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To: Chief Executives of all authorized insurers carrying on long term insurance business, Responsible Officers of all licensed insurance broker companies and licensed insurance agencies carrying on long term insurance business, Chief Executives of all authorized institutions, Responsible Officers of all MPF principal intermediaries

Dear Sirs,

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

The Insurance Authority (IA), the Mandatory Provident Fund Schemes Authority (MPFA) and the Hong Kong Monetary Authority (HKMA) (together the Regulators) will jointly institute a mystery shopping programme (“MSP”) to assist them in understanding the selling practices of intermediaries¹ in respect of Qualifying Deferred Annuity Policies (QDAP) and Tax-deductible Voluntary Contributions (TVC) in Hong Kong. The MSP will be used to complement the policies and regulatory work of the 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 subject of this MSP.

A service provider has been engaged to undertake the MSP. The service provider will recruit and provide training to mystery shoppers who will pose as potential customers of QDAP and/or TVC with various attributes, for example, age, educational background, risk profiles, etc. The Regulators will use the feedback obtained from the MSP to assess the extent of intermediaries’ compliance with the relevant regulatory requirements, including those relating to customer risk profiling, financial needs analysis (as applicable to QDAP), suitability of recommendations, and product and risk disclosure. To facilitate an objective review and assessment of the MSP findings, the service provider will ask the mystery shoppers to audio-record their physical or virtual meetings, with staff members of the intermediaries. The service provider will be required to implement appropriate control measures to properly handle the personal data collected.

¹ “Intermediaries” refers to-

- (a) licensed insurance intermediaries as defined in section 2(1) of the Insurance Ordinance;
- (b) registered intermediaries as defined in section 2(1) of the Mandatory Provident Fund Schemes Ordinance; and
- (c) authorized institutions as defined in section 2(1) of the Banking Ordinance.

The MSP is expected to commence in January 2022. Depending on the findings, certain cases may necessitate follow-up action with the intermediaries concerned. Any industry-wide issues and good practices identified through the MSP may be shared with the industry as appropriate. Intermediaries are required to communicate to their relevant staff the contents of this circular.

Should you have any queries regarding the contents of this circular, please contact:

- (a) Ms Fion Chan of the Long Term Business Division of the IA at 3899 9942;
- (b) Mr Peter Lee of the Supervision Division of the MPFA at 2292 1267; or
- (c) Mr Calvin To of the Banking Conduct Department of the HKMA at 2878 8334.

Yours faithfully,

Carol Hui
Executive Director
Long Term Business Division
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Leo Chu
Chief Operating Officer and
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Mandatory Provident Fund
Schemes Authority

Alan Au
Executive Director
Banking Conduct Department
Hong Kong Monetary Authority

c.c. The Hong Kong Federation of Insurers
Professional Insurance Brokers Association
The Hong Kong Confederation of Insurance Brokers