



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
G16/1C

27 February 2023

The Chief Executive  
All Registered Institutions

Dear Sir / Madam,

**Observations from Review of Selling Processes of Investment Products**

The Hong Kong Monetary Authority (“HKMA”) has been maintaining dialogues with the industry on supervision and compliance practices to ensure Balanced and Responsive Supervision (“BRS”). In view of market developments and industry feedbacks, the HKMA has streamlined a number of investor protection measures and provided guidance on flexibility allowed in the selling processes over the past few years, with a view to bringing about enhancement in customer experience while according customer protection. Notwithstanding this, the HKMA has heard feedback from various stakeholders about lengthy selling processes of investment products.

Against this backdrop, the HKMA has conducted a review on the selling processes of investment products of selected registered institutions (“RIs”) covering both retail banks and private banks. From the review, the HKMA has noted some misunderstandings of RIs on the regulatory standards that may have lengthened their investment product selling processes. In line with the BRS approach, this circular shares observations noted from the review, alongside the relevant regulatory standards, including the flexibility already allowed, on product risk disclosure, assessment of customer’s investment horizon and concentration risk, execution-only transactions and audio-recording of the selling processes. Key observations are exhibited in the **Annex**.

RI's have the flexibility to design their own investment product selling processes having regard to their business strategies, risk management and controls, so long as such selling processes are in compliance with the applicable requirements and expected standards. It is hoped that by sharing these observations and providing clarifications, this circular can enhance understanding of the applicable requirements and standards expected of RI's. RI's are encouraged to review their policies, procedures and practices in light of these observations, and design proper and reasonable measures and controls so that the selling processes can be streamlined as appropriate and that customer experience can be enhanced while according protection to customers. RI's are also reminded to provide adequate training and support to staff for the implementation of the measures and controls.

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: Mr Keith Choy, Interim Head of Intermediaries)