



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C

24 February 2016

The Chief Executive  
All Authorized Institutions

Dear Sir / Madam,

**Complaints Watch**

The Hong Kong Monetary Authority (HKMA) today published the sixth issue of Complaints Watch.

Complaints Watch is a periodic newsletter to share with the banking industry information on complaints received by the HKMA. It highlights the latest complaint trends, emerging topical issues, and shares good practices that authorized institutions (AIs) may find helpful. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

A copy of Complaints Watch is enclosed for your perusal. You may wish to forward it to members of your institution who have responsibilities for selling of retail and investment products, risk management, compliance and complaints handling for reference.

If there are any questions on the above, please contact Ms Cathy Chan on 2516 7525 or Ms Peggy Lo on 2516 7833.

Yours faithfully,

Meena Datwani  
Director-General (Enforcement)

Encl.



*Complaints Watch is published by the Complaint Processing Centre (CPC) of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that banks may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among banks.*

## Complaint statistics

Sep to Dec 2015	General banking services	Conduct-related issues	Total
In progress as of 1 Sep 2015	472	189	661
Received during the period	431	106	537
Completed during the period	(582)	(77)	(659)
In progress as of 31 Dec 2015	321	218	539

Compared to the last reporting period (May-August 2015), the number of complaints received between September and December 2015 decreased by 10% or 62 cases to 537 cases. Having said that, complaints concerning investment products increased by 20% or 13 cases to 77 cases (with 41 cases relating to alleged mis-selling, of which 23 cases were related to foreign exchange (FX) accumulators linked to Renminbi (RMB)), and complaints concerning insurance products also increased by 27% or 10 cases to 47 cases (with 40 cases relating to possible mis-selling). Other major types of complaints included those related to disputes about fund transfers (67), fees and charges (47), service quality (36) and closure of accounts (25).

## RMB FX accumulators

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Following the depreciation of RMB exchange rate in the second half of 2015, the CPC received 23 complaints from corporate customers regarding potential mis-selling of RMB FX accumulator contracts during the period covered. The complainants mainly alleged that banks failed to assess their hedging needs and concentration risk. As a result, their total maximum exposures in such FX accumulator contracts far exceeded their actual hedging needs and they suffered significant and unsustainable losses. In addition, there were allegations that only the upside potential of RMB was presented during the selling process and the margin requirements were not explained to customers properly.

The HKMA has issued a number of supervisory guidelines since late 2010 when there were signs of renewed activities in banks' selling of accumulators. Amongst other requirements, the HKMA requires banks to adopt a cautious selling approach to ensure that accumulators are sold to customers who can fully understand the structure and risks, have the risk appetite for acquiring the underlying assets (in this case RMB) with leverage and have the ability to withstand the potential financial losses. Banks were also reminded to present a balanced view when selling RMB investment products, drawing customers' attention to potential downside risks and the maximum losses that may possibly be incurred. If banks become aware that a customer's existing overall portfolio is highly concentrated in accumulators, banks should avoid soliciting or recommending the customer to enter into accumulator contracts.

Given that the assessment of the complaints is still underway, it is premature to draw

any conclusion on whether banks have breached any regulatory requirements in selling RMB FX accumulators to customers. Nevertheless, the HKMA expects that banks should have proper documentation to record what they have done to explain the product features and risks of accumulators to customers, and should diligently assess customers' actual hedging needs and concentration risk instead of simply relying on self-declarations by customers. If banks become aware of changes in a customer's circumstances such that a transaction no longer serves a hedging purpose or there is over-hedging, the banks should, as soon as practicable, review the customer's position, and take or recommend appropriate actions to address the situation. Banks should also ensure that their staff do not misrepresent or give any impression to investors that decumulators can be a hedging tool for accumulators or vice versa. In general, banks should observe the same standards and principles that apply to accumulators in the selling of decumulators.

## Leakage of customers' personal information

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From time to time, the HKMA receives complaints against banks or their staff alleging leakage of customer data to third parties. While investigation of these complaints has not revealed substantive evidence to support the allegation, it is imperative for all banks to be vigilant about customer data protection at all times.

A few cases that came to the attention of the HKMA were discovered by the banks' internal monitoring system which successfully detected the transmission of customer data and other confidential bank data by employees from their corporate email accounts to their personal email accounts. Such incidents tend to happen around the time that employees decide to leave the organization. The HKMA takes a serious view of such incidents as leakage of customers' personal information could lead to misuse of such data, thereby jeopardizing the interests of customers, as well as potentially amounting to the commission of a criminal offence.

The systems and controls of banks to prevent and detect possible leakage of customer data, including effective access control, play a vital role in safeguarding the confidentiality of customer data. Irregularities of the above nature were detected in a timely manner because the banks concerned had control measures in place to monitor the outgoing emails of employees' corporate email accounts. This made it possible for remedial actions to be taken promptly to mitigate the impact on the affected customers.

Both the Privacy Commissioner for Personal Data and the HKMA have previously

reminded banks of the need to comply with the Personal Data (Privacy) Ordinance and the relevant codes of practice and guidance in relation to the handling of customer data. The HKMA also issued an updated circular on Customer Data Protection in October 2014 reminding banks to put in place adequate measures (including, among others, system controls) to protect customer data. Thus, banks are now expected to have stringent controls in place to protect the confidentiality of customer data both at staff level and system level. In view of the experience learnt from these cases, banks should continue to review and enhance their existing controls regularly to prevent misuse and unauthorized transmission of customer data.

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Comments and feedback on *Complaints Watch* are welcome. Please email them to [bankcomplaints@hkma.gov.hk](mailto:bankcomplaints@hkma.gov.hk).