

## Appendix C

### Frequently asked questions for the circular on expected controls for account opening and maintaining relationships with clients

#### (I) Closure of investment accounts that were opened using questionable or forged documents (Measure 1 in Appendix B)

##### 1. If an LC decides to terminate its business relationship with a client after discovering the use of questionable or forged documents but the client is uncontactable, what measures should it take?

The LC should suspend the relevant account from processing and executing any new client-initiated transactions (except for transactions required to close the existing positions or reduce the account balances for settlement of obligations or liabilities) and terminate the business relationship with the client in accordance with the terms of the client agreement.

The LC should continue its attempts to contact the client and ensure that the client assets are properly safeguarded to protect the client's interests until the account is formally closed.

##### 2. If an LC fails to close the relevant accounts within the specified timeframe, how will the SFC handle the matter?

The LC should notify the SFC explaining the reasons why the relevant accounts remain open. The SFC will consider the justifications provided by the LC and handle the matter on a case-by-case basis taking into account the relevant circumstances of the LC.

#### (II) Closure of zero-balance dormant investment accounts (Measure 2 in Appendix B)

##### 3. If a Chinese Mainland investor maintains more than one investment account with the same LC, and one or some (but not all) of the accounts are zero-balance dormant investment accounts, is the LC required to suspend and/or close only those zero-balance dormant investment accounts while the other accounts can be maintained?

LCs may adopt a relationship-based approach. Where a client maintains at least one non-zero-balance or non-dormant investment account with the LC, the LC is not required to close any zero-balance dormant investment accounts maintained by that client in the client's own name.

##### 4. For accounts identified as zero-balance dormant investment accounts, where transactional activities occur after the reference date but before suspension takes place, and thus make such accounts no longer dormant, are LCs still required to suspend and close those accounts under the steps in (ii) and (iii) of Measure 2?

For investment accounts identified as zero-balance dormant investment accounts as of the reference date but subsequently record transactional activities after the reference date and before suspension takes place (eg. due to the time required for LCs to make preparations, notify the relevant clients and execute suspension actions), LCs are expected to cease accepting further fund deposits, acquisitions of investment products or opening new investment positions until and unless the client has completed the reactivation procedures stated under step (ii) of Measure 2.

In other words, LCs should follow the reactivation procedures to confirm with the clients their information is up-to-date and relevant, obtain the clients' written declarations and ensure the clients would use bank accounts held in their own name with banks licensed in Hong Kong or supervised by banking regulators in eligible jurisdictions for settlement and fund deposit and withdrawal purposes, within two weeks from the date when the zero-balance dormant investment accounts are identified.

### **(III) Opening new investment accounts (Measure 3 in Appendix B)**

#### **5. Are LCs required to obtain the declaration from Chinese Mainland investors in paper form for opening new investment accounts?**

The declaration should be obtained in writing. Such written declaration may be obtained in paper form or via electronic means (e.g. through a website, mobile application, email or other appropriate channels).

### **(IV) Due diligence on account opening documentation in Appendix A**

#### **6. Are there any specific requirements for personnel conducting internal reviews to detect any questionable or forged documents accepted during account opening?**

The personnel should possess the relevant knowledge and skills to conduct the internal reviews and be independent of the LC's account opening process. Depending on the circumstances, the personnel may be the LC's compliance staff, internal audit staff within the same group, or external consultants.

#### **7. Regarding the internal review to detect if any questionable or forged documents have been accepted for account opening, could the SFC provide more guidance on how to scope the review?**

While the SFC does not prescribe the methods for identifying clients who used questionable or forged documents to open accounts, LCs may refer to the Appendix A for examples of irregularities in documents. LCs may adopt a risk-based approach with reasonable methodology and selection criteria for identifying any such case(s). If the review reveals significant deficiencies, the LC should extend the scope, including increasing the sample size of the review.

#### **8. What should LCs pay attention to if they detect suspected questionable or forged documents during the internal review and decide to terminate the relationship with the clients?**

Where an LC detects questionable or forged documents, it should follow steps (ii) to (vii) of Measure 1 in Appendix B to close the identified accounts. When LC terminates the business relationship with the relevant clients, it should ensure proper disclosure of information and adequate communication with the clients regarding the handling of client assets. LCs should also act in accordance with the relevant client agreements and ensure that client assets are properly safeguarded.

(V) Others

**9. The SFC's circular reminds LCs to comply with all relevant legal and regulatory requirements in applicable jurisdictions and refers to the notice jointly issued by the CSRC and other Chinese Mainland authorities on 22 May 2026. Can LCs open new investment accounts for Chinese Mainland investors who come to Hong Kong in person? Can LCs continue to serve the existing Chinese Mainland investors?**

When Chinese Mainland investors come to Hong Kong in person and approach LCs to open investment accounts or for other investment services, LCs should implement Measure 3 in Appendix B in relation to declarations and designation of bank accounts, in addition to fulfilling know-your-customer and customer due diligence requirements. LCs may continue to serve existing Chinese Mainland investors provided that, among other things:

- i. No questionable or forged documents were used in their account opening;
- ii. The relevant measures in Appendix B are adequately implemented; and
- iii. The service is conducted in a manner compliant with the applicable requirements under the notice.

Where an LC has questions regarding the interpretation or application of the notice, including whether certain activities carried out by the LC on the Chinese Mainland may be unlawful, it should seek legal advice from a qualified legal adviser.

**10. Are the additional measures in Appendix B applicable to corporate clients and institutional clients?**

No. The additional measures target at individual clients and are not applicable to corporate clients and institutional clients.