



Submission to Further Consultation Paper issued by the Securities and Futures Commission on the Offline Requirements Applicable to Complex Products (the “Proposal”)

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For enquiries on this submission, please contact Josephine Chung at jchung@complianceplus.hk. CompliancePlus Consulting Limited understands and agrees that our name and/ or submission may be published to the public.

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Introduction

The Securities and Futures Commission (the “SFC”) has issued a further consultation paper on Offline Requirements Applicable to Complex Products on 28 March 2018 (the “Further Consultation Paper”).

This submission is made in response to the Further Consultation Paper with our comments and suggestions set out below. Terms defined or given a particular construction in the Further Consultation Paper have the same meaning in this Response unless a contrary indication appears.

Question 1

**Do you have any comments on the proposed amendments to the Code of Conduct?
Please explain your view?**

We support the proposals believing that the proposed amendments will create a level playing field and avoid potential regulatory arbitrage by enforcing the suitability requirement to the distribution of complex products on both offline and online platforms.

In our previous submission to the 5 May 2017 consultation paper, we have expressed our view that we agree with the proposed definition of “complex products” and the non-exhaustive factors provided by the Commission since they are in line with the IOSCO definitions.

To this effect, we have no further comments on the finalized version which is now laid out under the finalized Chapter 6 of the Guidelines on Online Distribution and Advisory Platforms (the “Guidelines”) as well as the proposed Paragraph 5.5 (Know your client: complex products) of the Code of Conduct.

In this regard, we would like to remind the Commission that if it considers amending the definition of “complex products” and factors to be considered, it should apply the changes to all relevant rules and regulations, including the Code of Conduct and the Guidelines for consistency sake.

We believe that the proposed Paragraph 5.5 of the Code of Conduct and Paragraph 15.4 (Exempt provisions for Corporate Professional Investors where licensed or registered persons have complied with paragraphs 15.3A and 15.3B and Institutional Professional Investors) of the Code of Conduct would well serve the purpose of interposing the suitability requirements on complex products, whether offline or online, into the existing regulatory framework.

Question 2

Do you think a six-month transition period is appropriate? If not, what do you think would be an appropriate transition period and please set out your reasons.

We believe that a 6-month transition period is appropriate. We hope that the SFC will keep the industry informed with the update for the industry to be prepared for the relevant operation transitional arrangements. We welcome the SFC to issue circulars, guidelines and Frequently Asked Questions especially regarding the classification of complex products as and when needed.

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