



SIX Flex®

HK SFC Complexity Classification

Your Reliable Source to Comply with the Hong Kong
SFC Suitability Requirement



Challenge

Persons Licensed or Registered with the Hong Kong Securities and Futures Commission (SFC) need to comply with the Suitability Requirements set out in Paragraph 5.2 of its code of Conduct. When making investment recommendations or solicitation to their clients, they need to ensure, through appropriate due diligence, that the suitability of the recommendation or solicitation for that client is reasonable in all the circumstances.

Practically, Financial Intermediaries have to decide whether or not an investment product is complex, and if it is complex, must provide the investors certain warnings.

As the Suitability Requirement applies to any channel through which licensed or registered persons distribute or provide advice on investment products, the SFC has also provided tailored guidance applicable to online distribution and advisory platforms targeting clients in Hong Kong.

The non-complex and complex products classification is part of the Suitability Requirement which is the cornerstone of investor protection and is integral to selling practices, which encompass the distribution and provision of advice on investment products by licensed and registered persons

Requirements

- Paragraph 5.2 of the Code of Conduct for Persons Licensed by or Registered with the Hong Kong Securities and Futures Commission (SFC).
- Chapter 6 of the Guidelines on Online Distribution and Advisory Platforms.

Primary Audience

Private Banking and Wealth Management, Asset Management, Custodians, Clearing and Settlement.

Common Use Cases

Front Office, Advisory – Point of Sale, carry out suitability assessments between clients' profile and suitable investment universe.

Available Content

Classification of around 3 million financial instruments into either non-complex or complex investment products – together with the rationale why instrument products are classified as “complex”.

Scope of the Investment Products Is Based On

- SFC list of non-complex products.
- SFC non-exhaustive list of examples of investment products that are considered to be complex products:
 - Complex products – Derivatives traded on an exchange (where paragraph 6.5 of the Guidelines is applicable) and
 - Other complex products.
- Overseas products, where a Platform Operator should determine whether an overseas product to be sold on its platform is non-complex or complex, in accordance to the factors set out in paragraph 6.1 of the Guidelines on Online Distribution and Advisory Platforms and corresponding list of examples.

Features and Associated Benefits

- Comply with the suitability requirements for investor protection as outlined in Paragraph 5.2 of the Code of Conduct and Chapter 6 of the Guidelines on Online Distribution and Advisory Platforms by using the non-complex/complex classification of investment products in scope.
- Integrate our HK SFC Complexity Classification into your database by using standard identifiers such as ISIN, FISN, CFI, LEI and MIC.

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We have offices in over 20 countries, to get in touch with your local SIX office visit www.six-group.com/contacts

SIX Financial Information Ltd.
Hardturmstrasse 201
P.O. Box
CH-8021 Zurich

T + 41 58 399 2111
www.six-group.com/financial-information

