



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

Free Translation

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Simplified procedures for sale of PRC sovereign bonds

Dear Sir/ Madam,

To foster the development of the Macao financial market, the AMCM is seeking the support from the Ministry of Finance of the Central Government for issue of sovereign bonds in Macau. Under the “Guideline on Provision and Distribution of Financial Products”, AMCM has put forward a series of requirements on banks’ selling process of financial products (including bonds). As it is believed that investors in general could readily understand the nature and risks of PRC sovereign bonds, the relevant selling process can be simplified as follows:

1. Assessment of customers’ risk profile

Sale of sovereign bonds is limited to adults aged 18 or above. Banks are exempted from assessing the customers’ risk profile for investment in sovereign bonds. But for the elderly (i.e. people aged 65 or above), banks must analyze the concentration of sovereign bond investment in the elderly’s asset portfolio through a simplified risk assessment. Audio or video recording is not required in the process, but the risk assessment must be carried out by staff that are not at the same time involved in the sales process. The customers must also confirm the results of the assessment.

2. Sales procedures of sovereign bonds

During the sales process, the bank should, in accordance with the “Guideline on Provision and Distribution of Financial Products”, clearly explain to the customers the main characteristics, maturity and risks of the sovereign bonds, with emphasis on the relevant credit, liquidity, foreign exchange and interest rate risks, and that sovereign bonds are not equivalent to any fixed deposits. Audio or video recording is not required in the sales process, but the customers are required to sign a declaration confirming that they understand the main characteristics and risks of sovereign bonds.



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For the elderly with high asset concentration, if they accept the risks and choose to continue with the bond subscription, the bank should require them to confirm that they understand and accept the high asset concentration and the risks involved, and provide the customers with a written record of the reasons why they consider the product risks as acceptable.

3. Sales channels of sovereign bonds

In accordance with the “Guideline on Provision and Distribution of Financial Products”, banks should segregate physically the retail financial products business from the ordinary banking business. Yet banks can sell sovereign bonds at the ordinary banking business areas, but they must ensure that the relevant sales personnel have adequate and appropriate training and knowledge about the nature and risks of sovereign bonds, and properly conduct the customer risk profile assessment (if applicable), risk disclosure and sales procedures.

In addition to business areas, banks can sell sovereign bonds via online banking or telephone banking channels. If online banking channel is used, it is necessary to ensure that the risks and characteristics of sovereign bonds are properly disclosed on the banks’ websites for customers’ perusal and confirmation. If telephone banking channel is used, the sales process must be recorded. However, for the elderly, illiterate or other vulnerable persons¹, banks must sell in a face-to-face manner in order to provide such customers with a more detailed explanation of the main characteristics, maturity and risks of the sovereign bonds to ensure that they clearly understand the risks involved.

MONETARY AUTHORITY OF MACAO

For and on behalf of the Board of Directors

DEBORAH NG
Executive Director

HENRIETTA LAU
Director
Banking Supervision Department

¹ According to the “Guideline on Provision and Distribution of Financial Products”, persons aged 65 or above and persons whose level of education is elementary or below will be regarded as vulnerable persons. A bank may also treat other customers that require greater protection as vulnerable persons.