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# REGULATORY NEWSLETTER

2021 Vol.5



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## **Row, row the dragon boat, gently down the stream When you see the crypto flows, don't forget to scream**

2021's half-year mark upcoming in a heartbeat, as Hong Kong is finally experiencing a significant reduction in new Coronavirus cases.

As Friedrich Nietzsche said "Generally speaking, Compliance makes man hard and cold, it concentrates; it sharpens the feeling of alienation; it strengthens the power of resistance" Trust us, we hate compliance as much as you do! Jokes aside, we wholeheartedly understand the cumbersome practices are driving fellow financial elites crazy, yet these are the rules of the game we all play. Grab a beer, live the midmonth long-weekend and come back stronger.

Cheers from ComplianceDirect Team.

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## REGULATORY UPDATES

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### **"Conduct in Focus" – Second issue**

**17 May 2021**

The second issue of Conduct in Focus has been published by the IA and available on the IA's website.

[https://www.ia.org.hk/en/infocenter/files/Conduct\\_In\\_Focus\\_English\\_Issue2.pdf](https://www.ia.org.hk/en/infocenter/files/Conduct_In_Focus_English_Issue2.pdf)

Conduct in Focus is a periodical publication which presents statistics and commentary on complaints received by the IA and examines topical regulatory issues regarding the way in which insurance

business is conducted. The IA also include a new section called “Policyholder Corner” to provide insights to the insurance-buying public on lessons to be learned from the complaints and regulatory issues they see.

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## **Guideline on Group Supervision (GL32)**

**17 May 2021**

The legislative amendments on the group-wide supervision framework became effective on 29 March 2021. Pursuant to the new section 95C of the Insurance Ordinance (Cap.41), the IA may designate an insurance holding company within an insurance group as a designated insurance holding company. Upon designation, the DIHC will be subject to direct regulatory powers exercisable by the IA under the GWS legislative framework.

The GL32 sets out the principles and standards for DIHC in respect of their supervised groups on a wide range of areas including enterprise risk management, corporate governance, capital requirements and public disclosure.

The GL32 came into effect on 14 May 2021 and please see below the link to the guideline.

[https://www.ia.org.hk/en/legislative\\_framework/files/GL32\\_En.pdf](https://www.ia.org.hk/en/legislative_framework/files/GL32_En.pdf)

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## **Extension of Phase 2 of the temporary facilitative measures to tackle the outbreak of COVID-19**

**27 May 2021**

The temporary facilitative measures to obviate the need to conduct face-to-face meetings in order to minimize the risk of infection during the sale process of insurance policies, the Insurance Authority sees the need to extend it in view of the current pandemic situation.

Scope of products covered Phase 2 of the TFM will cover the following types of products

- (i) Qualifying Deferred Annuity Policy (“QDAP”)
- (ii) Voluntary Health Insurance Scheme (“VHIS”)
- (iii) Term insurance policies

(iv) Refundable insurance policies without substantial savings component, or renewable insurance policies without cash value, that provide insurance protection (e.g. hospital cash, medical, critical illness, personal accident, disability or long-term care cover)

Please click the following link for implementation details set in March 2020.

[https://www.ia.org.hk/en/legislative\\_framework/circulars/reg\\_matters/files/Circular\\_27032020.pdf](https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_27032020.pdf)

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## ENFORCEMENT NEWS

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### **IA takes its first disciplinary actions against two broker companies for regulatory breaches**

The IA has taken its first disciplinary actions against two licensed insurance broker companies. The disciplinary actions involve the failure by the broker companies to submit their audited financial statements and auditor's reports (collectively as the "Financial Documents") within six months following the end of their respective financial years. Both companies have been fined and once of them has had its license suspended.

Under the new regulatory regime in force since 23 September 2019, it remains a fundamental responsibility for every licensed insurance broker company to provide its Financial Documents to the IA within 6 months after the end of each financial year. These Financial Documents provide important information on a broker company's financial status and compliance with key regulatory requirements and serve as an essential regulatory mechanism for ensuring that policy holder interests are safeguarded.

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