

**Good Practices Adopted by Certain RIs**

***Know Your Client and Product Suitability***

- A risk tolerance level was assigned to each client for matching against risk ratings of investment products to ensure product suitability. Special handling procedures, such as supervisor's approval or declaration by clients, were required if the product risk ratings exceeded clients' risk tolerance levels.
- Specific criteria for classifying clients into "vulnerable clients" were established. These clients were subject to special handling procedures, such as further explanation of the products by a separate staff, supervisor's approval or third party witnessing of transaction.

***Management Supervision***

- Specific MIS reports on investment advisory activities were generated (e.g. mis-matched client tolerance levels / product risk ratings, unusual patterns on switching of mutual funds) to facilitate management supervision.
- Regular compliance reviews were conducted on investment advisory activities (and also other areas of regulated activities) to ensure compliance with relevant regulatory requirements.
- "Mystery shopper" inspections were conducted on the selling practices of frontline staff of retail branches to ensure compliance with internal policies / procedures and relevant regulatory requirements.
- "Post transaction surveys" were conducted with clients to ascertain whether the selling processes of frontline staff were in line with internal policies / procedures and relevant regulatory requirements.

***Selling Process***

- Formal checklists were established to ensure that frontline staff were reminded to provide all required offering documents to clients during the selling process.

***Staff Competence***

- Frontline staff were required to, in addition to satisfying the regulatory requirement on training, pass an internal competence test on an annual basis to ensure the continuous fitness and propriety of staff.