

Insurance requirements applicable to certain licensed corporations

Is every licensed corporation required to take out insurance for the purposes of licensing?

Posted on 03.05.2012

17.1 No. The Securities and Futures (Insurance) Rules set out the insurance requirements applicable to corporations licensed for certain regulated activities only. Subject to an exemption (see Question 17.2), if a corporation is licensed for Type 1 (dealing in securities), Type 2 (dealing in futures contracts) or Type 8 (securities margin financing) regulated activity, it is required to take out and maintain insurance against specific risks for a specified amount when the SFC approves a master policy of insurance applicable to it.

For the period from 1 April 2012 to 31 March 2013, there are two master policies of insurance respectively applicable to **stock exchange participants licensed for Type 1 regulated activity** and **futures exchange participants licensed for Type 2 regulated activity**. Licensed corporations not falling into either of the two categories above are currently not required to take out insurance under the

Rules. For more information, please refer to the relevant circulars issued by the SFC on 3 May 2012.

They can be downloaded from the following website address:

<http://www.sfc.hk/sfcRegulatoryHandbook/EN/display/Servlet?docno=H681>

Is there any exemption from the insurance requirements?

Posted on 04.09.2003

17.2 Under the Securities and Futures (Insurance) Rules, a specified licensed corporation can be exempted from the insurance requirements if it is not an exchange participant and its licence is subject to a condition that it shall not hold client assets.

If a corporation intends to apply for Type 1 or Type 2 regulated activity and become an exchange participant, when does it need to take out the required insurance?

Posted on 03.05.2012

17.3 It is not necessary for the corporation to take out the insurance at the time when it submits its licence application to the SFC. However, before or at such time when the corporation's licence is approved, it should take out the required insurance under the relevant approved master policy.

Related administrative matters are being dealt with by the appointed insurance broker (also acting as the administrator of the insurance scheme). For more information, please contact the scheme administrator:

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12 Taikoo Wan Road
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