



HONG KONG MONETARY AUTHORITY
香港金融管理局



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To: Chief Executives of all authorized institutions, Chief Executives of all authorized insurers carrying on long term business, Responsible Officers of all licensed insurance agencies and all licensed insurance broker companies carrying on long term business

Dear Sirs/Madams,

Cross-sector Reference Checking Arrangement Between the Banking and Insurance Sectors

The Hong Kong Monetary Authority (“HKMA”) and the Insurance Authority (“IA”) (in alphabetical order, hereafter called “two regulators”) are pleased to jointly announce the cross-sector reference checking arrangement between the banking and insurance sectors, riding on the strong and common commitment of the two regulators to address the “rolling bad apples” phenomenon in the broader financial services industry and building on the positive experiences of the respective sectors in implementing earlier phases of their respective reference checking schemes.

Background

The “rolling bad apples” phenomenon refers to situations where individuals who engage in misconduct during their appointment in one entity are able to obtain subsequent appointment in another entity without disclosing their misconduct to the new entity. Currently, the banking and insurance sectors are addressing such phenomenon through their respective effort as follows:

Mandatory Reference Checking Scheme endorsed by the HKMA (“Banking MRC Scheme”)

As promoted by the HKMA and industry associations (the Hong Kong Association of Banks and the DTC Association), the first phase of the Banking MRC Scheme was successfully launched in May 2023, covering senior positions in Authorized Institutions (“AIs”) under the Banking Ordinance. With the strong support from the industry to move forward to the next phase, Phase 2 of the Banking MRC Scheme was implemented on 30 September 2025, covering

a substantially wider scope of staff members in AIs, including those licensed or registered to carry on securities, insurance, or Mandatory Provident Fund regulated activities.

Under the Banking MRC Scheme, all AIs recruiting for certain specified positions that fall within the scope of the Banking MRC Scheme are required to approach the former and current AI employer(s) of a prospective employee (“reference-providing AIs”) to request conduct-related information covering the seven years prior to the application for such position. Reference-providing AIs should endeavour to respond as soon as practicable and in any case within one month of the MRC request using the MRC information template.

Reference Checking Scheme for Insurance Intermediaries endorsed by the IA (“Insurance RC Scheme”)

The Insurance RC Scheme was first introduced by the Hong Kong Federation of Insurers (“HKFI”) in September 2024 with the support of the IA. In its initial phase, the Insurance RC Scheme applied solely to the appointment of individual insurance agents engaged in long term insurance business by authorized insurers. Following the positive outcomes observed since its implementation, the HKFI, in collaboration with the Hong Kong Confederation of Insurance Brokers (“HKCIB”) and the Professional Insurance Brokers Association (“PIBA”), expanded the scope of the Insurance RC Scheme under Phase 2, which took effect from 1 January 2026. The expanded scheme now covers not only individual insurance agents, but also technical representatives (agent), and technical representatives (broker) carrying on long term insurance business.

Under the current arrangement, when an authorized insurer, licensed insurance agency¹, or licensed insurance broker company carrying on long term insurance business (collectively referred to as an “insurance entity”) intends to appoint an individual to carry on regulated activities in long term insurance business on its behalf, and is aware that the individual has currently been, or was previously appointed by another insurance entity within the past seven years, the appointing insurance entity is required to perform a conduct-related reference check using a standardised template. The insurance entity receiving the reference check request is also obligated to follow a standardised protocol and provide a response within a specified timeframe, typically within 15 calendar days.

Cross-sector reference checking arrangement

To mitigate the risk of individuals with history of misconduct moving from one sector to another within the broader financial services industry, the two regulators recognise the benefits of introducing a cross-sector reference checking arrangement. In this regard, the two regulators have been working with the respective industry associations to establish such arrangement, with a view to jointly addressing the “rolling bad apples” phenomenon within the broader financial services industry.

¹ excluding any licensed insurance agency that is also an AI under the Banking Ordinance

Implementation

The cross-sector arrangement allows AIs and insurance entities to obtain and share conduct-related reference information of in-scope prospective individuals who were previously appointed by AIs and/or insurance entities, supporting more informed hiring decisions. The cross-sector reference checking arrangement applies to all AIs and insurance entities and will be implemented in phases.

