Frequently Asked Questions relating to Investment-Linked Assurance Schemes

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners in respect of Investment-Linked Assurance Schemes ("ILAS"), which are subject to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products ("Handbook"), including the Code on Investment-Linked Assurance Schemes effective on 1 November 2026 (the "Effective Date") under the Handbook ("ILAS Code") therein. Applicants are encouraged to contact the relevant case team in the Investment Products Division of the Securities and Futures Commission (the "SFC" or "Commission") if in doubt on any specific issues arising from the application/interpretation of the Handbook or this FAQ. Please note that each application for authorization is considered on a case-by-case basis.

The information set out below is not meant to be exhaustive. This FAQ may be updated and revised from time to time. This FAQ is only for general reference. Compliance with all the requirements in this FAQ does not necessarily mean an application will be accepted or authorization will be granted. The SFC reserves the rights to exercise all powers conferred under the law. Unless otherwise defined herein, all capitalised terms shall have the meanings given to such terms in the Handbook.

Section 1: FAQ in respect of application procedures

	Question	Answer
1.	This FAQ is obsolete and has been removed.	
1A.	Does an ILAS require SFC authorization if it is offered to the public in Hong Kong? What if it is offered to professional investors only?	It is an offence under section 103 of the Securities and Futures Ordinance ("SFO") to issue an advertisement, invitation or document which is or contains an invitation to the Hong Kong public to invest in collective investment schemes as defined under the SFO ("CIS") unless the issue is authorized by the SFC or an exemption applies.

	Question	Answer
		ILAS[1] offered to the public in Hong Kong should be subject to the prior authorization of the SFC, unless an exemption applies. Exemptions include, among others, offers made only to "professional investors" as defined under Schedule 1 to the SFO and the Securities and Futures (Professional Investor) Rules. Accordingly, in general, ILAS (or other "linked long-term"[2] insurance policies falling within the definition of a CIS) exclusively targeting "professional investors" do not require SFC authorization. The ILAS Code sets out the basic requirements with which an SFC-authorized ILAS must comply. The ILAS Code is available on the SFC website.
2.	How do I apply for authorization of an ILAS?	New applicants without an e-IP Managing Company account have to contact the SFC's Investment Products Division to create an account before making an application via e-IP[3]. For further details, please refer to section 2 (Access to Corporate Administration (for e-IP)) of the User Guide: Corporate Administration (for e-IP). Applicants are required to submit the following documents with the application via e-IP: i. a duly signed and completed Application Form; ii. a duly signed and completed Information Checklist; iii. documents which are required to be submitted under or pursuant to the Information Checklist; iv. detailed assessments on the platform fees and the surrender charges levied under the ILAS, where applicable (please refer to Q2, Q3, Q3A, Q4 and Q4B in Section 4 below for the assessments);

[1] An ILAS is a CIS as defined under the SFO.
[2] As defined under Part 2 of Schedule 1 to the Insurance Ordinance.
[3] Please refer to the circular entitled "Circular on launch of e-IP application/submission system on WINGS" dated 8 July 2024.

	Question	Answer
		v. any other relevant confirmations, undertakings and certifications, as the case may be, duly signed and completed by the relevant part(ies); and vi. the application fee (please refer to Q2A and Q8 in Section 1 below on payment of fees). A draft or proof of each document must be submitted in good order and suitable for clearance for the SFC's prior vetting before the relevant authorization may be granted. During the application process, all changes to any subsequent draft documentation must be properly and comprehensively marked up to facilitate review by the SFC. During the vetting process, the SFC may from time to time request for the submission of additional supporting information or documents which it deems necessary for facilitating its consideration as to whether authorization should be granted.
2A.	What are the requirements for submitting documents and application fee in support of a new ILAS application to the SFC?	To commence an application, various documents, including, for example, offering documents, duly signed and completed application form, information checklist and confirmations, as well as the application fee are required to be submitted to the SFC via e-IP. *A) Submission of application documents by soft copy* Applicants shall submit all application-related documents by soft copy. The official receipt date of a new ILAS application shall be a business day on which the full and complete set of soft copy documents is received by the SFC via e-IP at or before 6 pm (after which the receipt date will be deemed as the following business day). *B) Signing of application documents* During the application process, you must complete the signing process for certain application documents (including the application form and the applicable information checklist(s)) in e-IP. Please see section 4.1.2.5. entitled – "Completing the signing process for the Ordinary Form(s) & Checklist(s) (where applicable)" of the e-IP (Investment Products Division) User Guide for details. For other application documents not covered in the signing process in e-IP,

	Question	Answer
		please refer to the options below: Option 1: We will accept submission of un-signed copies of the relevant confirmations and other relevant documents (the "Relevant Documents"), which are required to be completed, as applicable, by an applicant or other parties, provided that the Relevant Documents shall be submitted with an email confirmation or other equivalents (from a person who meets the signatory requirements) that all information and, where applicable, confirmations and undertakings contained in the Relevant Documents (and all documents submitted relating thereto) are true and accurate. Option 2: An applicant may submit scanned copies of the Relevant Documents signed by a person who meets the signatory requirements. *C) Taking up new ILAS application(s) with application fee(s) to follow* The SFC will take up new ILAS applications if they are in good order and the application fee is the only outstanding matter. An applicant is expected to submit the application fee as soon as practicable upon receipt of the Take-up Letter (as defined below) from the SFC, and shall contact its SFC case team to discuss the payment arrangement.
3.	What are the circumstances governing the use of the Application Form?	In principle, all applicants applying for authorization of (i) a new ILAS; or (ii) new investment option(s) to be made available under one or more existing authorized ILAS should complete an Application Form. However, an applicant does not need to use the Application Form for the purposes of applying for authorization of (i) adding any investment option(s) that are already available under one or more existing authorized ILAS to another existing authorized ILAS of the same insurer; or (ii) advertisements in respect any authorized ILAS.

	Question	Answer
Enhanced ILAS Authorization Process (with effect from 1 November 2021)		
4.	When will the SFC take up an application after I have submitted my application?	Generally, an application will only be taken up by the SFC when an applicant has submitted all relevant documents that meet the applicable requirements as mentioned in Q2 and Q2A in Section 1 above. If the SFC is not satisfied with the completeness or sufficiency of the information contained in the first submission package or considers that documents submitted are not in good order or otherwise not suitable for clearance, the package will be returned to the applicant and the application will not be taken up. The SFC also reserves the right not to take up an application if such application is accompanied by documents that do not meet the requirements of the Handbook and/or ILAS Code in any material aspect. The SFC has made performance pledges for the processing of applications for authorization of ILAS. In general, the Investment Products Division will issue a take-up letter ("Take-up Letter") within 5 business days upon receipt of the Application Form, Information Checklist and the necessary documents in support of the application, to inform the applicant that the SFC will process the application. The date of the Take-up Letter (i.e. the "Take-up Date") is the date on which the SFC formally takes up the application. The applicant is expected to submit the applicable applications fee as mentioned in Q8 in Section 1 below as soon as practicable upon receipt of the Take-up Letter from the SFC, and shall contact its SFC case team to discuss the payment arrangement. Once an application is taken up, the application fee will not be refunded.
4A.	What is the "two-stream" approach adopted by the SFC in processing new ILAS applications?	As mentioned in circular entitled "Enhanced Authorisation Process for New ILAS Applications" dated 1 November 2021 (the "Enhanced Authorization Process Circular"), a "two-stream" approach will be adopted by the SFC in processing new ILAS applications under the enhanced process. Under this approach, new ILAS applications will be classified into "Standard Applications" stream and "Non-standard Applications" stream. In determining which stream under which an application will be processed, the SFC would have regard to the criteria as set out in Q4B in Section 1 below. For the avoidance of doubt, the SFC has the discretion in determining the type of applications (i.e. Standard Applications or Non-standard Applications) for the purpose of processing the application.

	Question	Answer
		An authorization process that is more efficient can meet the issuers' wish to reduce the "time to market" of their ILAS products for public offering. To achieve this, applicants must provide proper and quality submissions in a timely manner. The SFC believes that the enhanced process will increase the transparency of the authorization process, promote applicants' compliance and reduce the overall processing time without compromising investor interests and protection. It is the SFC's expectation that applicants must ensure that their applications are in good order and are accompanied by documents that meet all applicable regulatory requirements at the time of submission of the application and throughout the application process. In general, all applications (whether they are "Standard Applications" or "Non-standard Applications") are expected to be well-prepared in accordance with the Information Checklist and are in compliance with all applicable requirements for clearance by the SFC. On this basis and having taken into account the nature and classification of the Standard Applications and Non-standard Applications, the SFC has formulated the Response Time Limits (as defined and set out in Q4E in Section 1 below) to facilitate an efficient and effective authorization process.
4B.	What types of applications will be eligible for the "Standard Applications" stream?	"Standard Applications" are intended to cover less complicated applications for which the ILAS under applications are more simple and standard in nature. In general, a new ILAS application will be processed as a Standard Application if the following criteria are met: i. the ILAS has only one ongoing fee (other than cost of insurance and any upfront charge) which is charged in a fixed amount or calculated based on a percentage of the policy value; ii. any bonuses offered under the scheme are either fixed or calculated based on a percentage of the policy value or premiums paid without any clawback (except for clawback in the event of policy surrender or insured committing suicide); iii. (for regular premium ILAS) no increase in regular premium amount with complex adjustment on fees and/or benefits (i.e. no layering mechanism);

	Question	Answer
		iv. the mechanism used to adjust benefit / bonus amount in the event of premium holiday / partial withdrawal is simple (e.g. on a pro-rata basis); v. any additional protection feature (e.g. accidental death benefit) is set as an optional rider and does not form part of the ILAS product features nor affect the return of the ILAS; vi. each investment option available under the ILAS is solely linked to an SFC-authorized fund; and vii. there are no material issues and/or policy implications relating to the application as considered by the SFC.
4C.	What is the expected overall processing time for the "Standard Applications" stream and the "Non-standard Applications" stream?	Under the enhanced process, the "Standard Applications" and the "Non-standard Applications" can be distinguished by the expected timeframe pursuant to which the overall processing time of the applications will be completed and the time limits (see Q4E in Section 1 below) that are imposed on the applicants in providing proper, complete and substantive submissions in response to the SFC's requisition(s)(if any). Given that Standard Applications are intended to cover less complicated applications for which the ILAS under applications are more simple and standard in nature, these applications will be fast tracked with an aim that SFC's authorization (if granted) will be given around 2 to 3 months from the Take-up Date. To achieve this, it is the SFC's policy intention to strictly refuse a Standard Application if the applicant fails to meet the applicable Response Time Limit of 2 months (as set out in Q4E in Section 1 below) in addressing all outstanding issues pertaining to the application. On the other hand, Non-standard Applications will be processed under an enhanced process with, among others, more discipline in response time with an aim that SFC's authorization will be granted in a more efficient manner under the Lapse Policy (see Q9 in Section 1 below) . For illustrations of the overall enhanced process for Standard Applications and Non-standard Applications, applicants may refer to the Illustrations of the Enhanced ILAS Authorization Process for Standard Applications and Non-standard Applications.

