

REGULATORY NEWSLETTER



2022 Vol.3



Together, We Fight The Virus!

COVID-19 pandemic is an unprecedented challenge for all of us. In the midst of the latest wave of Omicron outbreak, it is inevitable to feel worried and tired, but we believe that as long as we stay strong together, we could fight the virus, hopes and brightness will always be on our side. ComplianceDirect wishes all of you safe and healthy!

REGULATORY UPDATES

Updates to the reminder of business continuity planning in view of COVID-19 Vaccination Programme

18 Feb 2022

This circular should be read in conjunction with the circular to licensed corporations entitled "Reminder of business continuity planning in view of COVID-19 Vaccination Programme" issued on 28 October 2021.

In view of the latest outbreak and Government's related policies, the SFC urges licensed corporations to review their business continuity plans with a view to maximize the number of staff who work from and arrange for staff to work in the office only if they conduct critical functions or duties that cannot be performed remotely.

To ensure the highest possible level of vaccinations amongst staff, licensed corporations are also urged to implement facilitative measures, such as vaccination leave and flexible working hours, in encouraging the staff.

[View Circular](#)

Circular to issuers of SFC-authorized investment products

18 Feb 2022

Refer to the Circular issued by the SFC on 18 February 2022, issuers of SFC-authorized investment products (“Issuers”) are urged to review and maintain an up-to-date and effective business continuity plan (“BCP”), due to the latest wave of COVID-19 infections and increasing number of firms adopting work-from-home arrangements.

The BCP should ensure the continuous operations relating to SFC-authorized investment products without undue disruption to protect investors’ interests. These include product valuation, dealing and trading arrangements, trading of underlying assets and product risk management. Please be reminded that the BCP should also be discussed with key counterparties and third party service providers.

Issuers should properly monitor and manage their operations and take prompt and effective measures to mitigate any potential adverse impact on the SFC-authorized investment products and the investors. Any material or untoward issue that may have a significant impact, the Issuers should keep investors informed at all times and immediately report to the SFC.

[View Circular](#)

Supplemental Circular on Streamlined requirements for eligible exchange traded funds adopting a master-feeder structure

25 Feb 2022

This circular is supplemental to the SFC’s Circular on streamline requirements for eligible exchange trade funds (ETFs) adopting a master-feeder structure (the “Master-feeder ETF Circular”) issued on 16 December 2019.

The SFC have conducted a recent review regarding applications of eligible ETFs adopting a master-feeder structure with a view to offering more investment chance to investors and facilitating the growth of Hong Kong ETF market while maintaining an appropriate level of investor protection. This Circular sets out the resulting changes to the Master-feeder ETF Circular.

The SFC is prepared to relax the fund size and track record requirements. Under the revised, an eligible master ETF must have a fund size of not less than USD 400 million and a track record of more than 1 year at the time of the feeder ETF’s listing on the HKEX.

[View Circular](#)

Circular to Licensed Corporations Engaged in Asset and Wealth Management Activities - Wealth Management Activities Survey 2021

25 Feb 2022

The SFC have now commenced the Asset and Wealth Management Activities Survey 2021 (the "Survey") to collect information and market facilitation purposes and to develop a better understanding of the state of the industry.

For licensed corporations which had gross operating income derived from asset management, giving advice on funds/portfolios and/or private wealth management during 2021, please complete the whole questionnaire. If the licensed corporation did not engage in any of the activities covered in the survey throughout the year, also need to fill in the part of General Information in the questionnaire.

Due to the latest situation of the COVID-19, the SFC have extended the response period to 25 April 2022. Licensed Corporation could complete and submit the questionnaire through WINGS by the deadline. The questionnaire can be accessed at: <http://wings.sfc.hk/awmas/#/en/>

[View Circular](#)

ENFORCEMENT NEWS

SFC reprimands and fines South China Commodities Limited \$4.8 million for regulatory breaches

14 Feb 2022

SFC reprimands and fines South China Commodities Limited (SCCL) \$4.8 million for failures in complying with AML/CFT and other regulatory requirements between June 2017 to October 2018.

The SFC's investigation found that SCCL:

- 1) did not conduct any due diligence on the customer supplied systems used by 10 clients for placing orders during the material time;
- 2) did not identify that the amounts of deposits made into four client accounts were incommensurate with their financial profiles. SCCL failed to demonstrate that it had conducted proper enquiries on the deposits and satisfactorily addressed the associated ML/TF risks;
- 3) failed to put in place an effective ongoing monitoring system to detect suspicious trading patterns in client accounts resulted in its failure to detect 2,783 self-matched trades in nine client accounts.

The SFC is of the view that SCCL's systems and controls were inadequate and ineffective, and failed to ensure compliance with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (AML Guideline) and the Code of Conduct.

[View News](#)

Court orders insider dealers to pay \$12.9 million to investors

16 Feb 2022

The Court of First Instance has ordered that illicit profits of insider dealing in shares of TeleEye Holdings Limited (TeleEye) of \$12,949,875 made by Ms Wei Juan and Me Huang Yi, associates of Ms Yik Fong Fong, be paid to 63 investors.

The funds will be distributed to the affected investors in proportion to the number of shares they sold to Wei or Huang between 29 February 2016 to 12 April 2016.

The effected investor's position will be restored to their pre-transaction position to the extent possible.

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