
REGULATORY NEWSLETTER

2019 Vol.2



Happy Chinese New Year!

To usher in the year of the Pig, the SFC has announced the launches and implementations of various changes: digitising previously paper based documents; revamping questionnaires and format of forms; and implementing revised rules.

REGULATORY UPDATES

Launch of Revamped Business and Risk Management Questionnaire and New Online Portal

4 Jan 2019

The new Business and Risk Management Questionnaire ("BRMQ")

Licensed corporations and associated entities are required to complete and electronically submit the new BRMQ for financial years ending on or after 31 March 2019. The new BRMQ should be completed within four months after the end of each financial year and submitted electronically through WINGS (see below).

The new BRMQ aims to collect more information about:

- business operations;
- control measures; and
- policies and procedures

of licensed corporations and associated entities to ensure sound risk management and that business

is conducted in a proper manner.

The new BRMQ features:

- automated skip logic (directs respondents to the questions applicable to them) and
- pre-population function (automatically fill in some of the answers submitted electronically for the previous financial year)

The new online portal - WINGS

WINGS is the new common platform for making electronic submissions to the SFC, including the new BRMQ. All functions and submission services available on the existing SFC Online Portal and other SFC systems will be migrated to WINGS in phases.

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Revised Financial Return

25 Jan 2019

The Securities and Futures (Financial Resources) (Amendment) Rules 2018 were enacted on 12 December 2018. Some amendments which relate to the exclusion of certain lease liabilities from licensed corporations' liquid capital calculations came into operation on 1 January 2019. The first return to report in accordance with these amendments is for the position ended 31 January 2019, meaning the position to be submitted on or before 21 February should be calculated accordingly.

The electronic form of the revised financial return which is published at the following website, will supersede all previous versions.

<https://www.sfc.hk/web/EN/forms/intermediaries/financial-returns.html>

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New Licensing Forms and Mandatory Electronic Submission of Annual Returns and Notification

1 Feb 2019

New licensing forms will be introduced on 11 February 2019. The current forms will be accepted during a two-month transition period. From 11 April 2019, only the new forms will be accepted, and any old forms received by the SFC will be returned. The SFC has also published two new self-assessment questionnaires for corporate applicants to evaluate the soundness of their risk management and internal control measures.

New licensing forms and purpose:

Form A - Corporate licence applicants

Form B - Existing licensed corporations applicants

Form C - Registered institution applicants and existing registered institutions

Form D - Substantial shareholder applicants
Form E - Approved substantial shareholders
Form F - Associated entities of intermediaries

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Joint Consultation Paper on a Revised Operational Model for Implementing an Uncertificated Securities Market in Hong Kong

The SFC, Hong Kong Exchanges and Clearing Limited and the Federation of Share Registrars Limited have issued a joint consultation paper on the implementation of uncertificated securities market ("USM"), digitising the paper-based process of transferring legal title to securities. The aim of the USM initiative is to enable investors to hold securities in their own name and without paper documents. Comments from market participants and interested parties on the subject consultation are now welcomed.

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ENFORCEMENT NEWS

Market Misconduct Tribunal sanctions China AU's former CEO and related persons for false trading

The Market Misconduct Tribunal (MMT) has imposed a disqualification order, a cold shoulder order, and a cease and desist order against Samantha Keung Wai Fun, the former CEO of China AU Group Holdings Limited (China AU) after finding her culpable of false trading following proceedings brought by the SFC. Cold shoulder orders and cease and desist orders were imposed against Wu Hsiu Jung, and business partner Chen Kuo-chen after finding them having engaged in market misconduct.

Between August 2009 and April 2010, Keung, Wu and Chen had engaged in market misconduct of false trading by using 14 securities trading accounts to buy and sell a substantial amount of shares in China AU, creating a false or misleading appearance of active trading in China AU shares and their price.

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SFC reprimands and fines FWD Life Insurance Company (Bermuda) Limited \$2.4million for regulatory breaches

The SFC has reprimanded and fined FWD Life Insurance Company (Bermuda) Limited (FWD Life) \$2.4 million for failures in complying with the key personnel requirements under the SFC Code on MPF Products (MPF Code) and the Fund Manager Code of Conduct.

FWD Life failed to ensure there were at least two key personnel who met the minimum five-year investment experience requirement in managing retirement funds or public funds under the MPF Code at all times.

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