	Question	Answer
4D.	When will the applicant know which stream (i.e. the "Standard Applications" stream or "Non-standard Applications" stream) the SFC will process its application?	The SFC has made performance pledges for the processing of new ILAS applications. As Standard Applications are intended to cover less complicated applications for which ILAS under applications are more simple and standard in nature, subject to the quality of the submission, the SFC may proceed to authorize the ILAS within 14 business days from the Take-up Date in respect of the Standard Applications. In the event that authorization is not granted, the SFC will issue its First Requisition to the applicant for Standard Applications within 14 business days from the Take-up Date. For Non-standard Applications, in general, the SFC will issue its First Requisition to the applicant within 14 business days from the Take-up Date. The SFC will indicate in the First Requisition (if issued) whether an application is a "Standard Application" or a "Non-standard Application" by setting out the applicable Response Time Limit(s) (see Q4E in Section 1 below) within which the applicant is required to respond to the First Requisition. "First Requisition" refers to the preliminary response to applicants/requisition that may be issued by the SFC within 14 business days from the Take-up Date with respect to a new ILAS application.
4E.	For new ILAS applications, are there any time limits within which an applicant needs to respond to the SFC's requisition(s)?	Yes. The applicants are expected to provide proper and quality submissions at the time of application and throughout the application process in a timely manner. In the First Requisition (and the subsequent requisition(s) issued by the SFC (if any)), the applicant will be reminded of the time limits ("Response Time Limits") within which proper, complete and substantive responses should be submitted to the SFC in response to its requisition(s). If no authorization is granted by the SFC within 14 business days from the Take-up Date, a First Requisition will be issued to the applicant in which the Response Time Limits applicable to the Standard Applications and Non-standard Applications (as the case may be) will be set

	Question	Answer
		out therein. For your reference, the Response Time Limits applicable to Standard Applications and Non-standard Applications are set out below:- i. For both Standard Applications and Non-standard Applications, the applicants are required to (a) provide proper, complete and substantive response(s) to the outstanding requisition(s) to the SFC's satisfaction within 14 business days from the date of the First Requisition; and (b) provide proper, complete and substantive response(s) to all SFC's subsequent requisition(s) (if any) within 10 business days; ii. For Standard Applications, the overall Response Time Limit for the applicants to provide proper, complete and substantive responses to address all outstanding issues is two months from the date of the First Requisition. As discussed in Q4D in Section 1 above, it is the SFC's expectation that authorization of certain Standard Applications may be granted within 14 business days from the Take-up Date without issuing the First Requisition. In the event that authorization is not granted and a First Requisition is issued, 2 months are considered to be a reasonable period for the applicants to address all outstanding issues to the satisfaction of the SFC for Standard Applications.
4F.	What will happen if an applicant fails to meet the Response Time Limits?	Pursuant to 4.1(b) of the Overarching Principles Section of the Handbook, product providers shall respond to any enquiries made by the SFC in relation to the relevant product and the associated matters promptly and in an open and co-operative manner. As mentioned in Q4A in Section 1 above, in general, all applications should be well-prepared and in compliance with all applicable requirements for clearance by the SFC. As such, the SFC expects the applicant to be able to respond to its requisition(s) within a reasonable period so as to achieve an efficient and effective authorization process. Unless there is an exceptional reason, the applicant is expected to respond to the SFC's requisition(s) within the relevant Response Time Limits mentioned in Q4E in Section 1 above. Therefore, where an applicant has not responded or provided proper, complete and substantive response to address SFC's requisition(s) to the SFC's satisfaction within the applicable Response Time Limits, the SFC reserves the right to refuse the application.

	Question	Answer
		The SFC generally expects that:- i. For both Standard Applications and Non-standard Applications, proper, complete and substantive responses to the SFC's requisition(s) should be submitted by the applicants within the relevant Response Time Limits (see Q4E in Section 1 above). As such, the applicant will be reminded in the First Requisition (if issued) and all SFC's subsequent requisition(s) that the SFC would be minded to refuse an application if the applicant fails to meet the relevant Response Time Limits; and ii. For Standard Application, all outstanding issues should be properly addressed by the applicants to the satisfaction of the SFC within 2 months from the First Requisition (if issued). As discussed in Q4D and Q4E in Section 1 above, Standard Applications are intended to cover less complicated applications for which the ILAS under applications are more simple and standard in nature, and it is the SFC's expectation that authorization of certain Standard Applications may in general be granted within 14 business days from the Take-up Date without issuing the First Requisition. In the event that authorization is not granted and a First Requisition is issued, 2 months are considered to be a reasonable period for applicants to address all outstanding issues to the satisfaction of the SFC for Standard Applications. As such, an applicant will be reminded in the First Requisition (if issued) that the SFC would be minded to refuse an application if the applicant fails to address all outstanding issues within 2 months from the date of the First Requisition.
4G.	Will the SFC extend the Response Time Limits?	In general, co-operation and commitment from the applicants to put in place adequate and dedicated internal resources throughout the application process is expected by the SFC to enhance the overall authorization process. Any extension of the Response Time Limits would only be granted by the SFC in limited cases with proper justifications. The mere fact that further internal liaison/communication is required by the applicant, for example, with overseas offices or further liaison/communication with other key operating parties is required in addressing the SFC's requisition(s) will not generally be considered as satisfactory grounds for the SFC granting an extension of the

	Question	Answer
		relevant Response Time Limits.
4H.	How does the Enhanced ILAS Authorization Process apply to applications for authorization of new investment options to be made available under one or more existing authorized ILAS?	The Enhanced ILAS Authorization Process is generally applied in the processing of applications for authorization of new investment options to be made available under one or more existing authorized ILAS to the extent necessary. An application for authorization of a new investment option that is solely linked to an SFC-authorized fund will be processed as a Standard Application.
5.	This FAQ is obsolete and has been removed.	
6.	Does a Product KFS need to be prepared for each investment option under an ILAS?	No. The Products KFS is only required to be prepared in respect of the scheme-level of an ILAS.
7.	Who can issue the Chinese translation confirmation?	The Chinese translation confirmation may be issued by any of the following parties: • a qualified lawyer in Hong Kong; • the board of directors of the ILAS insurer; • the head of the legal department or the compliance officer-in-charge of the ILAS insurer; or • such other person acceptable to the SFC. The person providing the confirmation must be fully conversant in the Chinese language or must certify that an individual who is fully conversant in the Chinese language and competent to review and ensure the truth and accuracy of the relevant Chinese documents has been appointed to do so. Please see Annex B to the Information Checklist for a form of the Chinese translation confirmation.

<table>
<tr><th></th><th>Question</th><th>Answer</th></tr>
<tr><td></td><td></td><td>In case where a translator is appointed by one of the above parties, the following should be submitted to us: (i) a confirmation issued by the party appointing the translator to certify that such translator is fully conversant in the Chinese language and competent to review and ensure the truth and accuracy of the relevant Chinese documents; and (ii) the Chinese translation confirmation issued by the translator confirming that the Chinese version of the offering document is a true and accurate translation of the English version of the same.</td></tr>
<tr><td>8.</td><td>What are the applicable fees in respect of an ILAS application? Is there any fee waiver?</td><td>You will have to pay an application fee according to the table below. Upon the granting of authorization, you will also have to pay an authorization fee and the first annual fee before authorization is effective.
<table>
<tr><th></th><th></th><th>ILAS with only one investment option</th><th>ILAS with more than, or is capable of maintaining more than, one investment option</th><th>Each investment option under an ILAS with more than one investment option (see Note 1 below)</th></tr>
<tr><td>Application Fee</td><td>HK$</td><td>20,000</td><td>40,000</td><td>5,000</td></tr>
<tr><td>Authorization Fee[1]</td><td>HK$</td><td>10,000</td><td>20,000</td><td>2,500</td></tr>
<tr><td>Annual Fee[2]</td><td>HK$</td><td>6,000</td><td>7,500</td><td>4,500</td></tr>
</table>
The applicable fees payable are as provided in the Securities and Futures (Fees) Rules (Cap. 571AF) (“Fees Rules”) subject to the Commission’s power to grant waiver pursuant to section 11 (waiver of fees) of the Fees Rules. Upon an application for fee waiver supported by valid reasons, if the Commission is of the opinion that the payment of any of the above-mentioned fees would be unduly burdensome or inappropriate, the Commission may waive, in whole or in part, the payment of any fees, or refund, in whole or in part, any fees paid, subject to any applicable minimum amount.
Note 1: The Commission is prepared to consider an application for fee waiver to any such investment option linked to a reference fund which has been authorized under section 104 of the Securities and Futures Ordinance.</td></tr>
</table>

	Question	Answer
		Note 2: The Commission is prepared to consider an application for annual fee waiver if an application for withdrawal of authorization of a scheme has been approved and the annual fee due date falls within the notice period of withdrawal of authorization. [1] Authorization fee is required upon the granting of authorization. [2] The first annual fee is required upon the granting of authorization.
9.	Will my application be liable to refusal by the SFC under any circumstances apart from the failure to meet the relevant Response Time Limits in addressing the SFC's requisition(s)? Also, will my application lapse after a certain period of time? If so, how long? What should I do if my application has lapsed?	Yes. After the Take-up Date and at any time during the vetting process, in cases of non-compliance with any key requirement(s), the application is liable to be refused by the SFC where appropriate so that there is efficient use of resources for processing proper applications. Reference is made to the circular of the SFC to applicants of SFC-authorized investment products relating to the revised application lapse policy ("Lapse Policy") dated 29 November 2013 and the Enhanced Authorization Process Circular. If, for any reason, 6 months have elapsed from the Take-up Date (the "6-month Period") and no authorization has been granted, the application (whether it is a Standard Application or a Non-standard Application) will lapse, subject to the SFC's right to grant an extension at its sole discretion. The application fee will not be refunded to the applicant. In general, the SFC will only consider granting an extension in limited circumstances (please see answer to Q12 in Section 1 below). Applicants will be reminded that the application will in general lapse at the expiry of the 6-month Period in the First Requisition (if issued by the SFC). Once an application has lapsed or been refused, if the applicant wishes to seek authorization of the scheme, the applicant shall make a new application, whereupon it will need to pay the application fee for the new application and repeat the application procedures. Please see Q16 in Section 1 below for the factors which the SFC may take into account when considering whether to grant authorization of a collective investment scheme and/or for the issue of its relevant offering document(s).

	Question	Answer
10.	Will I be given any prior notice by the SFC in respect of the impending lapse of my application?	If, for any reason, 4 months have elapsed from the Take-up Date and no authorization has been granted, the SFC will issue a letter reminding and informing the applicant that the application will in general lapse at the expiry of 6 months from the Take-up Date. In cases of non-compliance with any key requirement(s), the SFC would be minded to issue a letter of mindedness to refuse an application earlier than 4 months from the Take-up Date where appropriate so that there is efficient use of resources for processing proper applications.
10A.	This FAQ is obsolete and has been removed.	
11.	This FAQ is obsolete and has been removed.	
12.	This FAQ is obsolete and has been removed.	
13.	This FAQ is obsolete and has been removed.	
13A.	For UF-driven changes, what is the notice period that an ILAS issuer is expected to give policyholders?	In view of the fact that the relevant changes are UF-driven changes, it may not be practicable for an ILAS issuer to give one month's prior written notice to policyholders as otherwise contemplated under 7.11 of the ILAS Code due to circumstances beyond an ILAS issuer's control (for example, where (a) prior notice is not required to be given or (b) less than one month's prior written notice is given by the management company of the underlying / reference SFC-authorized fund to an ILAS issuer). In such cases, an ILAS issuer should inform policyholders as soon as reasonably practicable and without undue delay in order to enable them to appraise the updated position of the investment option(s).
14.	What are the authorization procedures if an ILAS insurer needs to revise a previously-authorized illustration document	In applying for authorization of the revised illustration document, an ILAS insurer is required to submit a confirmation to the SFC that the revisions are made solely to reflect the changes to the template as issued on the SFC website.

