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# REGULATORY NEWSLETTER

2023 Vol.9



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## Happy Mid-Autumn Festival!

Wishing you a long life to share the graceful moonlight, though thousands of miles apart.

The Mooncake Festival is around the corner and we take this auspicious opportunity to wish you all and your family prosperity, good health and may the shine of the full moon bring you tranquility and may our wishes come true!

ComplianceDirect wishes everyone a happy and prosperous Mid-Autumn Festival!

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## REGULATORY UPDATES

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### New Roadmap to Promote Fintech Adoption in Financial Services Sector

25 Aug 2023

The Insurance Authority ("IA") are pleased to announce that a new Fintech Promotion Roadmap ("the Roadmap") was jointly released by the Hong Kong Monetary Authority ("HKMA"), Securities and Futures Commission ("SFC") and the IA today, aiming to accelerate the growth of Fintech adoption in the financial services sector. The Roadmap outlines the key initiatives to be rolled out over the next 12 months and provides practical recommendations for the different phases of Fintech adoption, from sourcing to implementation. These initiatives, including (i) the establishment of a new "Fintech Knowledge Hub"; (ii) the holding of regular Fintech showcase events and roundtables; (iii) the delivery of interactive seminars and training sessions; and (iv) the publication of practical guidelines and promotional videos, will provide a great opportunity for financial institutions to share practical insights, exchange innovative ideas across sectors and grow their Fintech networks. Please find enclosed a copy of the joint circular with the new Roadmap for details. The IA recognize the importance of industry involvement in realizing the full potential of the Roadmap and would encourage your company to actively engage in the forthcoming Fintech promotion initiatives and to fully embrace the opportunities

for more dynamic Fintech knowledge sharing.

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## Enforcement NEWS

### **Enforcement collaboration between IA and HKMA - Insurance Authority bans Chan Ka Hey for six months for fabrication of a client's direct debit authorization form for premium payment**

**15 August 2023**

The IA has taken disciplinary action against Mr Chan Ka Hey (Mr Chan), a former technical representative (agent) of an authorized institution, by prohibiting him from applying to be licensed for six months, on the grounds of him not being fit and proper. The disciplinary action is decided based on all relevant information, including the information gathered by the HKMA in its investigation under the Banking Ordinance (Cap. 155) into Mr Chan's conduct.

The HKMA's investigation found that in June 2018, Mr Chan had received a signed direct debit authorization (DDA) form from a client based overseas requiring a direct debit to be set up to settle premium payments under an insurance policy. Mr Chan found that client signature on one of the signature pages of the DDA form was missing. Mr Chan therefore fabricated a new DDA form by cutting out the client's signature from the signed DDA form and pasting the client's signature onto the two signature pages of a blank DDA form. He then photocopied the newly created signature pages and incorporated them as part of a new DDA form which he completed himself. Mr Chan proceeded to submit the fabricated DDA form to the insurer for processing in July 2018 in an attempt to deceive the insurer and his then employing bank that the fabricated DDA form was signed by the client. All of this was done without the client's knowledge or consent.

The IA has taken into account the HKMA's investigation findings and noted Mr Chan's explanation that he failed to set up the direct debit within the one-month validity period of the DDA form signed by the client, after which the form was invalid. The IA is of the opinion that Mr Chan's conduct was clearly unethical, demonstrated a serious lack of integrity and rendered him not fit and proper to be a technical representative (agent) during the period in which he was serving in that capacity. Disciplinary action was therefore merited and necessary. In deciding the disciplinary sanction to be imposed under section 81 of the Insurance Ordinance (Cap. 41), the IA weighed all relevant circumstances in balance, including that:

- Mr Chan committed only a single act of copying, pasting and photocopying the client's signature;
- Mr Chan did not obtain any pecuniary advantage;
- Mr Chan admitted to his misconduct;
- Mr Chan's otherwise clean disciplinary record; and
- the need to send a message to deter similar conduct.

Mr Peter Gregoire, Head of Market Conduct of the IA, said, "The correct, honest and ethical course of action would have been for Mr Chan, on discovering his original mistake, to have asked the client to re-sign and complete the form again. Whilst this may have involved some embarrassment in admitting an error, this would have been the right thing to do. Integrity involves doing the right thing, despite the fact that this may be difficult. The IA stands shoulder-to-shoulder with the HKMA on the need to ensure robust ethical standards are followed across the financial services industry and looks forward to continuing close cooperation on enforcement cases going forward."

Ms Carmen Chu, Executive Director (Enforcement and AML) of the HKMA, said, "This action is the result of effective enforcement collaboration between the HKMA and the IA to deter improper

behaviour and to send a coherent message to the financial services industry. Regulated persons should observe a high standard of integrity and professionalism in carrying out their duties, which is vital to maintaining client confidence. The HKMA will continue to work closely with the IA on enforcement cases to uphold proper standards of conduct.”

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