

A. Background

The Guidelines on Online Distribution and Advisory Platforms will become effective on 6 July 2019 (3-

B. Application of the Code of Conduct on the sale of complex products

Paragraph 5.2 of the Code of Conduct

- When a solicitation or recommendation is involved, an intermediary should comply with paragraph 5.2 of the Code of Conduct regardless of whether the product is complex or non-complex
- The FAQs on Compliance with Suitability Obligations by Licensed or Registered Persons (FAQs) require an intermediary to provide all relevant material information to clients and help them make informed investment decisions, for example:
 - providing client with up-to-date prospectuses or offering circulars and other up-to-date documents relevant to the investments
 - explaining the nature and extent of risks the investment products bear
 - presenting balanced views
 - drawing client's attention to the disadvantages and downside risks

C. Definition of a complex product

Code of Conduct for Persons Licensed by or Registered with the SFC ("Code of Conduct")

Paragraph 5.5 of the Code of Conduct

- Same definition as paragraph 6.1 of the Guidelines
- A licensed or registered person should refer to the guidance (eg, guidelines and FAQs)

D. Determining whether a product is complex or non-complex

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Consider:

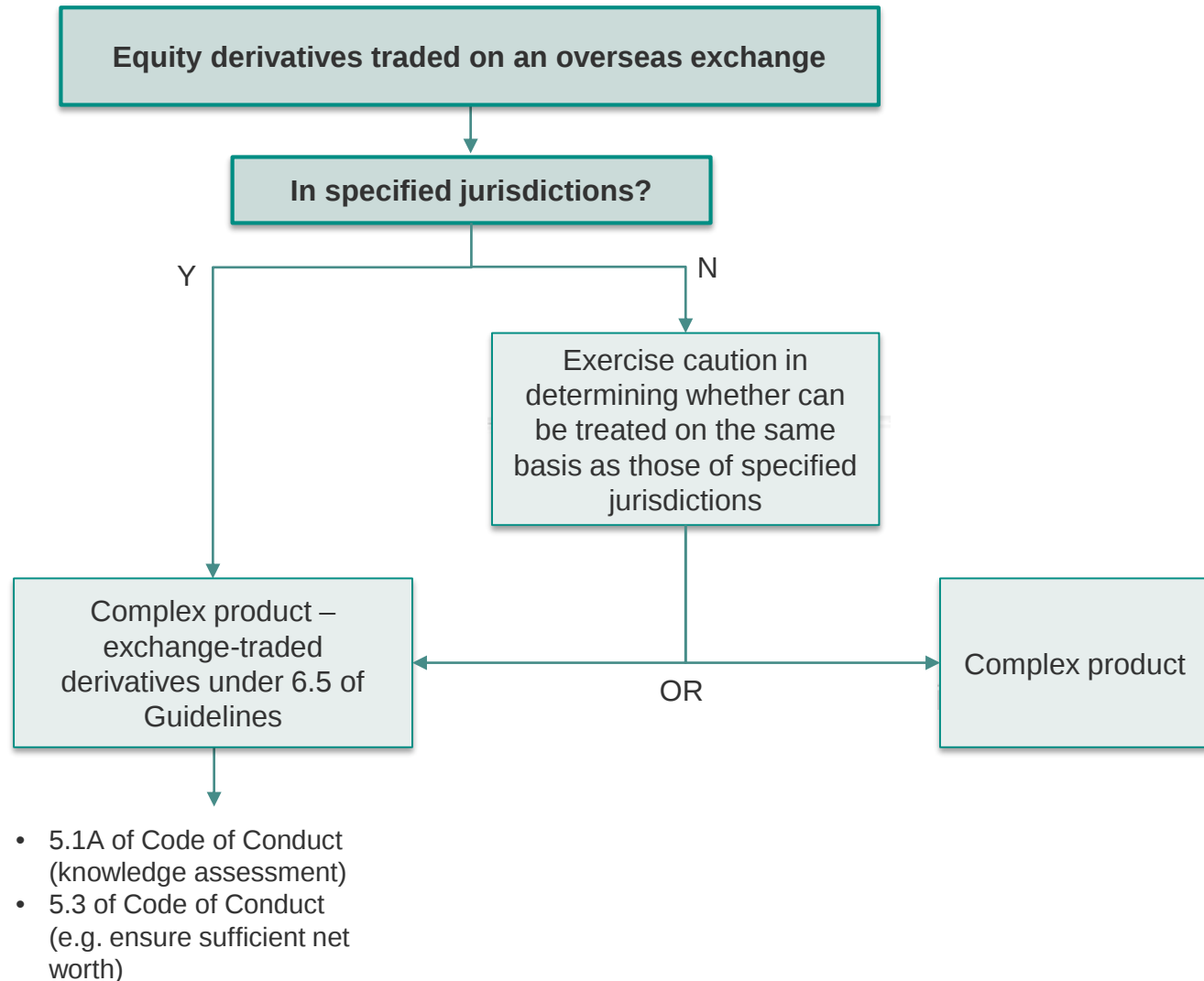
- (3) Regulated in or traded on an exchange in a specified jurisdiction (for both unlisted and listed investment products)

