註 冊 財 務 策 劃 師 協 會

Society of Registered Financial Planners

"HONG KONG UNDERGRADUATE FINANCIAL PLANNERS OF THE YEAR AWARD 2015"

(香港傑出大學生財務策劃師比賽)

Case Study

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Note: Your report must be written in English and no more than 15 single-sided, single-spaced pages (font size: 12-point Times New Roman), including cover pages, tables, charts, diagrams, references and appendices. Please submit the electronic file of your excel spreadsheets, if any, with your report.

Your team is very successful in financial planning in a medium size corporation, and has made outstanding performance in the last few years. One day your boss invited you all for a briefing. Unexpectedly you are assigned a special project: to spearhead China-Hong Kong businesses. You are requested to make a proposal to the board of directors on what, where, why, and how to make the plan accomplishable, and you have to present this to the board in 1 months' time.

Expected content of the proposal:

1. Based on the recent IFA developments in Hong Kong (Chart A – News E), what kind of blue ocean strategy should be adopted to enter into the Mainland China market?
2. Which financial planning business models should be selected: tied agents, multi-tied agents or IFAs?
3. We have more financial products for client selection in Hong Kong than mainland China. There is the CEPA which may help facilitate our business involvement in China. What are the pros and cons in working through CEPA channel?
4. Many financial planners in Hong Kong are doing businesses across the border stepping onto grey area. What type of corporate governance we have to implement so that on the one hand we are able to make business and on the other hand stay within regulatory boundary?
5. What are the pros and cons in cooperating with mainland local financial planning entities?
6. What type of training you would suggest to provide to financial planners in Hong Kong in dealing with mainland colleagues, collaborators, and clients? Is entertainment one of the criteria?
7. In market penetration, should the company focus in the super-rich wealthy client or the mass middle-class sector? What are the differences in marketing strategy and planning involved?
8. The company would put aside a budget for the first two years so you can implement your plan in opening up the China market, that is, you can spend it all as long as after two years you should be able to breakeven and self-sustain. What budget you would propose, and what will the allocation of expenses are?

Chart A

The chart shows Mr. Wong Lee Man (Chairman)'s disclosures of share in Convoy Financial Holdings Ltd. (01019).

Reason for disclosure	No. of shares bought/ sold/ involved	Average price per share	No. of shares interested (See *Notes above)	% of issued share capital	Date of relevant event
121(L)	34,054,398(L)	HKD 0.780	34,054,398(L)	5.54(L)	21/11/2014
123(L)	34,054,398(L)	HKD 0.857	0(L)	0.00(L)	23/4/2015
124(L)	102,163,194(L)	HKD 0.250	102,163,194(L)	4.15(L)	11/5/2015

(Retrieved July 22, 2015, from http://sdinotice.hkex.com.hk/)

Chart B

The chart shows the result of Mr. Ming-Hsing Tsai' s family subscription for 3,294,000,000 shares on 4 June 2015.

Shareholders	As at the date of this announcement		Upon completion of the Subscription – Assuming no Placing Shares under the Placing are issued		Upon completion of the Subscription – Assuming all Placing Shares under the Placing are fully subscribed for	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Mr. Wong Lee Man (a Director)	102,163,194	4.16	102,163,194	2.91	102,163,194	0.92
Mr. Mak Kwong Yiu (a Director)	96,926,748	3.94	96,926,748	2.77	96,926,748	0.88
Placees (who will be Public Shareholders)	–	–	–	–	5,283,000,000	47.87(3)
Subscribers	–	–	1,046,301,434(2)	29.85	3,294,000,000	29.85
(Other) Public Shareholders	2,259,806,058	91.90	2,259,806,058	64.47	2,259,806,058	20.48(3)
Total	2,458,896,000	100.00	3,505,197,434	100.00	11,035,896,000	100.00

(Retrieved July 22, 2015, from
http://www.convoy.com.hk/c/document_library/get_file?uuid=14b73577-1460-4a53-be79-fb79edbb015b&groupId=18909)

Data C

The press release shows the announcement about Independent Insurance Authority ("IIA").

Press release

Bill to establish independent Insurance Authority to be gazetted on April 25

Wednesday, April 16, 2014

The Government announced today (April 16) that the Insurance Companies (Amendment) Bill 2014 will be gazetted on April 25.

The Bill provides for a legal framework for establishing an independent Insurance Authority (IIA) and a statutory licensing regime for insurance intermediaries.

"The Bill marks a significant step forward for establishing an insurance regulator which is independent of the industry and the Government, in line with international practice," the Secretary for Financial Services and the Treasury, Professor K C Chan, said.

The policy objectives of establishing the IIA are to modernise the regulatory infrastructure of the insurance industry, provide better protection for policyholders and facilitate the sustainable development of the industry. The establishment of the IIA is the most important regulatory reform in the insurance sector in the past 30 years.

The Bill is a result of four years of intensive industry and public engagement starting from 2010 when the Government first consulted the public on the broad framework for the establishment of the IIA.

"We are glad to have worked closely with the Hong Kong Federation of Insurers and the three self-regulatory organisations (SROs), namely the Insurance Agents Registration Board, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association, as well as other stakeholders in formulating the legislative proposals," Professor Chan said.

In finalising the Bill, the Government has taken into account the industry's views and balanced the following considerations:

(a) enhancing consumer protection and education to promote public understanding of and confidence in insurance;

(b) promoting professionalism of insurance intermediaries;

(c) avoiding unnecessary regulatory burden that would hinder business growth and innovation;

(d) minimising any disruption and uncertainties during the transition to the new regulatory regime;
(e) maintaining fairness, effectiveness and transparency of the regulatory process; and
(f) fulfilling international obligations.