	Question	Answer
	of an ILAS to comply with the revised ILAS Code?	
14A.	On 13 September 2019, the Insurance Authority ("IA") issued the "Guideline on Benefit Illustrations for Long Term Insurance Policies" (the "Guideline") which has taken effect from 23 September 2019 with a 12-month transition period ending on 22 September 2020 with respect to certain requirements as set out in the Guideline (with early adoption encouraged). The specific requirements for illustration documents for ILAS policies are set out in Appendix I to the Guideline. What are the requirements and arrangements in respect of revisions to existing SFC-authorized ILAS illustration document templates that are made solely pursuant to Appendix I to the Guideline?	As from 23 September 2020, ILAS issuers are required to adopt the ILAS illustration document templates in compliance with the requirements set out in Appendix I to the Guideline. Prior approval would not be required from the Commission in respect of revisions to existing SFC-authorized ILAS illustration document templates that are made solely to reflect the requirements set out in Appendix I to the Guideline. Nevertheless, ILAS issuers must file the revised ILAS illustration document templates with the Commission within one week from the date of adoption. A filing letter (which is available via: https://www.sfc.hk/web/EN/files/PCIP/Illustration_document_templates/ILAS_Illustration_Doc_Filing_Letter.pdf), together with all requisite documents as set out therein, must be completed and submitted. Furthermore, each of the revised ILAS illustration document templates must be marked up clearly when filed with the Commission to show all changes made against the latest version authorized by the Commission. The Commission will post-vet the revised ILAS illustration document templates in a vigilant manner to monitor compliance. Where the Commission identifies any issues of non-compliance with Appendix I to the Guideline, appropriate actions will be taken promptly. Issuers are strongly reminded that it is their responsibility to ensure the revised ILAS illustration document templates are in full compliance with the requirements set out in Appendix I to the Guideline, the Handbook (including the ILAS Code) and other applicable requirements that may be published by the Commission from time to time. As a general reminder and for the avoidance of doubt, where there are any changes to the ILAS illustration document templates (in addition to those reflecting solely the requirements set out in Appendix I to the Guideline) that would require the Commission's prior approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.

	Question	Answer
15.	Can the SFC provide some guidance on the immaterial changes to authorized marketing materials as referred to in the circular entitled "Streamlined approach for vetting and approving revised marketing materials" dated 28 June 2024 ("Streamlined Approach Circular") issued by the SFC?	Further authorization of immaterial changes to the authorized marketing materials which satisfy the overriding principles and requirements set out in the Streamlined Approach Circular ("Overriding Requirements") is no longer required from the SFC before their publication. Set out below are some examples that may be regarded as immaterial changes: i. changes of general information of the ILAS, their investment options or the corresponding underlying funds such as names or codes; ii. changes of corporate information of the ILAS issuers; iii. updates of performance and pricing information of the ILAS or their investment options or the corresponding underlying funds; iv. changes of promotion period or bonus rate(s) of the promotion campaign; v. consequential amendments to reflect changes made to the ILAS (including their investment options and corresponding underlying funds), their offering documents or other marketing materials which have been previously authorized by / filed with the SFC; vi. rephrasing without material change of meaning; and vii. correction of manifest error(s). Issuers are reminded that, as a general principle, marketing materials issued must be clear and fair, and present a balanced picture with adequate and prominent risk disclosures in compliance with all applicable requirements, including the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes. For changes to authorized marketing materials which do not satisfy the Overriding Requirements (ie, material changes), authorization of the revised marketing materials by the SFC is required prior to their issuance. The changes to the marketing materials must be

	Question	Answer
		clearly marked against the previously authorized version for submission to the SFC.
15A.	Can the SFC provide some examples as to what changes may be regarded as material changes to an authorized marketing material that would require the SFC's prior authorization before issuance?	Below are some examples of material changes to authorized marketing materials that would require the SFC's prior authorization before issuance: i. addition of new section(s) providing key information relating to the ILAS, such as • new disclosure on dividend payout investment options as referred to under Q19 in section 2; ii. material changes to key contents of the materials, such as • changes to material terms and conditions of a promotion campaign (eg, determination basis and clawback mechanism of bonus); • changes to disclaimers regarding the issuer's obligations and liabilities towards investors; and • addition or deletion of key information (except for the deletion of information which is outdated or no longer applicable) regarding the features and risks associated with the ILAS; iii. material changes to the presentation and format, including • changes to the layout or overall proportion of contents (eg, reducing the prominence of risk disclosure); and • addition of visual images regarding financial growth or performance.
15B.	Can the SFC provide some guidance on matters ILAS issuers should note when revising authorized marketing materials?	Issuers of marketing materials of SFC-authorized ILAS should at all times comply with all applicable regulatory requirements, including the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes. As a general principle, marketing materials issued must be clear and fair, and present a balanced picture with adequate and prominent risk disclosure. In particular, ILAS issuers should pay attention to the following when revising authorized marketing materials:

	Question	Answer
		i. language, artwork or graphics used should not be inconsistent with the nature of the product, or create an impression to the investors that they cannot lose money or that financial growth / good returns can always be achieved from the ILAS; ii. addition or deletion of key information should not reduce investors' understanding of the features and risks associated with the ILAS; iii. risk disclosure should be prominent, legible and well positioned – the font size and spacing of risk disclosure should be comparable to the main text and capable of being read with reasonable ease; iv. benefits and returns should not be presented disproportionately larger than the risks to interfere with investors' proper consideration of the ILAS; and v. disclaimers used should be reasonable and should not exclude or limit issuer's obligations and liabilities towards investors. Please also refer to Question 6A of the Frequently Asked Questions on Advertising Materials of Collective Investment Schemes Authorized under the Product Codes for general guidance on disclosure in marketing materials.
16.	What would the SFC take into account when considering whether to grant authorization of a collective investment scheme and/or for the issue of its relevant offering document(s)?	Under Part IV of the Securities and Futures Ordinance, on an application to the SFC, the SFC may, where it considers appropriate, authorize any collective investment scheme, and/or authorize the issue of any offering document or advertisement in respect of a collective investment scheme, subject to any conditions the SFC considers appropriate. The SFC may take any factor into account as it considers appropriate. Without prejudice to the generality of this right, when considering whether to grant authorization, the SFC may take into account, among other things, the following: • whether all requisite information and documents have been submitted, in all cases to the SFC's satisfaction; • compliance with the Handbook, including, without limitation, the general principles laid

	Question	Answer
		down in the Overarching Principles Section; • the quality of disclosure in the subject offering document(s); and • any past record of non-compliance with the Handbook on the part of any relevant party to the application, refusal/rejection of application, or involuntary revocation/withdrawal of authorization in respect of a prior application, made in Hong Kong or the home jurisdiction of the product in question relating to a product with materially similar structure or features. Parties to the application are urged to refer to the Handbook and any Frequently Asked Questions published by the SFC from time to time.
16A.	What does the applicant need to submit to the SFC after the SFC has granted authorization with conditions to the new ILAS application?	Under section 104(1) and section 105(1) of the SFO, the SFC may, where it considers appropriate, authorize an ILAS and the issue of its offering document respectively, subject to such conditions as the SFC considers appropriate. For the authorization of an ILAS and its offering document ("Authorization") to become effective, the applicant is required to fully comply with all the conditions ("Conditions") that are required to be satisfied for the Authorization to take effect as set out in the SFC's authorization letter ("Authorization Letter") in general within 2 months from the date of such letter (or such extended time limit(s) that may be agreed by the SFC upon submission of the applicant). For the Authorization to become effective, the applicant must submit to the SFC a duly completed and executed Confirmation of Fulfilment of Authorization Conditions (a standard form of the confirmation may be found in the Information Checklist) confirming, among other things, its agreement to all the conditions as set out in the Authorization Letter and that all such conditions have been fulfilled and/or will be complied with (as the case may be), together with the required documents as stated in the Authorization Letter generally within 2 months from the date of such letter (or such extended time limit(s) that may be agreed by the SFC upon submission of the applicant).

	Question	Answer
16B.	Will the SFC extend the time period for fulfilment of the Conditions by the applicant for an Authorization to become effective beyond 2 months from the date of the Authorization Letter?	In general, the SFC expects that all applicable Conditions for an Authorization to become effective will be fulfilled within a reasonable time. As such, the SFC will require fulfillment of the relevant Conditions within 2 months from the date of the Authorization Letter issued by the SFC. The SFC may consider to extend the time for fulfilment of relevant Conditions upon the submission of proper justifications by the applicant.
17.	When can the SFC be expected to respond to the applicant with comments in respect of an application for authorization of a single-page flyer advertisement or other marketing materials after the date of submission?	Any application for authorization of advertising material must be submitted to the SFC in good order and in suitably advanced form with allowance for a reasonable time for review. The SFC's overriding duty is to discharge its regulatory functions with a view to ensuring investor protection. Applicants are responsible for and must be mindful of their own commercial or external regulatory deadlines and should not expect the SFC to expedite processing in any circumstances. As a point of general guidance, for applications for authorization of a single-page flyer advertisement or other marketing materials, the SFC requires at least 2 business days from the date of the submission to review and revert with comments to the applicant, provided that the submission is in good order and in suitably advanced form. More complex or lengthier applications for authorization of advertising material may take longer to review and authorize.
18.	7.1(b) of the ILAS Code has been revised that SFC's prior approval for changes of the controlling shareholder(s) of a key operator of a scheme[Note] is no longer required. What is the expectation on the notice requirements to policyholders in respect of such scheme change? (Note: "Key operators of a scheme" refers	7.11 of the ILAS Code sets out the notice requirements to policyholders in respect of matters relating to a scheme. For changes in the ultimate controlling shareholder(s) of the key operators of a scheme, it is normally expected that one month's prior written notice should be provided to the policyholders unless otherwise agreed by the SFC.

	Question	Answer
	to applicant company, management company or investment delegates of a scheme for the purpose of this FAQ.)	
19.	What are the requirements for submitting post-authorization documents to the SFC?	Set out below are the requirements for submitting documents to the SFC via e-IP in connection with post-authorization matters of SFC-authorized ILAS. *A) Submission of documents by soft copy* ILAS issuers shall submit documents by soft copy for all applications and post-filings. The official receipt date of an application or a post-filing shall be a business day on which the full and complete set of soft copy documents is received by the SFC via e-IP. *B) Signing of post-authorization documents* Please refer to paragraph (B) of Question 2A under Section 1 of this FAQ.

