

13 July 2018

## **Circular to licensed corporations and registered institutions on implementation of amended professional investor rules**

This circular reminds intermediaries that amendments to the Securities and Futures (Professional Investor) Rules (PI Rules) came into effect today<sup>1</sup>. Modifications previously granted under section 134 of the Securities and Futures Ordinance were revoked accordingly.

According to the amended PI Rules<sup>2</sup>, among other changes<sup>3</sup>, the categories of professional investors have been expanded to include corporations which have investment holding as their principal business and are wholly-owned by one or more professional investors<sup>4</sup>. Corporations which wholly own another corporation which is a qualified professional investor<sup>5</sup> are also included.

The Securities and Futures Commission expects that more corporations will qualify as professional investors under the amended PI Rules. If a corporation wholly owns another corporation which is a qualified professional investor, intermediaries should, as part of the know-your-client procedures<sup>6</sup>, obtain confirmations that the shareholders of the holding companies have been informed of the corporation's status as a professional investor before providing services to that company.

Directors of holding companies should ensure that shareholders are properly informed of the implications of the amended rules. This includes, for example, information about those responsible for making investment decisions for the holding company and clarity about the circumstances in which shareholders should be informed of an investment decision or where their consent should be sought.

Should you have any queries regarding the contents of this circular, please contact the case officers in charge.

Intermediaries Supervision Department  
Intermediaries Division  
Securities and Futures Commission

End

SFO/IS/042/2018

<sup>1</sup> [The Securities and Futures \(Professional Investor\) \(Amendment\) Rules 2018](#) took effect on 13 July 2018. The amendments to the PI Rules incorporate modifications previously granted by the Securities and Futures Commission under section 134 of the Securities and Futures Ordinance.

<sup>2</sup> A [public consultation](#) on the amendments ended on 3 April 2017 and the [consultation conclusions](#) were published on 18 May 2018.

<sup>3</sup> Please refer to the [press release](#) issued on 18 May 2018 for details of other amendments.

<sup>4</sup> Section 6(b) of the amended PI Rules.

<sup>5</sup> Section 6(c) of the amended PI Rules.

<sup>6</sup> Paragraph 5.1 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission requires intermediaries to take all reasonable steps to establish the true and full identity of each of their clients, and of each client's financial situation, investment experience, and investment objectives.