

Annex 6

(A) A list of the MoU Meetings between the HKMA and the SFC where issues relating to the sale of structured products by intermediaries were discussed

<u>Date of MoU Meeting</u>	<u>Details of relevant items</u>
14 May 2003	Discussed the standardisation and disclosure by intermediaries of securities-related fees and charges. A draft circular prepared by the SFC on cold calling for all intermediaries was circulated to the HKMA for comments.
17 September 2004	Discussed a RI's business promotional scheme. It was agreed that some general guidelines on intermediaries' incentive schemes for introducing new customers could be provided to the industry. The regulators also discussed a case of mis-selling of funds by a RI and the findings from a round of theme inspections on selected non-bank investment advisers.
8 December 2004	Discussed a plan of conducting inspections on intermediaries to enhance the standard of investment advisers. The HKMA briefed the SFC about a new supervisory tool over RIs which could allow the HKMA to be more risk focused on the RIs' business. The regulators also discussed further co-operation on complaint investigation process.
16 March 2005	The SFC informed the HKMA of its release of the Report on Selling Practices of Investment Advisers.
9 May 2006	Discussion on Consumer Council's "mystery shopper" survey on financial advisers. The SFC briefed the HKMA its comments on the draft survey. The SFC and the HKMA also discussed concurrent theme inspections on selling practices.
5 October 2006	Having considered the SFC's suggestion in its letter of 31 August 2006, the HKMA broadened the scope of the parallel inspections on investment advisory business of intermediaries to cover retail banks. The SFC was briefed about the progress and the findings on the above theme inspections.
19 November 2007	The regulators discussed the suggestions by some RIs for modifications / amendments of the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules ("the Rules").

13 March 2008	The regulators discussed the trends in securities enforcement. It was noted that there was an increase in the number of accumulator-related complaints received by the HKMA. The HKMA apprised the SFC on the size and implications of accumulators.
31 July 2008	The regulators discussed the consultation exercise on the definition of Professional Investor and the operation of the Rules and the results of examinations on selling of stock accumulators by some RIs.
9 October 2008	The regulators discussed the investigation strategy and direction, the possible supervisory action and the HKMA's referral mechanism related to complaints against the banks' selling practice of Minibonds. The HKMA was briefed on an investigation of a brokerage firm by the SFC.
4 November 2008	The regulators exchanged information about the progress of investigations related to complaints against a RI's and a brokerage firm's selling practice of Minibonds. The regulators also discussed the progress of a mediation programme which would be available to the complainants whose cases were referred to the SFC by the HKMA.

(B) A summary of the correspondence between the HKMA and the SFC related to the above MoU Meetings

Date	Details
24 January 2005	SFC's letter to the HKMA enclosing the Report on Selling Practices of Licensed Investment Advisers ("the Report") – and explaining the Report's objective and contents and seeking the HKMA's views.
31 January 2005	The HKMA communicated its views on the Report to the SFC by letter.
14 February 2005	The SFC sent a letter to the HKMA responding to the HKMA's views on the Report.
22 February 2005	An email was sent to the HKMA advising that the Report would be issued the following day and that apart from incorporating the HKMA's comments, the SFC had made a few more changes in particular that the focus of the requirements would be on the SFC licensed investment advisors only.
4 August 2006	The SFC sent a letter to the HKMA sharing views on the Guidelines for marketing materials for listed structured

	products (“the Guidelines”).
11 August 2006	The HKMA sent a letter in response to the SFC supporting the SFC’s initiative to issue the Guidelines and indicating it had no comments on the current draft Guidelines.
31 August 2006	The SFC wrote to the HKMA suggesting that the HKMA broaden the scope of the parallel inspections on investment advisory business of intermediaries to cover retail banks. The exercise was aimed to tackle mis-selling on a united front. (In response, the HKMA broadened the scope of the parallel inspections. Please see the details of the discussion of the MoU Meeting on 5 October 2006 at Annex 6(A).)
21 May 2007	The SFC sent a report on findings of the thematic inspection of licensed investment advisers to the HKMA. (The HKMA issued a circular to all RIs on 1 June 2007 drawing their attention to the report and advising them that the regulatory requirements and recommendations stated in the report apply equally to the investment advisory activities of the RIs.)