



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B9/219C

4 July 2024

The Chief Executive
All Authorized Institutions

Dear Sir/ Madam,

**Self-Assessment of Compliance with Supervisory Policy Manual Module TB-1
“Regulation and Supervision of Trust Business”**

This circular aims to share with authorized institutions (“AIs”) a summary of the results of a self-assessment on compliance with the Supervisory Policy Manual Module TB-1 (“SPM TB-1”) covering the period from 1 June 2023 to 31 December 2023.

Summary of assessment results

The self-assessment was participated by AIs and subsidiaries of locally incorporated AIs (“AI subsidiaries”) which carried on trust business in Hong Kong as trustees during the assessment period (“reporting institutions”), and was carried out by the internal audit departments, compliance departments or other equivalent units of the reporting institutions.

The self-assessment covered 84 provisions relating to trust business in SPM TB-1 (including the Code of Practice for Trust Business (“Code”)). The overall status of compliance during the assessment period was satisfactory:

- No instance of non-compliance was reported.
- On partial compliance, in aggregate 12 instances were reported. The reporting institution with the highest number of instances of partial compliance reported 5 such instances. It should be noted that an issue might be reported under different provisions as relevant and counted as more than one instance.
- Among the partial compliance, 8 instances were on provisions relating to Principle 4 “Corporate governance and internal controls” of the Code, which

stipulates that a trustee should establish a proper corporate governance structure and implement adequate internal controls and risk management systems to ensure that its trust business is effectively managed. The reported issues pertained to such areas as:

- oversight and monitoring of the performance of delegates or service providers on delegated or outsourced functions or operations;
- controls in investment monitoring, e.g. adequacy of investment rules documentation and review frequency;
- risks and controls assessment; and
- policies and procedures on complaint handling.

A table of partial compliance by general principles of the Code is at the [Annex](#).

According to the rectification plans of the reporting institutions concerned, as of the submission date of the self-assessment (i.e. 31 March 2024), 3 instances of partial compliance had been rectified and the remedial actions for the remaining instances are expected to be completed by Q3 2024. The reporting institutions concerned should ensure that all remedial actions are implemented in accordance with the reported plans.

Taking this opportunity, all AIs and AI subsidiaries that carry on trust business in Hong Kong as trustees are reminded to put in place systems and controls to ensure observance of SPM TB-1, in particular the general principles and the practical standards detailed in the Code, and timely report any material non-compliance to the HKMA and take appropriate remedial actions. The HKMA will continue to monitor compliance with SPM TB-1 in its ongoing supervision.

Locally incorporated AIs should pass a copy of this circular to their subsidiaries which carry on trust business in Hong Kong as trustees for their attention.

In case of any questions on this letter, please contact Ms Candy Tam at 2878-1292 or Ms Arissa Chan at 2878-8814.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.