Section 2: Others

	Question	Answer
1.	What assumed rates of return can be used in the illustration document (which is required for each ILAS)?	The assumed rates of return are requirements imposed by the Insurance Authority ("IA") on its life insurance members and are applicable to all ILAS policies. Pursuant to 5.4(a) of the ILAS Code, the ILAS insurer is required to provide an illustration document to prospective scheme participants, prior to signing of the application form, showing the policy value in the event of early surrender with an aim to illustrate the impact of surrender charges on policy value. Illustration shall be made using one of the following options: (i) four assumed rates of return for illustration (i.e. 0%, 3%, 6% and 9% per annum) on two pages with surrender value and death benefit shown on first and second page, respectively; or (ii) three assumed rates of return (i.e. 0%, 3% and 6% per annum) on one

	Question	Answer
		page with both surrender value and death benefit shown on the same page. For both options, other than the 0% per annum assumed rate of return, all assumed rates of return are maximum rates and ILAS insurers may choose to illustrate using lower rates which could be determined at the discretion of the ILAS insurer subject to the IA's requirements. Please refer to the format of illustration document posted on the SFC website.
2.	This FAQ is obsolete and has been removed.	
3.	Can we use gifts in promoting our ILAS products?	In order to help protect investors from being distracted by the gifts without paying sufficient attention to the features and risks of the specific investment product, all marketing materials of investment products authorized by the SFC should not contain an offer of gift, other than a discount of fees and charges, in promoting a specific investment product.
4.	This FAQ is obsolete and has been removed.	
5.	This FAQ is obsolete and has been removed.	
6.	This FAQ is obsolete and has been removed.	
7.	This FAQ is obsolete and has been removed.	
8.	Can an ILAS issuer add a new investment option which is linked to an SFC-authorized fund that is no longer offered to	No, given that the SFC-authorized fund is no longer offered to the public in Hong Kong, no new investment option linked to such fund shall be added to any existing SFC-authorized ILAS or new ILAS.

	Question	Answer
	the public in Hong Kong to an existing SFC-authorized ILAS or a new ILAS?	
9.	This FAQ is obsolete and has been removed.	
10.	What are the requirements for proposed changes to be made to the constitutive documents of existing SFC-authorized ILAS and the revisions to their offering documents in connection with the US Foreign Account Tax Compliance Act ("FATCA") and/or other applicable laws and regulations relating to tax reporting and withholding?	Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission. Prior approval would not be required from the Commission in respect of changes to be made to the constitutive documents of existing SFC-authorized ILAS solely to the extent required to comply with FATCA and/or other applicable laws and regulations relating to tax reporting and withholding. Nevertheless, the ILAS issuer should provide, among other things, the following confirmations as set out in a filing letter template (which is available via: http://www.sfc.hk/web/EN/files/PCIP/FAQ/Filing-letter-for-FATCA-20140613.pdf) (the "Filing Letter"), together with all requisite documents as set out therein: • the ILAS issuer has received competent tax advice and opinion on (i) the FATCA status of the ILAS issuer and the ILAS scheme and (ii) the FATCA disclosures in the revised offering document, constitutive documents of the ILAS scheme and/or notice(s) to policyholders (where applicable and as submitted in the filing) being true and accurate; • there is no indemnification imposed on the ILAS policies and the policyholders as a result of FATCA and/or other applicable laws and regulations relating to tax reporting and withholding; and • the revisions to the constitutive documents and/or offering document of the ILAS scheme do not materially prejudice the interests of investors of the ILAS scheme and will not amount to unfair treatment of policyholders. In the event that there are any proposed revisions made to the template wording on additional policy terms in respect of FATCA and/or FATCA disclosures in the ILAS offering

	Question	Answer
		documents issued on 13 June 2014 by The Hong Kong Federation of Insurers ("HKFI"), the following additional confirmations, as set out in the Filing Letter, will also be required: • where the ILAS issuer may effect termination of an ILAS policy as a result of, or purporting to be in respect of, FATCA and/or other applicable laws and regulations relating to tax reporting and withholding, no surrender charges or any other form of penalty will be applied; and • the revised offering document (where applicable) contains the minimum FATCA disclosure information as set out in Q11 in Section 2 below. Where changes to constitutive documents will affect existing policyholders and notice(s) are to be issued informing them of these changes, the notice period to be provided to the policyholders should in general be in compliance with the requirement under the ILAS Code. In addition, the ILAS issuer must provide further confirmations as set out in the Filing Letter. The revised offering documents and notice(s) to policyholders of these scheme changes must, nevertheless, be filed with the Commission within one week from the date of issuance in accordance with 7.3 and 7.12, respectively, of the ILAS Code with the Filing Letter. Furthermore, each of the revised offering documents and constitutive documents must be marked up clearly when filed with the Commission to show all changes made against the latest version authorized by or filed with the Commission. The Commission will conduct post-surveillance on the documents and materials filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries and/or take other regulatory actions as it considers appropriate. As a general reminder and for the avoidance of doubt, where there are any changes to the ILAS offering documents and/or constitutive documents (other than those solely to the extent required to comply with FATCA and/or other applicable laws and regulations relating to tax reporting and withholding in accordance with the requirements of this FAQ) that would require the Commission's prior approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.

	Question	Answer
11.	What information is required to be disclosed to the investors regarding FATCA?	Reference is made to the circular of the Commission to issuers of SFC-authorized investment products concerning FATCA dated 21 March 2014. ILAS issuers should keep investors informed of information concerning their ILAS which is necessary to enable investors to appraise the position of the ILAS from time to time. In this connection, it is the ILAS issuers' duty to ensure that the offering documents (including the Product KFS) of their ILAS are up-to-date and contain the information necessary for investors to make an informed judgement about the ILAS. At a minimum, the following information is generally expected to be provided to investors in the ILAS offering documents: • a general description of the FATCA regime; • details of any intergovernmental agreement to implement FATCA between the US and the country in which the ILAS issuer is established or located; • disclosure relating to the FATCA status of the ILAS issuers (such as its registered status as a participating foreign financial institution/reporting foreign financial institution or its status as a deemed compliant foreign financial institution); • a warning that all prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on them and the ILAS; • relevant FATCA risk disclosure (including the consequences of any withholding tax on the ILAS issuers and the consequential impact on the ILAS and investors); and • where there is disclosure on the ILAS issuer's right to effect termination of an ILAS policy as a result of, or purporting to be in respect of, applicable tax laws and regulations (including FATCA), it should also disclose that such termination is required by applicable laws and regulations and/or the ILAS issuer is acting fairly, in good faith and on reasonable ground in exercising such right. Investors are also reminded to pay close attention to the updates and announcement which may be made by the Government of the Hong Kong Special Administration Region from time to time in relation to the Hong Kong inter-governmental agreement designated to facilitate compliance with FATCA.

	Question	Answer
12.	What are the points to note for issuers in respect of the disclosure and post-authorization requirements relating to cost of insurance ("COI") charges by certain ILAS?	For ILAS with COI charges, the COI rates are generally disclosed in a tabulated form ("COI Table") in the ILAS offering documents. However, unlike other categories of typical ILAS fees and charges which are set out exhaustively and definitively in the offering documents, the COI Table is only indicative in nature because the COI rates may vary according to the personal circumstances (e.g. health conditions, smoking habits) of each policyholder. As such, issuers of ILAS with COI charges must note the following when making COI-related disclosures in the offering documents: • the COI rates, as well as the basis of determination and assumptions used to compile such rates, must be fair and reasonable; • potential investors must be informed to ask their sales intermediaries and/or refer to the customized illustration documents for the details relating to their applicable, personalized COI rates; and • avoid any inappropriate disclosures (e.g. wording which may imply that the ILAS issuer can adjust the COI rates unilaterally and periodically) that may unnecessarily cause confusion to, or mislead, potential investors. Importantly, issuers are reminded, for the avoidance of doubt, that in the event of any changes to the COI rates disclosed in the COI Table in the ILAS offering documents, the ILAS issuers shall, where appropriate, seek the Commission's prior approval and provide prior written notification to policyholders in compliance with the requirements under 7.1, 7.2 and 7.11 of the ILAS Code.
13.	What information is required to be disclosed in the ILAS offering documents to investors regarding an investment option available under an SFC-authorized ILAS whose return is determined with reference to an SFC-authorized fund?	Appendix A to the ILAS Code sets out the information necessary to be disclosed in the ILAS offering documents to enable the investors to make an informed judgment when investing in an ILAS. In particular, paragraph (e) therein requires disclosure of certain information regarding the investment options available under an ILAS. In this connection, where the return of an investment option is determined with reference to an SFC-authorized fund, the following information is generally expected to be provided to investors in the ILAS offering documents:

	Question	Answer
		• name of the investment option (and identification code as assigned by the ILAS issuers, if applicable); • information which is necessary and essential for investors to identify the underlying or reference fund corresponding to the investment option (including name, share class, currency class and management company of the underlying or reference fund); • a prominent statement to the effect that investors should read the offering documents of the underlying or reference fund which are made available by ILAS issuers for details of the underlying or reference fund, including, without limitation, its investment objectives and policies, risk factors and charges; and • where applicable, specific / bespoke information about the investment option must be disclosed to reflect any features, terms or administrative procedures applicable to the investment option not covered by the offering documents of the underlying or reference fund or different from those applicable to such fund (e.g. minimum subscription amount, different dealing / subscription arrangements, additional fees and charges at investment option level). To facilitate compliance, the Commission has issued a template for investment option disclosure in ILAS offering documents following consultation with the HKFI. Where an ILAS issuer wishes to include additional information regarding the underlying or reference fund in the ILAS offering documents, it should ensure such disclosure in summary / extract form is necessary and appropriate given that the offering documents of the underlying or reference funds already contain the required disclosure. ILAS issuers are also reminded that they should ensure that disclosure in their ILAS offering documents is accurate and up-to-date.
14.	What are the enhanced compliance requirements for Internal Funds[1] that may be made available under SFC-authorized ILAS?	With effect from 1 November 2026 (the "IFR Effective Date"), all new Internal Funds that are marketed to the public in Hong Kong must comply with the following enhanced compliance requirements (the "IF Enhanced Requirements"): (A) Structural requirements

	Question	Answer
		An Internal Fund shall only be structured as either: i. a fund-of-SFC-authorized fund portfolios (the "FOF Portfolio"), subject to compliance with the investment and borrowing restrictions (see **Note 1** below for details); or ii. a portfolio with cash or cash equivalents (the "Cash Management Portfolio"), subject to compliance with the investment and borrowing restrictions (see **Note 2** below for details). (B) Disclosure requirements The enhanced disclosure requirements for Internal Funds are as set out in **Note 3** below. **Note 1:** **<u>Investment and borrowing restrictions in respect of FOF Portfolio</u>** a. A FOF Portfolio may only invest in SFC-authorized funds from time to time. It may invest in any number of SFC-authorized funds so long as the names of these SFC-authorized funds and its respective investment allocations are disclosed in the offering document. b. A FOF Portfolio may only invest in SFC-authorized funds falling under Chapters 7 (plain vanilla funds), 8.2 (Money market funds), 8.6 (Unlisted index funds and index tracking exchange traded funds), 8.10 (Listed open-ended funds) and 8.11 (Closed-ended funds) of the UT Code. c. A FOF Portfolio may borrow up to 10% (by net asset value) of their underlying assets but only on a temporary basis for the purpose of meeting redemptions or defraying operating expenses. d. Where a FOF Portfolio invests in any SFC-authorized funds managed by the ILAS issuer or its connected person(s) or delegate(s), all initial charges and redemption charges on such underlying funds must be waived. e. The ILAS issuer or its delegate(s) may not obtain a rebate on any fees or charges levied

