



Dear Mr Leong

Many thanks for your email of 18 December regarding ASIFMA's comments on the consultation conducted by the HKMA on the implementation of the Mandatory Reference Checking scheme (**MRC Scheme**) to address the rolling bad apples phenomenon.

ASIFMA and its members are grateful to the HKMA for its adoption of many of our comments on the consultation paper, and for the opportunity to provide 'fatal flaw' comments on the HKMA's consultation conclusions (**Consultation Conclusions**). Our main comment is in relation to the proposed timeframe which we set out below.

**Question 3 – 'Do you have any comments on the proposed timeframe for implementation of Phase 2 following the launch of Phase 1?'**

The Consultation Conclusions states that *'upon the publication of the consultation conclusion, there will be a 12 month transition period before the MRC Scheme is implemented'* and that the operational details formulated by the Industry Working Group (**IWG**) *'should be finalised within 6 months of the publication of the consultation conclusion for endorsement by the HKMA'*.

Whilst ASIFMA is grateful for the proposed 12 month transition period, ASIFMA is concerned that the proposed timing around finalization of the operational details will not provide authorised institutions (**AIs**) sufficient time to implement the requirements of the MRC Scheme. This is as AIs will not be able to properly prepare for the implementation of the MRC Scheme until the final operational details of the scheme, many of which relate to key aspects of the MRC Scheme are known and endorsed by the HKMA. The net result of this approach is to potentially halve the time available to AIs for implementation of the detail of the MRC Scheme. Further, ASIFMA and its members are concerned that if AIs begin to implement policies and processes prior to the publication of the final operational details, this may lead to inefficiencies if firms put in place policies and/or processes that then need to be updated based on the details settled upon by the IWG.

As such, ASIFMA considers that it would be more appropriate and efficient for the industry for the twelve month transition period to start from the date on which the HKMA endorses the IWG's operational details, rather than from the date of publication of the consultation conclusions.

**Role of the IWG**

ASIFMA welcomes the guidance provided by the HKMA with regard to the role of the IWG, and looks forward to working with the IWG in relation to the operational details of the MRC Scheme. In particular, we look forward to working with the IWG in relation to the following matters:

- the level of detail to be provided by a reference providing AI in completing the MRC template; and
- any obligations a recruiting AI may have where it receives information regarding an investigation that has been commenced by a reference providing AI in relation to an individual after they have already commenced their employment with the recruiting AI.

We should also be grateful for any further information the HKMA may have regarding the IWG, including its proposed membership and timing around the IWG's work. As foreshadowed above, ASIFMA would be very happy to contribute to the discussions and work of the IWG.

Please let us know if you have any queries regarding the above.

Best regards



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