

Hong Kong's Remuneration Disclosure Confusion

One of the primary reasons that the Independent Financial Advisors Association was formed was to encourage market convergence and minimize product and regulatory arbitrage. So the IFAA looks upon the financial services industry with a certain amount of bemusement at the situation that now exists on the stances adopted on remuneration disclosure amongst the various 'regulatory' bodies within Hong Kong.

Firstly, we have the Securities and Futures Commission, through the September 2009 consultation paper on Investor Protection, in all likelihood, about to introduce **compulsory remuneration disclosure** for products under their jurisdiction (with Investment Linked Life Assurance products presumably to be carved out).

Secondly, we have the Hong Kong Confederation of Insurance Brokers [CIB], in their 9 December 2009 letter entitled "Disclosure of and Consent to Brokers' Remuneration – for Voluntary Adoption" that was sent to its Members, explored the idea that it might make legal sense for a Member to adopt (in some form) **voluntary remuneration disclosure** (along with consent to receive such remuneration). The CIB did not go so far as to make it part of its "Code of Conduct" or Membership Regulations, nor did it make it into their menu of 'Guidance Notes to Members'. One feels a sense of sympathy with the struggle that must have been experienced by the CIB General Committee in producing such a document.

However, the Professional Insurance Brokers Association [PIBA] (an alternative membership option for Insurance brokers) is silent on the issue.

Finally, we have the Hong Kong Federation of Insurers [HKFI] **silent on remuneration disclosure**. The HKFI dominates the distribution of life insurance products in Hong.

So, in effect, we could possibly have three categories of remuneration disclosure in Hong Kong – (a) compulsory, (b) voluntary and (c) silent (none?).

This doesn't look like product and regulatory convergence to the IFAA. Does it look like convergence to you? If the industry is confused how much more so will the investing public be confused?