23 December 2016

Circular to Intermediaries

Frequently Asked Questions on Compliance with Suitability Obligations

This circular is to inform intermediaries that the SFC published an updated set of frequently asked questions on compliance with suitability obligations (2016 Suitability FAQs) today.

Licensed or registered persons are required to observe suitability obligations under paragraph 5.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. On 8 May 2007, the SFC issued a circular concerning suitability obligations which included a set of frequently asked questions designed to give guidance in relation to discharging such obligations (2007 Suitability FAQs). In the light of review findings and market developments, the 2007 Suitability FAQs have been updated to facilitate licensed or registered persons in complying with the suitability obligations. The updated FAQs seek, among other things, to:

- clarify that the suitability FAQs are relevant to any licensed or registered persons making a recommendation or solicitation to clients;
- elaborate on the "know your client" requirement in Question 2;
- provide guidance on how to assess clients’ attitude towards risk for suitability assessments in Question 3;
- elaborate how to conduct suitability assessments in Question 5; and
- provide further guidance on product due diligence and documentation of investment recommendations in Question 4 and Question 7 respectively.

The 2007 Suitability FAQs are replaced by the 2016 Suitability FAQs enclosed in the Appendix to this circular. The e-version of the FAQs is available for download on the SFC website at www.sfc.hk under the sections “Regulatory functions – Intermediaries – Supervision – FAQs – Compliance with Suitability Obligations”. The FAQs will be updated from time to time and you are advised to check our website for new information.

Should you have any queries regarding the contents of this circular, please contact Ms Pauline Chan at 2231 1952.

Intermediaries Supervision Department
Intermediaries Division
Securities and Futures Commission

Enclosure

End

SFO/IS/046/2016