



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/195C

16 March 2021

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Focused Review on Incentive Systems of Front Offices in Retail Banks

As part of the ongoing supervisory work of the Hong Kong Monetary Authority (HKMA) to promote sound culture in the banking sector, the HKMA will conduct a focused review on the incentive systems of front offices in sale and distribution of banking, investment and insurance products of retail banks (hereafter called the “Focused Review”), building on the insights drawn from the earlier review of self-assessments on bank culture.

Incentive systems play a crucial role in driving sound behaviours and affecting customer outcomes. The Focused Review aims to dive deeply into a number of specific areas of incentive systems of 20 retail banks. These areas include how the incentive systems of the front offices are designed and implemented, and how they drive behaviours of frontline staff and affect customer outcomes, in particular their role in minimising potential misconduct behaviour and mis-selling practices in the sale and distribution of banking, investment and insurance products.

With a view to identifying industry-wide practices and an aim for better alignment of incentive systems, the HKMA has appointed an external consultant to assist in the Focused Review. Insights will be drawn from information and documents collected through a range of activities that the external consultant will undertake in the course of the Focused Review, including an employee survey, focus group discussions, interviews with staff of selected banks as well as a documentation review.

Based on the findings of the Focused Review, the HKMA plans to share the insights and common practices identified in the Focused Review with the industry and consider the need for further guidance, where appropriate. Where issues are identified, the HKMA may also follow up with the individual banks concerned.

We will inform the selected banks of the detailed arrangement of the Focused Review separately. We strongly encourage all selected banks to participate actively throughout the Focused Review, and render full support to the review work of the external consultant appointed by the HKMA.

Should you have any questions about this circular, please do not hesitate to contact Ms Christine Wong or Mr Leon So at bankculture@hkma.iclnet.hk.

Yours faithfully,

Arthur Yuen
Deputy Chief Executive