



Hong Kong Regulatory Update – SFC Updates FAQs for Corporate Professional Investor Assessment (September 2020)

On 8 September 2020, the Securities and Futures Commission (SFC) announced in a circular that it has updated question 2 of the Frequently Asked Questions (FAQ) on Corporate Professional Investor (CPI) Assessments. A critical element in this CPI assessment process is to ensure that the CPI has in place an appropriate corporate structure which includes having a clearly defined investment process and controls. These allow the CPI to make informed investment decisions and manage the risks involved when managing a sophisticated investment portfolio.

Update to FAQ

In order to provide clarity as to what is deemed an appropriate corporate structure and suitable investment process and controls for a company to be assessed as a CPI, the SFC has included the following examples in the update made to Q2 of the FAQs:

- a) A company with an in-house function comprising of suitably qualified professionals responsible for the investment strategy and process;
- b) A company with a designated investment committee comprising of suitably qualified professionals responsible for the investment strategy and process;
- c) A company which has engaged an external investment advisory team comprising of suitably qualified professionals responsible for the investment strategy and process;
- d) A company that relies on investment strategies, advice, and recommendations provided by a related corporation that satisfies point a, b or c as above;
- e) A company that is established for the benefit of an individual or a set of individuals (a family office) and relies on suitably qualified professionals to make investment decisions on behalf of the entity, or to advise on investment decisions when the professionals are responsible for the investment strategy and process of the CPI.

The updates are particularly useful when assessing CPI's that are investment vehicles owned by family trusts or family offices where they engage investment professionals to manage their assets.

During an inspection the SFC will pay particular focus to how a licensed corporation assesses the professional investor status of its clients. Not only is it important that as a licensed corporation you have in place well established policies and procedures to identify the type of PI you are dealing with, but it is particularly important to ensure that you have on file the required documentary evidence to confirm the PI status of each client.

How we can help

To ensure continued compliance with the professional investor rules and regulations, ComplianceAsia's dedicated projects team can assist you with the following services:

- Undertake a full Professional Investor Assessment of your Clients;
- Review and update your Professional Investor Compliance Policies and Procedures;
- Provide PI assessment forms for Institutional, Corporate and Individual PIs;
- Assist with the annual Corporate and Individual PI confirmation exercise; and
- Provide additional training and support for all PI related requirements.



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About ComplianceAsia

ComplianceAsia is the longest established compliance consulting firm in Asia Pacific established in 2003 with key offices in Hong Kong, Singapore, Shanghai and Tokyo. We have an unmatched track record of completing complex compliance consulting projects for financial firms in the APAC region.

With over 70 staff, including compliance experts with experience in dealing with the SFC, HKMA, MAS, CSRC, JFSA and Asian exchanges, we provide independent, unbiased advice on Asian financial industry legislation and regulations. Our international client base consists of asset managers, hedge funds, private equity funds, family offices, broker-dealers, insurers, wealth managers and investment banks.

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