio recording requirement (the “Alternative Arrangement”) in selling PLP to non-vulnerable customers (“non-VCs”). The HKMA also takes this opportunity to remind AIs of the importance of adequate disclosure to customers in top-up investments of PLP.

Alternative Arrangement

Under the Alternative Arrangement, AIs may, in selling PLP to non-VCs, choose to follow the post-sale controls (i.e. post-sale calls or point-of-sale audio recordings) on investment-linked assurance scheme (“ILAS”) products of the Insurance Authority (“IA”).

In particular, the post-sale controls should be conducted by a non-sales staff of the AI who has no conflict of interest with the sale of the PLP. The AI should ensure that the requirements on post-sale controls stipulated in the Guideline on Underwriting Class C Business (“GL15”), the Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products (“GL26”) and the relevant interpretation notes of the IA are complied with, including but not limited to the minimum content requirements of the post-sale controls, the timeline, the minimum number of attempts and the follow-up actions if the customer gives negative/uncertain reply or cannot be reached in conducting post-sale calls. In addition to the minimum content requirements stipulated by the IA, the post-sale controls should also cover the following:

- (i) Confirmation of the customer’s understanding of the comparison of PLP against direct investment in the underlying funds of the underlying investment options and taking out a life insurance separately;
- (ii) Disclosure of the maximum level of remuneration receivable by the AI if the customer directly invests in the underlying funds of the underlying investment options through the AI; and
- (iii) Confirmation of the customer’s understanding of the illustration documents including the supplementary sheet of benefit illustration statement.

Switching transactions that involve solicitation/recommendation and all top-up investments are subject to the audio recording requirement. Likewise, AIs can adopt the Alternative Arrangement and conduct post-sale controls to audio record such transactions with non-VCs.

For the avoidance of doubt, the Alternative Arrangement is not applicable to customer risk profiling and AIs should continue to audio record the process of conducting customer risk profiling with a customer.

Adequate disclosure for top-up investments of PLP

AIs are reminded to make adequate disclosure and explanation for top-up investments of PLP, to ensure that the customer is able to make informed decision. Among other things, AIs should disclose and explain to the customer the amounts of and the bases of determining the death benefit of the PLP, the impact of the top-

up investment on the death benefit, and draw the customer's attention to the applicable fees and charges (including upfront charge/surrender charge).

Way forward

Bearing in mind the important feature of PLP in providing high level of protection to customers vis-à-vis other ILAS products, and given the relatively short period of time since PLP was launched in the second half of 2022, the HKMA will continue to monitor closely the development of this product and consider the need of introducing further supervisory guidance to AIs as appropriate. In particular, the HKMA would be mindful in scrutinising any top-up investment arrangement which may have an impact on the high level of protection feature of PLP.

Should you have any questions on this circular, please contact Ms Candy Tam at 2878-1292 or Ms Tiffany Ng at 2597-0663.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. Insurance Authority
(Attn: Mr Marty Lui, Head of Long Term Business (Acting)
Mr Peter Gregoire, Head of Market Conduct and General Counsel)