An intermediary should determine whether a product may be treated as non-complex or complex with due skill, care and diligence

For unauthorized funds – should consider, among others, the structure and strategy of the fund and

E. Examples

E. Examples – (2) Equity derivatives traded on an overseas exchange



E. Examples – (3) Bonds

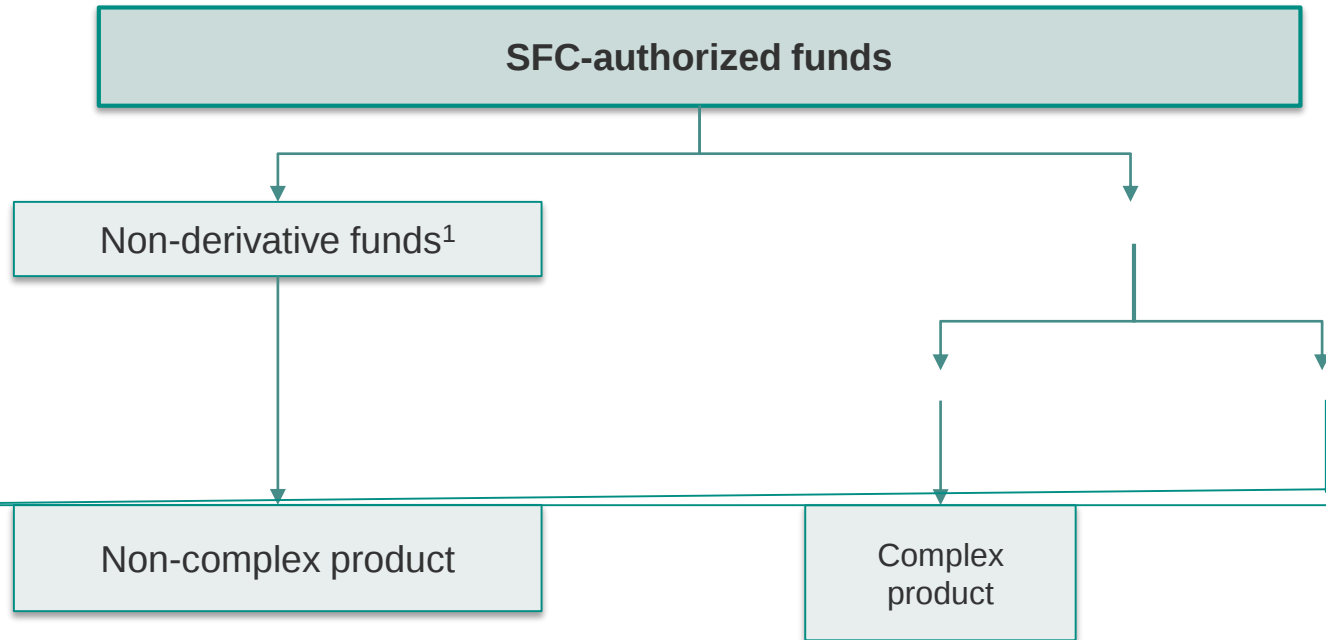
Bonds

Complex bond

Special features:

- perpetual or subordinated bonds
- bonds with variable or deferred interest payment terms,

E. Examples – (4) SFC-authorized funds



F. Reference materials

Please refer to the “Suitability” webpage

<https://www.sfc.hk/web/EN/rules-and-standards/suitability-requirement/non-complex-and-complex-products/>

- FAQs
- List of specified jurisdictions
- List of non-exhaustive examples of complex and non-complex products
- Training Pi-

F. Reference materials

List of Derivative and non-Derivative authorised funds

<https://www.sfc.hk/web/EN/regulatory-functions/products/list-of-publicly-offered-investment-products/>

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A large, stylized teal bird graphic, possibly a phoenix, is positioned on the left side of the slide. The bird is depicted in profile, facing right, with its wings spread wide. The design is composed of several overlapping, curved shapes that create a sense of movement and form. The color is a solid teal or light blue-green.

Thank you.

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