
REGULATORY NEWSLETTER

2023 Vol.4



With almost of the Covid-19 restrictions has been lifted, we would like to have glorious sunshine during the long-awaited holidays, yet the continuous rain will be set in these days.

"Good rain is coming to our delight. Its early-spring timing is perfectly right. With wind it drifts in all through the night. Silently it's drenching everything in sight." Du Fu praised the spring rain with a heart full of joy. "April" is derived from the Latin word "aperire", meaning "to open", which may refer to the starting of plant growth in spring. Therefore, April is the most beautiful time of the seasons.

Easter commemorates the resurrection of Jesus from the dead, and it represents love, giving and sacrifice. The joy of this holiday is not just about celebrating and entertainment, it is the deepest joy in life, one that is no longer lonely.

May you enjoy love and hope during the Easter holiday, amidst the spring rain when the trees and flowers are blooming.

REGULATORY UPDATES

Launch of Enforcement Correspondence platform on Insurance Intermediaries Connect and FAQs on how to handle disciplinary proceedings under the Penalty Framework for Non-compliance with Continuing Professional Development ("CPD") Requirements

7 Mar 2023

The Insurance Authority ("IA") is currently disciplining the non-compliances for the Combined Assessment Period 2019/21 and will shortly be issuing the first batch Notice of Proposed Disciplinary Actions ("NPDAs") for the Assessment Period 2021/2022. These cases are voluminous. In order to bring a high degree of operational efficiency, fairness and transparency to the disciplinary process of these non-compliances, the IA introduced the following:

Launch of the "Enforcement Correspondence Platform"

The IA launched the Enforcement Correspondence Platform on the Insurance Intermediaries Connect (“IIC”).

The Enforcement Correspondence Platform serves as an additional medium through which the IA can communicate with licensed insurance intermediaries on enforcement matters. Individual licensees who are subject to disciplinary proceedings or investigations, in relation to CPD noncompliance, will receive (i) an email attaching the requisite NPDA or notice of investigation and (ii) an automated email notification generated by the IIC. Both e-mails will direct the individual licensee to the Enforcement Correspondence Platform on IIC, where he or she will also be able to view the notice and respond to the notice and monitor the progress of the disciplinary proceedings and/or investigation. Individual licensees can elect to respond via the Enforcement Correspondence Platform on IIC or by email or by post.

The IA uploaded a [User Guide](#) and [Demonstration Video](#) onto the IA website, to provide detailed information on how to use the Enforcement Correspondence Platform in IIC.

FAQs on how to handle disciplinary proceedings under the Penalty Framework for Noncompliance with Continuing Professional Development (“CPD”) Requirements

The IA issued a set of Frequently Asked Questions (“FAQs”) (See the attached circular P.3-6) and accompanying answers, which address the common questions we have received regarding the disciplinary process against individual licensees for non-compliance with the CPD requirements. The FAQs can also be downloaded from the IA website in both English and Chinese.

[View Circular](#)

New Enrollments for E-CPD Courses on Ethical Business Practices

10 Mar 2023

On 29 December 2021, the IA launched two e-CPD courses on ethical business practices for licensed insurance agents and licensed insurance brokers. These courses (each worth 3 CPD hours and qualifying for the 3 compulsory hours on “Ethics or Regulations”) were offered free-of-charge and were fully subscribed shortly after they were announced. Over 6,000 individual licensees successfully completed the courses within the time frame provided.

In view of their popularity and to facilitate fulfillment of the CPD requirements for the Assessment Period 2022/2023, IA is offering another round of free enrollments for both e-CPD courses.

Individual licensees interested in enrolling for these courses can register by opening an account in IA’s e-learning system (<https://iahk.knowledgeplatform.com/>) starting from 10:00am on 14 March 2023. A total of 3,000 enrollments will be made available this round on a first-come-first-served basis. Individual licensees who previously completed the courses by 31 July 2022 are also eligible, if they wish to enroll for the same courses this time (to keep their knowledge fresh and up to date).

The IA is currently developing a third e-CPD course on Anti-Money Laundering (worth 2 CPD hours).

The IA expects to roll this out for the Assessment Period 2023/2024. Individual licensees who have successfully registered accounts in this round of enrollments will be well positioned to subscribe to IA's new e-CPD course when the time comes.

As before, to ensure fairness, once a participant enrolls for a course, he or she will need to complete the course within one month, otherwise the course will be made available to another individual licensee.

Click [here](#) for the details of the two e-CPD courses.

[View Circular](#)

ENFORCEMENT NEWS

IA reprimanded and fined broker companies \$190,000 for failure to keep separate client accounts and maintain proper books and records

30 March 2023

The IA reprimanded Convoy Financial Services Limited and Convoy Financial Solutions Limited (collectively the Companies) and has ordered each pay a fine of \$95,000 (total \$190,000) for failing to keep separate client accounts and maintain proper books and records.

The disciplinary actions followed an investigation by the IA which discovered that during the period from January 2018 to July 2020:

- Convoy Financial Services Limited paid \$1,870,060.40 of its client monies into the client account of Convoy Financial Solutions Limited;
- Convoy Financial Solutions Services Limited paid \$100,974.76 of its client monies into the client account of Convoy Financial Services Limited; and
- The Companies failed to keep sufficient and proper accounting and other records to reflect that their client monies had been kept in their respective client accounts in a manner that would enable an audit to be properly carried out.

These failures resulted in the Companies contravening the prevailing regulatory requirements in relation to the maintenance of separate client accounts and the keeping of proper books and records applicable to insurance broker companies.

The regulatory requirements in relation to client accounts and the maintenance of proper books and records are fundamental and imperative policyholder protection measures. Insurance broker companies act as the agents of, and owe fiduciary duties to the policyholders they serve. When a broker company collects and holds monies on behalf of its clients, it holds those monies on trust. The client account requirements in the insurance regulatory framework reinforce this by requiring client monies to be kept in a separate client account. This serves to ring-fence client monies from the broker

company's own assets and ensures that client monies can be easily identified and reserved only for clients. The record keeping requirements complement this by seeking to ensure that a broker company's accounting records reflect that the client monies it receives are paid into its client account (and that only client monies are held in the client account). The IA adopts a zero-tolerance policy against contraventions of these requirements and will not hesitate to take proportionate action against any contravention of the said policyholder protection requirements.

The IA acknowledged the Companies' cooperation in accepting the disciplinary actions which resulted in prompt resolution of this matter and in having remediated the issues.

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ComplianceDirect Consulting Limited

Address: Unit 2, 10/F, Cheong K. Building, 84 & 86 Des Voeux Road Central, Central, Hong Kong

Phone: 2606 1800

Website: www.compliancedirecthk.com
