

Appendix

Q2: What are the “appropriate corporate structure” and “investment process and controls” (i.e. the first criterion of the CPI Assessment) that an intermediary should look for in assessing a Corporate Professional Investor under the CPI Assessment?

A: An intermediary should take into account all reasonable and substantive considerations to assess how investment decisions are made by the Corporate Professional Investor. An intermediary should exercise its professional judgment as to whether the Corporate Professional Investor has an appropriate corporate structure, investment process and controls (e.g., resources, systems, etc.) in place to make investment decisions and manage the risks of the investment portfolio as a financially sophisticated firm. For example, a Corporate Professional Investor would be more likely to be regarded as having an appropriate corporate structure and substantive investment process and controls if it satisfies any of the following criteria:

- (a) has an in-house treasury, investment or similar function comprising competent and suitably qualified professionals responsible for its investment strategies and investment process;
- (b) has a designated investment committee comprising competent and suitably qualified professionals responsible for its investment strategies and investment process; and (i) such a committee makes investment decisions on behalf of the Corporate Professional Investor or (ii) the Corporate Professional Investor makes informed investment decisions taking into account the advice or recommendation of such committee;
- (c) engages an external investment advisory team comprising competent and suitably qualified professionals responsible for its investment strategies and investment process; and (i) such a team makes investment decisions on behalf of the Corporate Professional Investor or (ii) the Corporate Professional Investor makes informed investment decisions taking into account the advice or recommendation of such team, and in each case this external team is:
 - (i) independent of the intermediary that is conducting the CPI Assessment;
 - (ii) subject to regulatory oversight (where required); and
 - (iii) in an investment advisory capacity in advising the Corporate Professional Investor on investment strategies, advice and recommendations;
- (d) relies on and follows the investment strategies, advice and recommendations of its related corporation provided that such related corporation:
 - (i) has an in-house treasury, investment or similar function;
 - (ii) has a designated investment committee; or
 - (iii) engages an external investment advisory team that meets the conditions set out in paragraph 2(c) above,

that comprises competent and suitably qualified professionals responsible for the investment strategies and investment process of the Corporate Professional Investor;

- (e) is ultimately owned by or established for the ultimate benefit of an individual or individuals (such as family members) and it relies on competent and suitably qualified professionals to manage the investments of the Corporate Professional Investor, where either:
 - (i) the professionals are authorised to make investment decisions on behalf of the Corporate Professional Investor; or
 - (ii) the Corporate Professional Investor makes informed investment decisions taking into account the advice or recommendation of such professionals; and

the professionals are responsible for the investment strategies and investment process of the Corporate Professional Investor.

As regards the considerations that an intermediary should take into account in determining whether a person acting within the capacities mentioned in the subparagraphs above is competent and suitably qualified for investment strategies and investment process of the Corporate Professional Investor, please refer to Question 3 below.