



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

25 May 2018

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Disclosure Requirements Applicable to Non-SFO-regulated Structured Investment Products under Discretionary Accounts

As set out in the circular of 20 December 2012 entitled “Applicability of the Securities and Futures Commission’s regulatory requirements to sale of structured products that are not regulated by the Securities and Futures Ordinance”, the Hong Kong Monetary Authority (HKMA) expects authorized institutions (AIs) to apply paragraph 8.3 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code) on disclosure of benefits to their sale of structured products not regulated by the Securities and Futures Ordinance (SFO).

The Securities and Futures Commission (SFC) published on 23 May 2018 Consultation Conclusions on Proposed Disclosure Requirements Applicable to Discretionary Accounts. The amendments to the Code have been published in the Gazette today. The SFC has introduced a new paragraph 7.2 in the Code to stipulate the requirements for disclosure of benefits under discretionary accounts, and provided guidance in the form of Frequently Asked Questions.

The HKMA expects AIs to disclose monetary and non-monetary benefits from effecting a transaction in a non-SFO-regulated structured investment product under discretionary accounts in accordance with the requirements in the new paragraph 7.2 of the Code. There are corresponding exemptions as stated in paragraph 15.4(d)(iii) of the Code for Institutional Professional Investors and Corporate Professional Investors¹ where AIs have complied with paragraphs 15.3A and 15.3B of the Code.

¹ As defined in the Code

AIs should implement the requirements set out in this circular by the same date on which the new paragraph 7.2 of the Code becomes effective (i.e. 25 November 2018).

If you have any questions on this circular, please contact Ms Anita Chan on 2878-1538 or Ms Florence To on 2878-1582.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. SFC (Attn: Ms Julia Leung, Deputy Chief Executive Officer and Executive Director (Intermediaries))