	Question	Answer
		by the underlying funds (or their management companies), or any quantifiable monetary benefits in connection with investments in the underlying funds, of a FOF Portfolio. **Note 2:** **<u>Investment and borrowing restrictions in respect of Cash Management Portfolio</u>** a. A Cash Management Portfolio may only invest in and hold cash or cash equivalents in their base currency in short-term bank deposits, bank current accounts, and certificates of deposit. b. A Cash Management Portfolio may not be subject to any borrowing and may only hold instruments issued by counterparty(ies) that fall within the ILAS issuer's stated policy of counterparty creditworthiness. c. The aggregate value of holding of permissible instruments issued by and / or deposits maintained with a single entity should not exceed 20% of the total net asset value of a Cash Management Portfolio. d. The aggregate value of holding of permissible instruments issued by and / or deposits maintained with entities within the same group[2] should not exceed 30% of the total net asset value of a Cash Management Portfolio. e. A Cash Management Portfolio must maintain a portfolio with weighted average maturity[3] not exceeding 60 days and a weighted average life[4] not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days. f. A Cash Management Portfolio must hold at least 7.5% of its total net asset value in daily liquid assets[5] and at least 15% of its total net asset value in weekly liquid assets[6]. **Note 3:** **<u>Disclosure requirements</u>** The offering document of the relevant ILAS must contain the following information (a sample disclosure template is available via: http://www.sfc.hk/web/EN/files/PCIP/Checklist-and-

	Question	Answer
		Forms/ILAS_Disclosure_template_EN.pdf): a. Investment objectives and policies of the Internal Funds. b. Details of the investment policies and restrictions of the Internal Funds, including, where applicable: i. the composition and material details of the portfolio (including full disclosure of the identities of the SFC-authorized funds in the case of a FOF Portfolio), and the relative proportions / range (if any) of the components in the portfolio. Also, the mechanism by which policyholders can obtain information on the latest portfolio composition must be disclosed clearly; ii. details of any portfolio re-balancing arrangements; and iii. a summary of the applicable investment and borrowing restrictions. c. A description of the key risk factors associated with the investments in the Internal Funds. d. The categories and level of all fees and charges payable by the Internal Funds. e. The valuation, pricing and dealing arrangements of the Internal Funds. f. A statement to the effect that the Internal Funds are internally managed by the ILAS issuer on a discretionary basis and is not authorized by the SFC pursuant to the UT Code. g. (For a FOF Portfolio) a statement directing investors to read the offering documents of the underlying SFC-authorized funds for further details (including the risk factors), and the address/contact details in Hong Kong where such documents can be obtained free of charge. h. (For a Cash Management Portfolio) a statement that an investment in a Cash Management Portfolio (i) is not the same as placing funds on deposit with a bank or deposit-taking company; (ii) is not subject to the supervision of the Hong Kong Monetary Authority; and (iii) is not a protected deposit and therefore is not protected by the Deposit Protection Scheme in Hong Kong. [1] An “Internal Fund” means an investment option available under an SFC-authorized ILAS which is not solely linked to a fund authorized by the SFC pursuant to the Code on Unit Trusts and Mutual Funds

	Question	Answer
		(the "UT Code"). [2] Entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards are generally regarded as "entities within the same group". [3] Weighted average maturity is a measure of the average length of time to maturity of all the underlying assets in a Cash Management Portfolio weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of a Cash Management Portfolio to changing money market interest rates. [4] Weighted average life is the weighted average of the remaining life of each asset held in a Cash Management Portfolio; and is used to measure the credit risk, as well as the liquidity risk. [5] Daily liquid assets refers to (i) cash; and (ii) instruments convertible into cash (whether by maturity or through exercise of a demand feature) within one working day. [6] Weekly liquid assets refers to (i) cash; and (ii) instruments convertible into cash (whether by maturity or through exercise of a demand feature) within five working days.
14A.	What are the transitional arrangements for compliance with the IF Enhanced Requirements for all Internal Funds existing as at the IFR Effective Date and currently marketed to the public in Hong Kong (the "Existing Internal Funds")?	A transition period of 12 months from the IFR Effective Date will be provided for Existing Internal Funds to comply with the IF Enhanced Requirements. Existing Internal Funds not meeting the IF Enhanced Requirements cannot continue to be marketed to the public in Hong Kong under any SFC-authorized ILAS after the transition period.
15.	The Contracts (Rights of Third Parties) Ordinance (the "TP Ordinance") will take effect from 1 January 2016. What are the requirements for proposed changes to be made to the constitutive documents of SFC-authorized ILAS (i.e. policy contracts) in connection with the exclusion	Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission. Given that the TP Ordinance expressly provides that the rights granted thereunder would not apply if the said contract provides for an express exclusion of such application, prior approval

	Question	Answer
	of the application of the TP Ordinance? What information is required to be disclosed to the investors as a result?	would not be required from the Commission in respect of changes to be made to the constitutive documents (i.e. policy contracts) of existing SFC-authorized ILAS solely to provide for an exclusion of the application of the TP Ordinance. In addition, prior notification to existing policyholders under 7.11 of the ILAS Code is not required as such changes will only apply to new policy contracts to be entered into in respect of an SFC-authorized ILAS. It is the ILAS issuers' duty to ensure that the offering documents (including the Product KFS) of their ILAS are up-to-date and contain the information necessary for investors to make an informed judgment about the ILAS. Therefore, ILAS issuers are expected to disclose in the offering documents the fact that the ILAS policy is excluded from the application of the TP Ordinance. In addition, it should also disclose the implication that other than the ILAS issuer and the policyholder, a person who is not a party to the ILAS policy contract (e.g. a third party beneficiary) shall have no right under the TP Ordinance to enforce any of its terms. Prior approval would not be required from the Commission in respect of any revisions to the offering documents which solely reflect the changes above. Nevertheless, ILAS issuers must file (i) such changes to the constitutive documents (i.e. policy contracts) within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC's prior approval (which is available via: http://www.sfc.hk/web/EN/forms/products/forms.html and (ii) the revised offering documents within one week from the date of issuance with the filing form for revised offering documents that do not require SFC's prior approval (which is available via: http://www.sfc.hk/web/EN/forms/products/forms.html). Furthermore, each of the revised constitutive documents and offering documents must be marked up clearly when filed with the Commission to show all changes made against the latest version filed with the Commission. The Commission will conduct post-surveillance on the documents filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries and/or take other regulatory actions as it considers appropriate. As a general reminder and for the avoidance of doubt, where there are any changes to the constitutive documents and offering documents (other than those solely to provide for an exclusion of the application of the TP Ordinance) that would require the Commission's prior

	Question	Answer
		approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.
16.	Can an investment option available under an SFC-authorized ILAS be linked to an RMB-denominated SFC-authorized fund or the RMB share class of an SFC-authorized fund?	Yes. An investment option available under an SFC-authorized ILAS can be linked to an RMB-denominated SFC-authorized fund or the RMB share class of an SFC-authorized fund for offering to the public in Hong Kong. ILAS issuers should refer to Q13 in Section 2 above on the information required to be disclosed in the ILAS offering documents regarding an investment option available under an SFC-authorized ILAS whose return is determined with reference to an SFC-authorized fund.
17.	The Inland Revenue (Amendment) (No.3) Ordinance 2016 ("Amendment Ordinance"), which puts in place a legislative framework for Hong Kong to implement the automatic exchange of financial account information ("AEOI"), came into effect on 30 June 2016. What are the requirements for proposed changes to be made to the constitutive documents of existing SFC-authorized ILAS (i.e. policy contracts) in connection with the implementation of AEOI under the Amendment Ordinance?	Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission. Prior approval would not be required from the Commission in respect of changes to be made to the constitutive documents of existing SFC-authorized ILAS solely for the implementation of AEOI under the Amendment Ordinance. Nevertheless, ILAS issuers must file such changes to the constitutive documents within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC's prior approval (which is available via: http://www.sfc.hk/web/EN/forms/products/forms.html) together with the confirmation that: • the changes to the constitutive documents of the ILAS are made solely for the implementation of AEOI under the Amendment Ordinance; and • the changes to the constitutive documents of the ILAS do not materially prejudice the interests of investors of the ILAS and will not amount to unfair treatment of policyholders. Where changes to constitutive documents will affect existing policyholders and notice(s) are to be issued informing them of these changes, the notice period to be provided to the policyholders should in general be in compliance with the requirements under the ILAS Code.

	Question	Answer
		The Commission will conduct post-surveillance on the documents and materials filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries and/or take other regulatory actions as it considers appropriate. Where there are any changes to the ILAS constitutive documents (other than those solely for the implementation of AEOI under the Amendment Ordinance in accordance with the requirements of this FAQ) that would require the Commission's prior approval pursuant to the ILAS Code, ILAS issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes. In respect of any revisions to the offering documents of existing SFC-authorized ILAS which incorporate the AEOI related disclosures, ILAS issuers should refer to the requirements and filing procedures set out in the Commission's circular to issuers of SFC-authorized collective investment schemes concerning automatic exchange of financial account information dated 20 October 2016.
18.	Pursuant to the Insurance (Levy) Order and the Insurance (Levy) Regulation, the Insurance Authority will start collecting levy on premiums of insurance policies (the "Levy") from policyholders through insurance companies on 1 January 2018. If ILAS issuers would like to make changes to the constitutive documents (i.e. policy contracts) and/or offering documents of their SFC-authorized ILAS in connection with the collection of Levy, what are the requirements under the ILAS Code?	Currently, changes to an ILAS that fall within 7.1 of the ILAS Code would normally require the Commission's prior approval and prior notification to be provided to existing policyholders before the changes are to take effect. Given that the collection of Levy is a statutory change without affecting the existing features of the ILAS, it does not constitute a change to ILAS falling within 7.1 of the ILAS Code. Accordingly, if the ILAS issuers would like to make any changes to the constitutive documents and/or offering documents of their SFC-authorized ILAS to solely reflect the collection of Levy, such changes do not require the Commission's prior approval and the notice requirement under 7.11 of the ILAS Code does not apply. ILAS issuers must file: • such changes to the constitutive documents within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC's prior approval (which is available via: http://www.sfc.hk/web/EN/forms/products/forms.html);