The key aspects of the Bill are:
(a) the formation of the IIA, its functions and accountability measures including the establishment of a statutory Insurance Appeals Tribunal to review the IIA's decisions;
(b) statutory requirements to enhance corporate governance of insurers;
(c) the IIA's powers of inspection, investigation and imposing disciplinary sanctions on insurers and insurance intermediaries;
(d) a statutory licensing regime for insurance intermediaries, i.e. insurance brokers and agents, and the conduct requirements; and
(e) transitional arrangements.

The IIA will take up the Office of the Commissioner of Insurance (OCI)'s regulatory responsibilities and the OCI will be disbanded on the establishment of the IIA.

To ensure timely establishment of the IIA, the Government will continue to work with the industry and other stakeholders to ensure a smooth and seamless transition. To this end, the Government has set up a Working Group on Transition comprising members from the Hong Kong Federation of Insurers, the three SROs and insurance intermediaries to work out detailed transitional arrangements.

"By enhancing public confidence and professionalism in the insurance industry, the establishment of the IIA will bring the development of the insurance industry to a higher level and help consolidate Hong Kong's status as an international insurance hub," Professor Chan added.

The Bill has been uploaded to the Financial Services and the Treasury Bureau's website (www.fstb.gov.hk/fsb/iia/eng/establishment/index.htm) and the OCI's website (www.oci.gov.hk/about/index.html) for public viewing.

The Bill will be presented to the Legislative Council for first reading on April 30.

(Retrieved July 22, 2015, from http://www.fstb.gov.hk/fsb/ppr/press/doc/pr160414_e.pdf)

Data D

The Financial Advisors Association Limited ("IFAA") chairman's Report shows their viewpoints on Independent Insurance Authority ("IIA").

The Independent Financial Advisors Association ("IFAA") agrees to the establishment of an Independent Insurance Authority ("IIA"), but this is predicated on the following four principles:

1) That there is strong industry participation in the new IIA. The SRO's currently drive market development, not the IA. To continue this market development the market participants must be part of the make-up of the new IIA. Market growth and progress cannot be expected to evolve from an IIA that is bereft of significant numbers of market participants.
2) That there is a common sense approach to the pricing of fees and levies. The proposal, as it stands, has a suspect revenue model and, as well, could drive significant and important insurance business offshore, in some cases to competing centres such as Singapore.
3) That there be no regulation by the HKMA of employees selling insurance. This would simply be a new, but less broad, SRO.
4) That there be alignment between the IIA, the HKMA, the MPFA and the SFC. Passive involvement by the FSTB in the co-ordination of activities between these four regulatory bodies should no longer continue. We are not calling for a super regulatory body. Regulatory and product arbitrage should be kept to a minimum. We are calling for convergence of regulation, which is the cornerstone of the founding of the IFAA.

(Retrieved July 22, 2015, from http://www.legco.gov.hk/yr09-10/english/panels/fa/papers/fa1012cb1-3008-4-e.pdf)

News E

The report from SCMP shows more details about Independent Insurance Authority ("IIA").

Insurance oversight body moves step closer

The government will proceed with the long-awaited insurance regulatory reform by submitting a bill at the end of this month to set up an Independent Insurance Authority in 2015, a move that would tighten regulation over the 80,000 insurance sales people in the city.

The reform, to be debated by lawmakers before a possible vote next year, is seen as badly needed given the many complaints against sales people in relation to investment-linked policies in recent years. The 80,000 do not need to apply for licences and are only required register with their own industry bodies, a self-regulation model that would go extinct if the Insurance Authority is set up.

"An independent Insurance Authority … will have a wider power than the current insurance commissioner as the authority will have power to license and regulate the conduct of all 80,000 insurance salespersons in town," said Au King-chi, the Permanent Secretary for Financial Services and the Treasury, in a media briefing yesterday.

"This will enhance policyholders' protection. This will bring Hong Kong in line with the international practices of countries like Britain, Australia and Singapore that also have independent insurance regulators for the industry and the salespersons."

If the lawmakers approve the bill next year, the government will set up the new regulator with 240 staff and an annual budget of HK$200 million.

The authority will be financed by a 0.1 per cent levy on all newly paid insurance policy premiums and the licence fee will be paid by insurance companies and agents.

The Insurance Authority will be run like the Securities and Futures Commission and the Hong Kong Monetary Authority, which are public bodies but do not need to get funding from the government.

All sales people would be allowed to continue to work for three years before they need to apply for licences from the new authority, to give them time to prepare. Like the SFC, the proposed Insurance Authority will have the power to impose a range of penalties on those found guilty of misconduct, ranging from suspension or revocation of their licenses and a maximum fine of HK$10 million.

The government first attempted to launch an insurance authority in 2003, but the plan was shelved after strong opposition from the industry. The proposal was raised again in 2011 and the industry finally accepted the change after two rounds of consultations and government determination to push ahead with the reforms.

Au said the authority would also be responsible for developing the local insurance industry and seek ways to help local insurers work in the mainland.

She said the government and the SFC would also discuss regulations on investment-linked insurance products as these are investment fund products that are not regulated by the SFC.

Au said the government would like to see more disclosure on these products, while the new Insurance Authority and the SFC would work together to consider how to regulate these products so as to protect policyholders.

(Retrieved July 22, 2015, from http://www.scmp.com/business/economy/article/1484956/insurance-oversight-body-moves-step-closer)

