

Regulators join hands to launch a mystery shopping programme on selling practices of Qualifying Deferred Annuity Policies and Tax-Deductible Voluntary Contributions

The following is issued on behalf of the Hong Kong Monetary Authority:

The following press release is issued jointly by the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Hong Kong Monetary Authority:

The Insurance Authority (IA), the Mandatory Provident Fund Schemes Authority (MPFA) and the Hong Kong Monetary Authority (HKMA) today (December 29) issued a [circular](#) announcing a joint mystery shopping programme (MSP) for understanding the selling practices of intermediaries (Note) in respect of two tax-deductible products, namely Qualifying Deferred Annuity Policies (QDAP) and Mandatory Provident Fund (MPF) Tax-Deductible Voluntary Contributions (TVC) in Hong Kong. This exercise is the first of its kind jointly conducted by the three financial regulators.

Since the Assessment Year 2019-20, the Government has introduced tax deductions under salaries tax and personal assessment to encourage taxpayers to purchase QDAP or make TVC for their retirement savings. As intermediaries play a significant role in assisting taxpayers in making the choice of QDAP and TVC, the three financial regulators would like to better understand their 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.

"Policy holders rely on QDAP as an integral part of their retirement planning. We must ensure that policy holders are treated fairly and that the sale of QDAP complies with applicable regulatory requirements, including customer risk profiling, financial needs analysis, suitability of recommendations, and product and risk disclosure," said Ms Carol Hui, Executive Director, Long Term Business of the IA.

"The MPFA encourages MPF scheme members to make voluntary contributions in addition to mandatory contributions to increase their retirement savings. As the number of TVC accounts and contribution inflow have been increasing significantly, the MSP will provide invaluable reference for the regulators to supervise the intermediaries with a view to improving their marketing and

selling practices of TVC," said Mr Leo Chu, Chief Operating Officer and Executive Director of the MPFA.

"The MSP will assist the regulators to understand the selling practices of intermediaries and to identify good practices and areas for improvement. This joint exercise also demonstrates the collaborative effort of the regulators in promoting sound culture of the financial industry in treating their customers fairly." said Mr Alan Au, Executive Director (Banking Conduct) of the HKMA.

The MSP is expected to commence in January 2022. 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.

Note: "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.