Both the banking and insurance sectors have successfully implemented Phase 1 and Phase 2 of their respective reference checking schemes. Building on this foundation, Phase 3A of the cross-sector reference checking arrangement, which will take effect from **1 July 2026**, will apply to the appointment of all individual insurance intermediaries engaged in long term insurance business by AIs that are also licensed insurance agencies under the Insurance Ordinance (referred to as “relevant AIs”), as well as by insurance entities. For details on the scope of individuals to be covered and a high-level summary of the arrangement, please refer to **Annex**. For details of the operation of the cross-sector reference checking arrangement, please refer to the guidelines of the reference checking schemes issued by the respective industry associations.

The two regulators aim to conduct a post-implementation review at the end of 2026 after the implementation of Phase 3A of the cross-sector reference checking arrangement. The findings of the review, including the industry feedback and implementation experience, will help shape the refinement and expansion of the cross-sector reference checking arrangement for Phase 3B. It is the common goal of the two regulators that Phase 3B will extend the cross-sector reference checking to all AIs and insurance entities, covering all other prospective individuals currently subject to the Banking MRC Scheme and the Insurance RC Scheme who were not included in Phase 3A.

Next Steps

The cross-sector reference checking arrangement between the banking and insurance sectors represents a significant step toward strengthening governance and upholding market integrity across both sectors. It also demonstrates a concerted effort by both sectors to address the issue of “rolling bad apples” within the broader financial services industry by enhancing the effectiveness of reference checking, thereby supporting more robust and better-informed hiring decisions in a cross-sector context.

The two regulators attach great importance to the effective implementation of the cross-sector reference checking arrangement. All AIs and insurance entities are expected to put in place necessary internal controls, policies and procedures for ensuring smooth implementation of the cross-sector reference checking arrangement. Failure to comply with the requirements of the cross-sector reference checking arrangement, particularly on a repeated or systematic basis, may be viewed as an indication of potential weaknesses in an entity’s corporate governance or internal controls and procedures. In such cases, the two regulators may, as appropriate, initiate follow-up actions with the entities concerned as part of their ongoing supervisory efforts.

Enquiry

For enquiries about the contents of this circular, please contact:

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- Conduct Supervision Division, IA at conductsupervision@ia.org.hk

Yours faithfully,

Yours faithfully,

Alan Au
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Banking Conduct Department
Hong Kong Monetary Authority

Alan Wu
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c.c. The Hong Kong Association of Banks
The DTC Association
The Hong Kong Federation of Insurers
The Hong Kong Confederation of Insurance Brokers
Professional Insurance Brokers Association

Scope and High-Level Summary of the Cross-Sector Reference Checking Arrangement (Phase 3A)

Scope of Application

	Banking Sector	Insurance Sector
In-scope entities	Authorized Institutions that are also licensed insurance agencies under the Insurance Ordinance (“IO”) to carry on long term insurance business (referred to as “relevant AIs”)	The following entities that carry on long term insurance business: <ul style="list-style-type: none"> • Authorized insurers • Licensed insurance agencies (non-AIs) • Licensed insurance broker companies (collectively referred to as “insurance entities”)
In-scope prospective individuals	Staff to be licensed to carry on long term insurance business in relevant AIs (i.e. Technical Representatives)	Individuals to be licensed as individual insurance agents, technical representatives (agent) or technical representatives (broker) to carry on long term insurance business in the insurance entities
Application	Applies when a relevant AI is going to appoint a prospective individual to carry on long term insurance business, and the individual has currently been, or was previously appointed by an insurance entity to carry on long term insurance business in the past 7 years	Applies when an insurance entity is going to appoint a prospective individual to carry on long term insurance business, and the individual has currently been, or was previously appointed by a relevant AI to carry on long term insurance business in the past 7 years

High-level summary of the arrangement

	Reference providing entity is an insurance entity	Reference providing entity is an Authorized Institution
Recruiting entity is an insurance entity	<ul style="list-style-type: none"> Reference check to be conducted pursuant to the Insurance Reference Checking Scheme (“Insurance RC Scheme”) 	<ul style="list-style-type: none"> Recruiting entity to conduct reference check pursuant to the Insurance RC Scheme, and using the template specified under the Banking Mandatory Reference Checking Scheme (“Banking MRC Scheme”) Reference providing entity to reply to the reference check request pursuant to the Banking MRC Scheme
Recruiting entity is an Authorized Institution	<ul style="list-style-type: none"> Recruiting entity to conduct reference check pursuant to the Banking MRC Scheme, and using the template specified under the Insurance RC Scheme Reference providing entity to reply to the reference check request pursuant to the Insurance RC Scheme 	<ul style="list-style-type: none"> Reference check to be conducted pursuant to the Banking MRC Scheme