	Question	Answer
		and/or • the revised offering documents within one week from the date of issuance with the filing form for revised offering documents that do not require SFC's prior approval (which is available via: http://www.sfc.hk/web/EN/forms/products/forms.html). Each of the revised constitutive documents and offering documents must be marked up clearly when filed with the Commission to show all changes made against the latest version filed with the Commission. As a general reminder, where there are any changes to the constitutive documents and/or offering documents (other than those made solely to reflect the collection of Levy) that would require the Commission's prior approval pursuant to the ILAS Code, ILAS issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.
19.	What information is required to be disclosed to investors if an investment option (available under an SFC-authorized ILAS) pays dividend received from its corresponding underlying / reference SFC-authorized fund(s) which may pay dividend out of/effectively out of its capital ("Dividend Payout Investment Option")?	The offering documents of SFC-authorized ILAS should clearly state the distribution policy of the ILAS (including their investment options). A Dividend Payout Investment Option typically links to a distributing share class of an underlying / reference SFC-authorized fund which may pay dividend out of / effectively out of capital. Such investment option will pay any dividend received from the underlying / reference fund to investors according to its distribution policy. Where an SFC-authorized ILAS makes available any Dividend Payout Investment Option(s), its offering documents should, at a minimum, disclose the following information prominently: a. the corresponding underlying / reference fund may at its discretion pay / effectively pay dividend out of the capital of the fund; b. payment of dividends out of capital by the corresponding underlying / reference fund amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

	Question	Answer
		c. any distributions involving payment of dividends out of capital / effectively out of capital may result in an immediate reduction of the net asset value per share/unit of the underlying / reference fund, which may have a negative impact on the price of the Dividend Payout Investment Option; d. the associated risks and consequential impact on the ILAS and investors, including, without limitation, reduction in the policy value and death benefit payable; e. the amount of dividend paid by the Dividend Payout Investment Option and the Dividend Composition Information (as defined in Q34 in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds[4] ("FAQ on the UT Code")) of the corresponding underlying / reference fund for the last 12 months (the "IO Dividend Related Information") are made available by the ILAS issuer on request and also on the website of the SFC-authorized ILAS (if any); and f. the ILAS issuer may amend the distribution policy of the ILAS (including their investment options) subject to SFC's prior approval and by giving not less than one month's prior notice to investors. For the avoidance of doubt, the above requirements shall not be applicable to an investment option which does not pay dividend or make any distribution at all according to its distribution policy (for example, any investment option linked to the accumulation share class of the underlying / reference fund(s) or any dividend received from the underlying / reference fund(s) will be automatically reinvested in the same underlying / reference fund(s)). Please refer to Q20 in Section 2 below for the disclosure requirements when issuing marketing materials of SFC-authorized ILAS which highlight or advertise the regular dividend payment / distribution features of the Dividend Payout Investment Options and/or their

[4] Please see the FAQ on the UT Code via the following link: https://www.sfc.hk/web/EN/faqs/publicly-offered-investment-product/code-on-unit-trusts-and-mutual-funds.html.

	Question	Answer
		corresponding underlying / reference funds.
19A.	This FAQ is obsolete and has been removed.	
19B.	Does the SFC require the IO Dividend Related Information to be disclosed in a particular manner?	The IO Dividend Related Information should be clearly presented with the minimum information below in respect of each of the Dividend Payout Investment Options and make available by the ILAS issuers on request and on the website of the SFC-authorized ILAS (if any): a. the dividend per notional unit of the Dividend Payout Investment Option; b. the Dividend Composition Information of the corresponding underlying / reference funds provided by the respective investment manager / Hong Kong representative in a manner set out in Q34(A) in the FAQ on the UT Code, or the information as to how to make available such information; c. a statement as to whether the Dividend Composition Information of the corresponding underlying / reference fund is the same as that of the Dividend Payout Investment Option (if they are not the same, a statement explaining the deviation should be disclosed); and d. the following warning statement in a prominent manner: "***Warning: Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained herein. You should read the ILAS offering documents and the relevant offering documents (including the key facts statement) of the corresponding underlying / reference funds for further details including the risk factors.***"
19C.	As stated in Q19 in Section 2 above, the	The 12-month Period is intended to be a rolling 12-month period starting from the date on

<table>
<tr><th></th><th>Question</th><th>Answer</th></tr>
<tr><td></td><td>IO Dividend Related Information for the last 12 months (“12-month Period”) shall be made available by the ILAS issuer on request and also on the website of the SFC-authorized ILAS (if any). Does it mean the ILAS issuer has to prepare the IO Dividend Related Information in the past 12 months preceding the publication date of that FAQ i.e. 11 May 2018 (“Distribution Requirements Effective Date”)?

Also, do I need to make available to investors all of the historical information on IO Dividend Related Information that has been previously disclosed?</td><td>which payment of dividends is being made by a Dividend Payout Investment Option after the Distribution Requirements Effective Date.

As an illustration, if a Dividend Payout Investment Option pays dividends on a quarterly basis (i.e. March, June, September and December in each calendar year), it is expected to make available / disclose, at minimum, the IO Dividend Related Information in respect of the following distributions during the following periods once distribution is made:

<table>
<tr><th>Illustrated Period</th><th>IO Dividend Related Information in respect of the following distributions is to be made available / disclosed</th></tr>
<tr><td>After the Distribution Requirements Effective Date and until and after the Jun 2018 distribution</td><td>Jun 2018</td></tr>
<tr><td>After the Sep 2018 distribution and prior to the Dec 2018 distribution</td><td>Jun 2018, Sep 2018</td></tr>
<tr><td>After the Dec 2018 distribution and prior to the Mar 2019 distribution</td><td>Jun 2018, Sep 2018, Dec 2018</td></tr>
<tr><td>After the Mar 2019 distribution and prior to the Jun 2019 distribution</td><td>Jun 2018, Sep 2018, Dec 2018, Mar 2019</td></tr>
<tr><td>After the Jun 2019 distribution and prior to the Sep 2019 distribution</td><td>Sep 2018, Dec 2018, Mar 2019, Jun 2019</td></tr>
</table>

The disclosure mentioned above only represents the minimum requirement. As such, ILAS issuer may continue to make available to investors any historical IO Dividend Related Information that had been previously disclosed from time to time in such manner as the ILAS issuer considers necessary and/or appropriate to enhance the transparency of the Dividend Payout Investment Option’s distribution policy.</td></tr>
</table>

	Question	Answer
20.	Can an SFC-authorized ILAS highlight or advertise the regular dividend payment / distribution feature of its Dividend Payout Investment Options and/or their corresponding underlying / reference funds in the marketing materials? If so, can the SFC provide some guidance with respect to such marketing materials?	Issuers of marketing materials of SFC-authorized ILAS should comply with all applicable regulatory requirements, including the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes. When issuing marketing materials of the SFC-authorized ILAS which highlight or advertise the regular dividend payment / distribution feature of the Dividend Payout Investment Options and/or their corresponding underlying / reference funds, ILAS issuers must: i. observe the overriding principles set out in Q39 of the Frequently Asked Questions on Advertising Materials of Collective Investment Schemes Authorized under Product Codes[5] ("FAQ on Advertising Materials") and exercise their professional judgment in a prudent manner; ii. ensure compliance of, among other regulatory and legal requirements, the guidance under Q39A to Q39E of the FAQ on Advertising Materials (certain examples are provided in Q39F for illustrative purposes) to the extent applicable; and iii. disclose the information referred to in (a), (b), (c) and (d) in Q19 in Section 2 above in a prominent and upfront manner (e.g. the risk disclosure box).
21.	Are the applicants required to file a soft copy of the issued offering documents to the SFC?	Yes. To enable the SFC to post the offering documents of the SFC-authorized ILAS onto the information repository at the "List of Investment Products" on the SFC website, a soft copy of the authorized offering documents shall be filed with the SFC within one week after issuance. The authorized offering documents and the document file name shall be saved in the format as set out in the SFC's authorization letter and shall be text-searchable and virus free. Applicants should submit the authorized offering documents via e-IP.
22.	What types of scheme changes will not be	Scheme changes which can satisfy the Overriding Requirements (as defined below) would

[5] Please see the FAQ on Advertising Materials via the following link: http://www.sfc.hk/web/EN/faqs/publicly-offered-investment-product/advertising-materials-of-collective-investment-schemes-authorized-under-the-product-codes.html.

	Question	Answer
	regarded as material changes for the purposes of 7.1(c) of the ILAS Code and therefore do not require SFC's prior approval?	not generally be regarded as material changes for the purposes of 7.1(c) of the ILAS Code. Set out below are the overriding principles and requirements ("Overriding Requirements") that must be satisfied in order for any changes to be not regarded as material changes for the purposes of 7.1(c) of the ILAS Code and do not require the SFC's prior approval: • the changes do not amount to a material change to the scheme; • there will be no material change or increase in the overall risk profile of the scheme/investment option(s) following the changes; and • the changes do not have a material adverse impact on policyholders' rights or interests (including changes that may limit policyholders' ability in exercising their rights).
23.	Can the SFC provide some guidance as to the key information or disclosure expected to be set out in the notice(s) to policyholders regarding scheme changes to an SFC-authorized ILAS falling within 7.1 of the ILAS Code?	Below are some illustrative examples of information/disclosure that are expected to be included in notice(s) regarding changes falling within 7.1 of the ILAS Code. Additional disclosures may be required depending on the particular circumstances of each case. a. Clear description of the salient terms of the proposed changes, including, if applicable, the following key features and risks of the scheme(s) / investment option(s): i. The implications on the features and risks applicable to the scheme(s)/investment option(s). ii. Any proposed changes in the operation of the scheme(s) and the effect on existing policyholders. iii. Any change in the fee level of scheme(s)/investment option(s) following the implementation of the proposed changes. iv. Any costs and/or expenses that will be incurred in connection with the proposed changes and who (e.g. the scheme and/or the ILAS issuer) will bear them. Amount of costs and/or expenses where they will be borne by the scheme(s). v. Any matters/impact arising from the proposed changes that may materially prejudice the existing policyholders' rights or interests.

	Question	Answer
		b. Reasons and rationale of the proposed changes. c. The publication date of the notice(s) and the effective date of the proposed changes. d. Where applicable, reference to where and how the offering documents of the scheme(s) and the corresponding underlying funds can be obtained. e. Hong Kong contact (including address and telephone number) for enquiries by policyholders. f. Applicable warning and responsibility statements, such as a warning statement to the effect that "THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE" and the responsibility statement that the ILAS issuer accepts full responsibility for the accuracy of the information contained in the notice etc. ILAS issuers should include such other information that are necessary for the policyholders to appraise and to comprehend the changes proposed to be made to the scheme(s)/investment option(s).
24.	Who can sign the application forms relating to the approval of scheme changes pursuant to 7.1 of the ILAS Code and authorization of revised offering documents and filing forms for scheme changes and revised offering documents which do not require SFC's prior approval?	The relevant application forms and filing forms should be duly completed and properly executed by the senior ranking executive of the applicant with overall responsibility for the application. However, the senior ranking executive of the applicant may designate an appropriate person to execute and sign the relevant forms on his/her behalf.
25.	Will further authorization be required to be obtained from the SFC prior to the issuance of the revised offering	Following the IO Events under an SFC-authorized ILAS, the ILAS offering documents shall be updated as soon as practicable to reflect the IO Events.

	Question	Answer
	documents of an SFC-authorized ILAS which solely reflect the (i) merger, (ii) termination and/or (iii) withdrawal of authorization of an investment option (collectively, the "IO Events")?	No further authorization from the SFC is required for revision(s) to the ILAS offering documents which are made solely to reflect the IO Events. Such offering documents shall nevertheless be filed with the SFC within one week from the date of issuance pursuant to 7.3 of the ILAS Code using the relevant filling form.

