



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

21 October 2022

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

Sale and Distribution of Debt Instruments with Loss-absorption Features and Related Products

In light of the market development as well as the industry’s feedback, the Hong Kong Monetary Authority (“HKMA”) has reviewed the guidance on enhanced investor protection measures on sale and distribution of debt instruments with loss-absorption features and related products (“Loss-absorption Products”). This Circular provides registered institutions (“RIs”) with a set of updated and consolidated guidance and Frequently Asked Questions (“FAQs”) on sale and distribution of Loss-absorption Products with a view to enhancing customer experience while according protection to customers.

This Circular supersedes the circulars and FAQs issued on 30 October 2018, 21 March 2019 and 8 July 2019 on Loss-absorption Products¹.

The updated and consolidated guidance and FAQs are provided in **Annex 1** and **Annex 2** respectively. In particular, the guidance has been refined for the sale and distribution of investment funds which have a principal investment strategy and/or objective to invest in debt instruments with loss-absorption features; and the requirement on the disclosure of product information by RIs has been streamlined.

¹ “Sale and Distribution of Debt Instruments with Loss-absorption Features and Related Products”, “Implementation Arrangements on the Enhanced Investor Protection Measures for Sale and Distribution of Debt Instruments with Loss-absorption Features and Related Products” and “Frequently Asked Questions on Sale and Distribution of Debt Instruments with Loss-absorption Features and Related Products”

In case of questions on this Circular, please contact Mr Kevin Sham at 2878-1594 or Ms Ailee Wong at 2878-1240.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.

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