

# Brief Note about SFC Business and Risk Management Questionnaire (BRMQ)

(information as of April 2022)



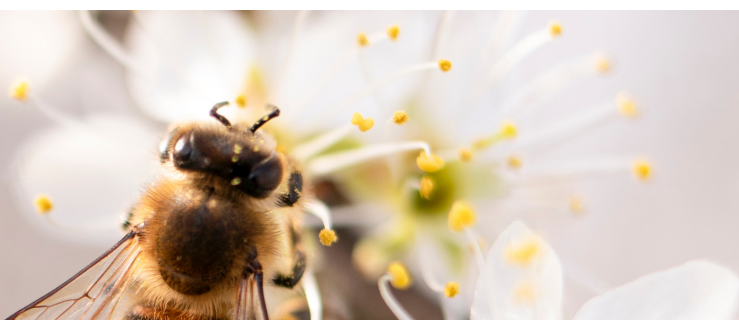
This note provides you some information on how to fill in the SFC Business and Risk Management Questionnaire (BRMQ). The BRMQ should be completed by the SFC licensed corporations (LC) within four months after the financial year end. For instance, for LC with financial years ending on 31 December 2021, the BRMQ submission deadline to the SFC is 30 April 2022.

The BRMQ should be completed electronically and submitted through WINGS, the SFC's online portal. SFC will not accept hard copy submission of the BRMQ.

The BRMQ aims to obtain information about the business operations of a licensed corporation and the measures adopted by it to ensure sound management of risks, compliance with relevant legal and regulatory requirements and conduct of business activities in a proper manner, including the systems of controls, policies and procedures that it has in place in respect of certain business functions and specific business lines. Therefore, the answer options provided in the BRMQ are neither intended to be, nor should it be construed as, an exhaustive or mandatory list of controls, policies and procedures for a licensed corporation's internal control systems.

LCs are expected to provide responses which most accurately reflect their operations and controls, and should furnish all information requested in the BRMQ (including any statistics and numbers) to the best of their knowledge.

If a LC finds any questions where the available answer options do not completely describe its situation, it may provide additional, relevant information to supplement or clarify its answers to those questions in the "Supplementary Information" section of the BRMQ.



## Overview:

- The BRMQ can be accessed via the WINGS portal in the e-Submission Services area. We recommended logging into your WINGS account before filling in the questionnaire so a copy can be saved easily;
- In addition to the BRMQ, LCs are also required to submit Account Disclosure Documents, Audited Financial Statement, and Audit Questionnaire to the SFC; and
- To ensure consistency with other SFC regulatory filings, such as the FRR and previously filed BRMQs, it is important to check the business activities of the company compared to previous years when filling in the BRMQ.

## Filling in the BRMQ:

Note: the following points apply to LCs that hold Type 4 and 9 LC, who only provide services to Professional Investors and are not holding client assets.

- Section A of the BRMQ is applicable to all LCs, and certain forms of Section B will be triggered automatically based on your answers in Section A;
- Although you may be our monthly compliance ongoing service client, we do not suggest you indicate that the compliance function is outsourced in Section A4. The SFC does not expect the compliance function of the LC to be outsourced; and
- In this example, the LC does not hold any client assets and the fund administrator conducts screening for the LC. However, the SFC considers the LC still has a responsibility to conduct name screening to prevent terrorist financing, sanctions and violations.



- In filling in Section A 1 - Business Overview, please make sure your selection of business types and the scope is consistent with your firm's license conditions i.e. you should not tick "Brokerage of stock" if you are only licensed to carry out asset management activities holding SFC Type 9 license;
- In Section A4 - Outsourcing, although you may be our monthly compliance ongoing service client, it is not the case that the compliance function is outsourced in Section A4. The SFC does not expect the compliance function of the LC to be outsourced that you should still be responsible for it.
- For Section A8 - Handling of Client Accounts, check your reply in this section as commonly Type 9 Asset Management firms may be subject to a license condition that they cannot hold clients' monies and thus this Section A8 may not be relevant to your firm;
- For Section A9 - Risk Management, proprietary trading means the investments reflected in the books and accounts of the LC level. If a shareholder provides funding to the fund out of his own personal funding, it is not counted as proprietary trading in this context. In selecting the frequency of review or risks controls in this section, please make sure that the frequency is proportionate to the nature and importance of the relevant risks items;
- For Section A12 - AML, you may need to take all the relevant selection options of AML procedures and controls for complete compliance with the SFC AML Guidelines;
- For Section A 12 (3) on AML, if the LC have any clients assessed to have high ML/TF risks during the financial year, then the LC should tick all the relevant controls and process for handling clients that have been assessed to have high ML/TF risks.

## FAQs:

Should a LC maintain whistleblowing policy and procedures for staff reporting? What is the SFC's perspective on whistleblowing?

- The SFC expects the LC to maintain a whistleblowing policy and procedure for staff to report on any unethical behaviors in an appropriate and confidential channel.

What does SOA mean in the BRMQ?

- SOA means "contract notes, statements of account and receipts" under the SFC BRMR – Glossary. If your firm does not hold client's monies, you should not be required to issue contract notes or statements of accounts and receipts.

What does SFC authorized funds refer to in the BRMQ?

- It refers to public funds/retail funds that if your firm can only serve Professional Investors, you should not manage any SFC authorized funds.

If a LC has engaged their fund administrator for conducting screening to prevent terrorist financing and sanction violation. Which option should they tick in Section A 12 (8) on AML Screening in the BRMQ?

- Even the fund administrator has conducted screening for licensed corporation, the licensed corporation still has responsibility to conduct name screening to prevent terrorist financing and sanction and violations.

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