Section 3: Novel coronavirus (COVID-19)

	Question	Answer
1.	This FAQ has been removed.	Please refer to Question 2A and Question 19 under Section 1 of this FAQ.

Section 4: Additional Guidance on Internal Product Approval Process[6] (the "Additional ILAS Guidance")

	Question	Answer
Product design		
1.	The Additional ILAS Guidance requires the ILAS issuers to take into consideration any other comparable alternative products when designing an ILAS product. Can the SFC provide some guidance as to how comparable alternative product(s) should be selected?	ILAS issuers should identify the comparable alternative product(s) in market having regard to the product features of each ILAS. Some of the factors that should be taken into account when designing an ILAS product are set out in the Additional ILAS Guidance. Set out below are examples of comparable alternative product(s) for your reference: a. *Low protection ILAS* (e.g. ILAS with death benefit of 105% of policy value) – given its minimal insurance protection, it is more akin to an asset-based fund platform which has similar investment and cost structure to a typical low protection ILAS product in the market. For example, • ongoing account fees calculated based on account balance; • range of fund choices from different fund houses with low entry size for selection; • no fund subscription and redemption fees; • flexibility of switching between funds without charges; and • availability of supporting services and tools. b. *High protection ILAS* – an asset-based fund platform (in respect of the investment in funds) and a term life product (in respect of the insurance protection) are the appropriate alternatives, taking into consideration the following: • An asset-based fund platform that has similar investment and cost structure with a typical ILAS product in market (as mentioned above); and • A term life product that is representative of term life products available in the market (instead of just a single in-house term life product).

[6] The Additional ILAS Guidance was issued on 1 November 2021 to issuers of SFC-authorized investment-linked assurance schemes which provides additional guidance to ILAS issuers regarding the application of certain existing requirements under the SFC's Guidance on Internal Product Approval Process ("PD Guidance") to ILAS.

	Question	Answer
Fees assessment		
2.	The Additional ILAS Guidance requires ILAS platform fee to be comparable to alternative products over the lifetime of the ILAS policy after taking into account any bonuses (or other similar features). What is the expectation on the fee assessment to be conducted by ILAS issuers?	ILAS issuers should conduct a detailed assessment on the platform fees (net of bonuses) levied under their ILAS. This assessment should, at a minimum, include the following items: a. Calculation of the platform fee (net of bonuses) of the ILAS product per year over three holding periods of 10, 15 and 20 years; b. Calculation of the platform fee (net of bonuses) of the comparable alternative product per year over the corresponding periods; and c. Assessment on whether the two sets of fee figures in (a) and (b) above are comparable and the basis of such assessment. Detailed requirements on the holding periods and other assumptions to be used in the calculation are set out in the Guidance Note on Total Policy Charges Illustration Disclosure. Where an ILAS product accepts both single and regular premium payment with various premium payment terms, fee assessment should be conducted for each premium payment option separately.
3.	Platform fee (net of bonuses) per year of the three holding periods of 10, 15 and 20 years are required to be calculated and disclosed in the Product KFS of an ILAS. What does this platform fee per year mean?	Platform fee (net of bonuses) per year means the equivalent annual fee (as a percentage of policy value) in respect of the total platform fee (net of all non-discretionary bonuses) levied under an ILAS policy for such holding period. It aims to distil the total platform fee to a single all-in annual fee charging based on policy value, so that an investor will be able to know how much he/she is paying on average per year for such holding period. When calculating the platform fee per year over a specified holding period (e.g. 20 years), ILAS issuers should take the following steps: a. Calculate the total amount of platform fees (net of bonuses) over 20 years based on the assumptions required under the Guidance Note on Total Policy Charges Illustration Disclosure (the “Standard Assumptions”); and

<table>
<tr><th></th><th>Question</th><th>Answer</th></tr>
<tr><td></td><td></td><td>b. Work out the equivalent fee per year (as a percentage of policy value) for this total platform fee based on the same assumptions.

Set out below is a numerical illustration of the calculation of platform fee per year from the total platform fees (e.g. $350,000) over the holding period of 20 years:

▪ <u>Numerical illustration</u>

<table>
<tr><th>End of month</th><th>Policy value (month end)</th><th>Platform fee per year (% of policy value)</th><th>Platform fee</th></tr>
<tr><td>1</td><td>PV_1</td><td>Y%</td><td>[PV_1 × Y% /12]</td></tr>
<tr><td>2</td><td>PV_2</td><td>Y%</td><td>[PV_2 × Y% /12]</td></tr>
<tr><td>⋮</td><td>⋮</td><td>⋮</td><td>⋮</td></tr>
<tr><td>239</td><td>PV_{239}</td><td>Y%</td><td>[PV_{239} × Y% /12]</td></tr>
<tr><td>240</td><td>PV_{240}</td><td>Y%</td><td>[PV_{240} × Y% /12]</td></tr>
<tr><td colspan="3">Total</td><td>$350,000</td></tr>
</table>
– With the amount of total platform fee given, work back Y = 1.5% p.a. of policy value</td></tr>
<tr><td>3A.</td><td>For a regular premium high protection ILAS categorised as Protection Linked Plan (PLP), can an ILAS issuer charge a higher platform fee (net of bonuses) per year (when compared to its comparable alternative product) in early years? What is the expectation on the platform fee level?</td><td>The SFC adopts a principles-based and holistic approach in the review of the product features of ILAS and, hence, there is no hard benchmark on the platform fee level.

In the context of regular premium PLP, it is noted that advisory and financial services (“Services”) may sometimes be provided by insurance intermediaries at inception to assist investors in planning on long-term life protection and retirement. As such, ILAS issuers may prefer to charge a higher platform fee in early years with a sliding-scale similar to other non-ILAS regular premium high protection insurance products. Such sliding-scale may be acceptable for a regular premium PLP, provided that:

a. higher rates in early policy years should be compensated by more cost savings (i.e. low average platform fee) in the longer term; and

b. the surrender value “breakeven period” should remain not be more than 10 years (as mentioned in Q4 in Section 4 below).</td></tr>
</table>

	Question	Answer
		In addition, the average platform fee in early years is generally expected not to be higher than (i) the highest industry average charge for the Services of other non-ILAS regular premium high protection insurance products (i.e. 2.4% p.a. of the account value currently) or (ii) similar charges of the ILAS issuer's own non-ILAS regular premium high protection insurance products if lower. In this connection, ILAS issuers should provide the charge for the Services of their own non-ILAS regular premium high protection insurance products for reference, where applicable. Set out below are some illustrative examples for regular premium PLP with long premium payment term for reference only:

Scenario	(1) Average platform fee (% p.a. of policy value)			(2) Surrender value breakeven period	
	Holding period: 10 years	Holding period: 15 years	Holding period: 20 years		
A	1.5%	1.5%	1.5%	< 10 years	✓
B	2.0%	1.3%	1.0%	< 10 years	✓
C	2.4%	1.2%	0.9%	< 10 years	✓
D	2.5%	1.9%	1.1%	> 10 years	X
E	3.0%	2.5%	1.5%	> 10 years	X

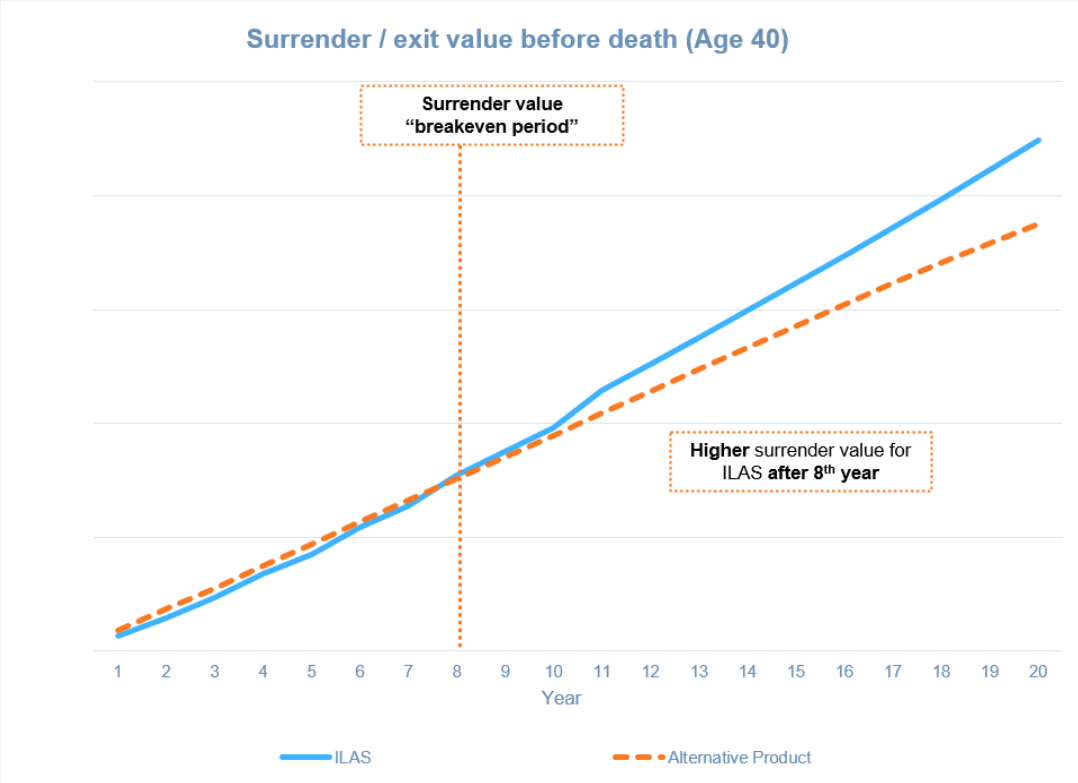
Notes:

✓ **A** – (1) flat-rate platform fees that are comparable with alternative products over the years and (2) surrender value breakeven period ≤ 10 years

✓ **B / C** – (1) cost savings in the longer term to compensate the higher platform fees in early years and (2) surrender value breakeven period ≤ 10 years

X **D / E** – (1) cost savings in the longer term are not substantial to compensate the higher platform fees in early years and (2) surrender value breakeven period > 10 years

	Question	Answer
4.	In respect of surrender charge of high protection ILAS, the Additional ILAS Guidance requires ILAS issuers to assess whether investors will receive a comparable payout if they surrender after holding the product for a reasonable period of time as compared to holding comparable alternative products. Can the SFC provide some guidance as to how such assessment could be conducted?	*Assessment on surrender charge for high protection ILAS* ILAS issuers should conduct a detailed assessment on the surrender charge levied under their ILAS (when compared with other alternative products). This assessment should, at a minimum, include the following items: a. Calculation of the surrender value (i.e. policy value after deducting surrender charge) of the ILAS product over the policy term based on the applicable Standard Assumptions (as defined under Q3 in Section 4 above) for life insured with 4 issue ages (20, 30, 40 and 50); b. Calculation of the exit value of the alternative product (e.g. asset-based fund platform and term life product; see Q1(b) in Section 4 above for guidance on comparable alternative product) based on the same assumptions; c. Comparison of the values under (a) and (b) and identification of the surrender value "breakeven period" where the values under (a) breakeven with the values under (b) (see the graph below for an illustration for issue age of 40); and d. Assessment on whether the surrender charge complies with the relevant principles under the Additional ILAS Guidance with reference to the surrender value "breakeven period" identified in (c) above, and basis of such assessment. Where an ILAS product accepts both single and regular premium payment with various premium payment terms, fee assessment should be conducted for each premium payment option separately. *SFC's expectation on surrender value "breakeven period"* To uphold the principle of comparability with alternative products, it is generally expected that the surrender value "breakeven period" as calculated above should not be more than 10 years in respect of a premium payment term of 20 years. Consideration will be made on a case-by-case basis for ILAS with premium payment term of longer than 20 years.

