

# REGULATORY NEWSLETTER



2022 Vol.1



## Happy New Year!

As we step into 2022, ComplianceDirect will invariably put great effort into providing you with professional consultation and compliance advice, like we always do. On that note, apart from the heartwarming, positive and lovely greetings, wishes and messages we all have been sharing among each other, how could we embrace this new year without Regulatory Updates from the IA which you can share with your friends, co-workers and compliance buddies to celebrate the new beginnings, virtually!

## REGULATORY UPDATES

### **CPD Penalty Framework and CPD Compliance Reporting Merged CPD assessment period – 23 SEP 19 to 31 JUL 21**

10 Dec 2021

Refer to the circular dated 23 July 2021, the Insurance Authority (“IA”) published the Penalty Framework for Non-Compliance with Continuing Professional Development (“CPD”) Requirements (“CPD Penalty Framework”). This outlined the disciplinary actions the IA would impose for non-compliances related to CPD requirements for the merged assessment period from 23 SEP 19 to 31 JUL 21.

In accordance with the Framework, individual licensees with an appointing principal must report that they have made good their shortfall to their appointing principal by 7 JAN 22. Appointed principals are required to submit a list to the IA by 21 JAN 22, detailing the updated position of these individual licenses together with the relevant supporting documents. The list with the supporting documents should be submitted by email to [cpdreporting@ia.org.hk](mailto:cpdreporting@ia.org.hk).

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## **E-CPD Courses on ethical business practices for licensed insurance intermediaries provided by the Insurance Authority ("IA")**

29 Dec 2021

The IA announced the launch of two e-CPD courses designed by the IA on ethical business practices, one for licensed insurance agents and one for licensed insurance brokers. Each course is worth 3 CPD hours and will satisfy the minimum requirement under the topic of "Ethics or Regulation" which individual licenses are required to complete.

Individual licensees interested in enrolling for the courses can register by IA e-learning system (<https://iahk.knowledgeplatform.com/>) starting from 31 DEC 21. First 4,000 enrollments will be free-of-charge. Participant who enrolled for a course will need to complete the course within one month.

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## **Mystery Shopping Programme on Selling Practices in respect of Qualifying Deferred Annuity Policies and Tax-deductible Voluntary Contributions in Hong Kong**

29 Dec 2021

The Insurance Authority ("IA"), the Mandatory Provident Fund Schemes Authority ("MPFA") and the Hong Kong Monetary Authority ("HKMA") jointly issued a circular on 29 DEC 21, announcing a joint mystery shopping programme ("MSP") for understanding the selling practices of intermediaries in respect of deductible products, namely Qualifying Deferred Annuity Policies ("QDAP") and Mandatory Provident Fund ("MPF") Tax – Deductible Voluntary Contributions ("TVC") in Hong Kong.

The Government has introduced tax deductions to encourage taxpayers to purchase QDAP and make TVC for their retirement savings since the Assessment Year 2019-20. The three financial regulators would like to better understand the selling practices through the MSP. The MSP findings will be used to complement the policies and regulatory work of the three regulators and assess the extent to which relevant statutory and regulatory objectives are met. Intermediaries who are regulatees of the IA, MPFA and HKMA (as the case may be) which engage in selling or promoting QDAP and TVC in Hong Kong will be the subjects of this MSP.

The MSP is expected to commence in JAN 22. Depending on the findings, the three financial regulators will share any industry-wide issues and good practices identified through the MSP with the industry as appropriate.

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## **Study Notes for Insurance Intermediaries Qualifying Examination (“HQE”)**

**30 Dec 2021**

Insurance Authority has published the Study Notes for the Principles and Practice of Insurance Examination (2021 Edition) and the Study Notes for the Travel Insurance Agents Examination (2021 Edition)

The new edition of the Study Notes are now available [here](#).

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## **Prescribed Scenarios for Long Term Insurance Business in relation to GL21**

**24 Dec 2021**

The Prescribes Scenarios for Long Term Insurance Business (“Prescribed Scenarios”) in relation to Guideline on Enterprise Risk Management (“GL21”) has been updated on 24 DEC 21 (See [Appendix](#))

The Insurance Authority (“IA”) issued the requirement in respect of the Prescribed Scenarios for the first Own Risk and Solvency Assessment (“ORSA”) Report in JAN 21. The IA has reviewed the Prescribed Scenarios for the purpose of achieving our supervisory objectives and reviewed a new set of Prescribed Scenarios for subsequent ORSA Reports, i.e. for the financial year ended 31 December 2021 and onwards until next revision.

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## **Insurance Authority formalises the green light process for assessment of Investment-Linked Assurance Scheme (“ILAS”) products and ushers in Protection Linked Plans**

**28 Dec 2021**

The Insurance Authority (“IA”) issued a note to formalise the green light process for assessment on Investment-Linked Assurance Scheme (“ILAS”) product, whilst ushering in Protection Linked Plans (“PLP”), a new category of ILAS with embedded high level of insurance protection

The note builds on Guideline on Underwriting Class C Business (“GL15”) and provides further information on the requirements relating to product design and information disclosure, etc. with particular attention to ILAS with high level of insurance protection<sup>1</sup>, whilst complementing the additional guidance and enhanced authorization process in relation to ILAS products

introduced by the Securities and Futures Commission (“SFC”) in November 2021. Under the enhanced mechanism, once an insurer has obtained the green light from the IA, it may then submit its application to SFC for authorization.

Besides, the IA has updated the Interpretation Notes of the Guideline on Sale of Investment-Linked Assurance Scheme Products (GL26) to set out the features of PLP in greater details. As a result of in-depth consultations and communication with the industry, it is also agreed that PLP should offer at least one investment choice linked to an SFC-authorized Environmental, Social and Governance (“ESG”) fund to policy holders.

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## ENFORCEMENT NEWS

### Insurance Authority (“IA”) fines a broker company and suspends its license for regulatory breaches

22 Dec 2021

The IA fined a licensed insurance broker company and suspended its license on 22 DEC 21 for failing to submit its audited financial statements and auditor’s report within six months following the end of its financial year.

Under the new regulatory regime (in force since 23 September 2019), if a licensed insurance broker company fails to submit its audited financial statements and auditor’s report within six months after the end of each financial year, the IA can prosecute it for an offence under the Ordinance. If found guilty of such offence, the broker company will be liable for a fine at level 62, and in the case of a continuing offence, to a further fine of HK\$500 for each day during which the offence continues. Further, such offence will be a matter of public record and may adversely impact the fitness and properness of the broker company to continue to be licensed.

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