



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

16 October 2017

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Management Accountability at Registered Institutions

I am writing to elucidate the expectations of the Hong Kong Monetary Authority (HKMA) with regard to management accountability at Registered Institutions (RIs) for conducting or supervising the conduct of businesses that constitute regulated activities (RAs).

The guidance is set out in the form of frequently asked questions as attached. For the purpose of this guidance, “management” refers to (i) chief executives (CEs), including alternate chief executives (ACEs); (ii) directors¹ approved under section 71 of the Banking Ordinance (BO); (iii) managers notified to the HKMA under section 72B of the BO (or “section 72B managers”); (iv) executive officers (EOs) approved under section 71C of the BO; and (v) any other persons, not included in the above categories, involved in the management of any business that constitutes an RA for which the RI is registered. This guidance should also be read in conjunction with Supervisory Policy Manual (SPM) module SB-1 “*Supervision of regulated activities of SFC-registered authorized institutions*”². SPM modules CG-1 “*Corporate governance of locally-incorporated authorized institutions*” and CG-2 “*Systems of control for the appointment of managers*” are also relevant.

It is not the intention to duplicate the existing governance requirements on Authorized Institutions under the BO or to add an extra layer of requirements for RIs. This guidance does not change any approval or reporting requirements in relation to CE, ACE, director, section 72B manager or EO, or impose any additional regulatory obligations or legal liabilities on the management of

¹ All references to “director” in this guidance apply to locally-incorporated RIs only.

² “Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management” issued by the Securities and Futures Commission (SFC) on 16 December 2016 is also of reference value.

RIs. Nonetheless, we see advantage in clarifying the HKMA's expectations and enhancing the arrangements for gathering information on the RAs and individual businesses for which management of RIs are responsible.

Under the guidance, relevant information on individual CEs, ACEs, directors and section 72B managers principally responsible for RA business should be submitted to the HKMA and the SFC. In addition, an organisation chart depicting the RI's management and governance structure relevant to its RA business should be provided. To allow sufficient time for preparatory work, RIs are provided with six months for preparation and are expected to submit the required information by 16 April 2018. For applications of registration as an RI or addition of RA(s), applicants should also submit the required information to the HKMA in support of their applications, starting from the same date.

We would also like to take this opportunity to remind that under Part IX of the Securities and Futures Ordinance (SFO), a person involved in the management of the business constituting any RA for which an RI is registered is a "regulated person"³, who is subject to the disciplinary powers under the SFO.

Should you have any questions on the guidance, you may contact Ms Gloria Leung at 2878-1509 or Ms Katy Chan at 2878-8602. You may also approach your usual supervisory contacts at the Banking Conduct Department of the HKMA regarding implementation issues.

Yours faithfully,

Carmen Chu
Executive Director (Banking Conduct)

Encl.

cc: The Hong Kong Association of Banks (Attn: The Chairman)
The DTC Association (Attn: The Acting Chairman)
SFC (Attn: Executive Director, Intermediaries)

³ Section 196(8)(c) of the SFO