	Question	Answer
		
4A.	The Additional ILAS Guidance requires surrender charge to be fair and not excessive taking into account comparable alternative products and commensurate with the level of insurance protection offered by the ILAS. Can the SFC provide some guidance on the expected level of surrender charge rates for regular premium high protection	For regular premium ILAS with high insurance protection, it is generally expected that the level of surrender charge is not more than 30% of policy value for the first policy year with a progressively reducing scale. Surrender charge rates higher than this reference rate may be acceptable if the premium payment term of the ILAS is long (e.g. 20 years or longer) or there are justifications to demonstrate additional beneficial product features (e.g. no lapse guarantee) to investors. Nevertheless, having considered the significant impact of surrender charge on investor outcomes (especially in early years), the surrender charge rates are generally expected not to be higher than 40% of policy value for the first policy year. For ILAS that provides low or minimal insurance protection which is more akin to an asset-

	Question	Answer
	ILAS?	based fund platform, it should provide better liquidity to investors given its minimal insurance element. Its surrender charge is generally expected to be low and over a short period in view of the minimal exit charge levied by fund platforms. Applications will be reviewed holistically on a case-by-case basis with reference to the above reference rates.
4B.	When considering the level of fees of a low protection ILAS, other than the requirement on platform fee assessment set out in Q2 in Section 4 above, under what circumstances ILAS issuers are required to provide additional information (e.g. calculation of platform fee per year for holding periods shorter than 10 years, breakeven surrender value assessment)?	As an overarching principle, ILAS issuers should ensure that the fees of their ILAS are fair, proportionate and commensurate with the insurance protection offered by the ILAS (when compared with other alternative products) throughout the whole policy term. All product features should be reviewed in a holistic manner. Generally, platform fee assessments for the three holding periods of 10, 15 and 20 years are sufficient. For low protection ILAS, where there are high upfront charges or high ongoing fees levied in early years, ILAS issuers may be required to provide additional information (e.g. platform fee assessment for early policy years and breakeven surrender value assessment against alternative products) to demonstrate whether (i) there are cost-savings in the long run (e.g. lower platform fee in later years as compared to alternative products) under the ILAS; (ii) these charges/fees are not excessive and will not significantly lower the surrender value of the ILAS in early years; (iii) investors will receive a comparable payout if they surrender the ILAS after holding the product for a reasonable period of time as compared to alternative products; and/or (iv) there are other additional benefits to investors (e.g. no lapse guarantee). In this connection, it is generally expected that the surrender value “breakeven period” of low protection ILAS to be shorter than that expected for high protection ILAS as it is more akin to fund platforms and should provide better liquidity to investors.
5.	Can an ILAS issuer charge a higher fee for an ILAS if additional benefits or features are provided under the ILAS?	Where an ILAS offers additional benefits or features (e.g. capital guarantee), it may justify a higher fee being charged that is commensurate with the additional benefits or features. There should be a separate disclosure and assessment on the additional fee payable (e.g. in respect of a guarantee feature) in respect of each additional benefit or feature to ensure

	Question	Answer
		compliance with the principles under the PD Guidance and the Additional ILAS Guidance. Early consultation with the SFC is encouraged. ILAS issuers are generally expected to conduct separate fee assessments isolating cost of insurance and platform fee given the level of life insurance protection offered by different ILAS.
Complex product features		
6.	Can the SFC give some examples of product features of ILAS that are considered to be unduly complex?	ILAS issuers should determine whether a product feature under ILAS is unduly complex or not based on the factors as set out in the Additional ILAS Guidance. Below is a non-exhaustive list of examples (which will be updated from time to time) of ILAS product features that are considered to be unduly complex. • Multiple account structure (e.g. initial account and accumulation account); • Charges based on committed premiums (e.g. administration charge as a percentage of initial annual premium at policy issuance); • Investment option additional charges[7] (e.g. charges deducted and reflected in the net asset value of an investment option); • Complex fee calculation including multiple variables or complicated formulas based on information not readily available to investors; • Complex bonus calculation and clawback mechanism (e.g. bonus with unnecessary complicated adjustments and conditions); and • Unit allocation for rider premiums.

[7] For the avoidance of doubt, where there is any discount of investment option additional charge (e.g. to reflect rebates received from the manager (or other operators) of the underlying fund in respect of the ILAS issuer's investments under the ILAS), the issuers may continue to offer such benefits under their ILAS by way of discount of other fees or paying bonuses (or other similar features).

	Question	Answer
Review and monitoring		
7.	When should an ILAS issuer conduct its regular review of compliance with the Additional ILAS Guidance in respect of an ILAS? What information is required to be submitted to the SFC by the ILAS issuers after the regular reviews?	In general, an ILAS issuer should conduct its regular review on the ILAS based on the latest comparable alternative products and submit a written confirmation of compliance to the SFC every two years for products that are on offer to the Hong Kong public. For example, where an ILAS is authorized on 1 January 2022, the first regular review should be completed and a confirmation of compliance be submitted to the SFC by 1 January 2024. The SFC may request submission of supporting information and raise follow-up queries where appropriate.
8.	In case there is non-compliance with the Additional ILAS Guidance identified by the ILAS issuers from the outcomes of their ongoing review and monitoring (for example, if a general significant reduction in the fees of comparable products occurs), what should the ILAS issuers do?	ILAS issuers should inform the SFC as soon as practicable and are expected to take appropriate follow-up actions if necessary (e.g. monitoring for 6 to 12 months and if situation persists, they can consider (i) amendments of scheme features such as fee reduction and addition of other benefits or (ii) cessation of offering).
Effective date and transitional arrangement		
9.	In respect of existing SFC-authorized ILAS, what are the transitional arrangements for compliance with the Additional ILAS Guidance effective on 1 November 2021? For any changes of ILAS features and revision of offering documents of existing SFC-authorized ILAS to comply with the enhanced requirements, when should the changes take effect after obtaining the	The Commission will allow a 18-month transition period from the effective date for existing SFC-authorized ILAS to comply with the requirements under the Additional ILAS Guidance. Existing ILAS which will continue to be offered to the public in Hong Kong must comply with the requirements by the expiry of the transition period subject to SFC's right to grant an extension at its sole discretion on a case-by-case basis with valid justifications provided. ILAS issuers who would like to revamp their existing ILAS should submit applications for any scheme change and revision of offering documents to the SFC for prior approval in accordance with the usual requirements for such applications. Existing ILAS with revamped features are expected to take effect as soon as possible before

	Question	Answer
	SFC's approval?	the end of the transition period once the relevant scheme changes have been approved by the SFC. It is generally expected that the changes should take effect no later than 3 months from the date of approval.
10.	Will the enhanced requirements under the Additional ILAS Guidance be applicable to existing SFC-authorized ILAS? Will existing ILAS policies be affected?	Existing ILAS which will continue to be marketed to the public in Hong Kong must comply with the enhanced requirements by the expiry of transition period in Q9 in Section 4 above. All policies entered into before the end of transition period can continue to operate in accordance with the existing policy contracts.
Investment advisory services in respect of ILAS policies		
11.	Policyholders may appoint intermediaries to provide them with service advising on, or choosing or managing, investment options in respect of their ILAS policies (the "Advisory Service"). What are the requirements on the ILAS issuers in connection with the Advisory Service?	In accordance with 4.6 of the ILAS Code, product issuers must ensure their products are designed fairly. In addition, pursuant to 3.6 of the Overarching Principles Section of the Handbook, product issuers, their counterparties and service providers shall avoid being placed in a conflict of interest position that may undermine the interests of the investors in the relevant product. Currently, Advisory Service provided by intermediaries (i.e. insurance brokers) may include (i) advising on selection of investment options available under an ILAS or (ii) discretionary investment management whereby the intermediary will be given full authority by the policyholders to give instructions to the ILAS issuers to (a) switch investment options and/or (b) change premium allocation on behalf of the policyholders. There are concerns that ILAS issuers' involvement in arrangements relating to the Advisory Service will cause confusion to policyholders who may be under the impression that ILAS issuers are engaged in the Advisory Service and that such service forms part of the product features and in turn give rise to actual or perceived benefits and conflicts of interest as product providers. Such arrangements include, for example, introducing the Advisory Service to policyholders when offering the ILAS and subsequently facilitating payments by deducting the relevant service fee to the intermediaries through the policyholders' investment under the ILAS policy. The deduction of fee for the Advisory Service from the ILAS policies will also have potentially significant implications to the return on investment and benefits under the ILAS policies which will add further complexity from an investor point of view.

	Question	Answer
		Given that the provision of Advisory Service is not a part of the ILAS product features, the ILAS offering documents should not contain disclosures relating to such service, the related service fee and its payment arrangements. Accordingly, to safeguard the interests of the investing public, issuers of new ILAS authorized under the enhanced requirements in the Additional ILAS Guidance will be required to refrain from engaging in any of the following arrangements in relation to their ILAS: i. providing any service advising on, or choosing or managing, investment options available under the ILAS to any Hong Kong investors (i.e. the Advisory Service) for a fee or other remuneration; ii. introducing, promoting or recommending any Advisory Service provided by any intermediary; and iii. deducting any fees for such Advisory Service payable to any intermediary from the ILAS policies.
12.	ILAS issuers may provide certain ancillary services to their policyholders from time to time such as provision of performance information of investment options and optional de-risking investment arrangements under PLP. Are these services regarded as Advisory Service as defined under Q11 in Section 4 above? Can the SFC provide some examples or guidance on that?	Ancillary service provided by ILAS issuers to policyholders would not generally be regarded as Advisory Service if it only provides general non-personalized information without giving any advice or comment relating to specific investment options or the corresponding underlying funds. The following are non-exhaustive list of examples (which will be updated from time to time) that do not generally be regarded as Advisory Service: i. Provision of non-product-specific information such as market news or updates, industry and sector trends, and education materials; ii. Provision of lists of investment options or corresponding underlying funds that are selected using objective criteria (e.g. performance information, risk categories, research data); iii. Provision of factual information such as offering documents, notices to investors, fact sheets and performance information of the investment options or the corresponding

	Question	Answer
		underlying funds issued by ILAS issuers or the underlying fund managers; iv. Provision of objective filters for self-directed research on investment options or corresponding underlying funds (e.g. geographical location, underlying assets, performance information, risk categories and third party or in-house risk ratings); and v. Provision of opt-in investment arrangements to facilitate de-risking of investors that involve pre-set investment option selection based on matching of risk levels or other factual information as part of ILAS product features. The above examples are non-exhaustive and for illustration only. ILAS issuers should consider their own circumstances having regard to all applicable regulatory requirements.

Last update: 28 October 2026