
REGULATORY NEWSLETTER

2021 Vol.1



新年快乐 (xīn nián kuài lè)! Kung Hei Fat Choi!

ComplianceDirect wish you a very happy new year with good luck, health, and prosperity.

Tis the holiday season and even the SFC has to take a break! So, this has not been a particularly eventful month in terms of regulatory changes, relax!

REGULATORY UPDATES

Mutual Recognition of Funds (MRF) between Thailand and Hong Kong

20 January 2021

Memorandum of Understanding concerning Mutual Recognition of Covered Funds and Covered Management Companies and related cooperation (Memorandum) was signed between The Securities and Futures Commission ("SFC") and the Securities and Exchange Commission of Thailand ("SEC"). The circular set out expectation from the SFC and Eligibility requirements are Thai Covered Fund that wish to be publicly offered in Hong Kong.

In general, Thai domiciled funds that are eligible for SFC authorization and/or have received SFC authorization under the MRF ("Thai Covered Fund") that is approved by the SEC and is seeking/has received authorization for offering to the public in Hong Kong:

- shall stratify the eligibility requirements and comply with all applicable requirements set out in the circular;
- shall remain approved by the SEC and be allowed to be offered, marketed and distributed to the retail investors in Thailand;
- shall operate and be managed in accordance with the relevant laws and regulations in Thailand;
- the sale and distribution of units of the Thai Covered Fund in Hong Kong shall comply with the applicable laws and regulations in Hong Kong;
- Thai Covered Fund and the Thai management companies that are eligible to manage Thai Covered Funds ("Thai Covered Management Company") shall comply with additional rules released by the SFC when relevant;

- ensure investors in both Thailand and Hong Kong receive fair treatment; and
- ongoing disclosure of information shall be made available to investor in Thailand and Hong Kong at the same time.

The SFC also reminded that funds that are seeking the SFC authorization or have received the SFC authorization for offering to the public must comply with SFC Handbook for Unit Trust and Mutual Funds, other relevant laws and circulars. If Thai Covered Fund complies with relevant Thai laws, regulations and the conditions as set out in this circular, the Thai Covered Fund will in general be considered to have complied in substance with the relevant Hong Kong regulations and shall offer to the public in Hong Kong.

Eligibility Requirements

In order to meet the eligible requirement, Thai Covered Fund must fall fulfill the following:

- CIS approved by the SEC, established, domiciled and managed in accordance with Thai laws and regulations and its constitutive documents;
- Must fall under one or more eligible fund types;
- Thai Covered Fund's net exposure resulting from the investment in derivatives must not exceed 100% of the fund's net asset value;
- Must follow investment restriction in respect of its investment funds;
- Must not directly invest in digital assets;
- Must not engage in a physical short sale transaction; and
- Subject to an aggregate limit of 10% of its NAV in respect of borrowings or engaging in repurchase transactions.

In order to meet the eligible requirement, Thai Covered Management Company of a Thai Covered Fund must fall fulfill the following:

- must be managed by a Thai Covered Management Company that is licensed by the Ministry of Finance upon the recommendation from the SEC to manage CIS;
- must not have been the subject of any major regulatory or enforcement actions by the SEC in the past three years;
- may delegate the investment management functions to any entity, provided that such delegation is accepted under the Thai laws and regulations for Thai CIS approved for public offering

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SFC and Police warn investors about social media scams

10 Feb 2021

The Securities and Futures Commission ("SFC") and the Anti-Deception Coordination Centre of the Hong Kong Police Force ("HKP") released a joint short video.

In the video, both the SFC and the HKP warned investors to be more aware of investment group on social media platform set up by fraudsters who claimed to have stock tips or inside information. The video also shows how a typical "ramp and dump" stock market manipulation scenario. Mr. Thomas Atkinson from the SFC also expressed their top priorities for this year is to crack down different types of market manipulation conducted using social media platforms.

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ENFORCEMENT NEWS

Company secretary jailed for insider dealing

Mr Chow Chiu Chi ("Mr. Chow") was sentenced to prison for 45 days and fined \$45,000 along with \$37,029.51 (the SFC's investigation cost) for insider dealing.

During Mr. Chow's employment at China Automation Group Limited (the "Company"), he assumed the position of secretary. Mr. Chow purchased a total of 534,000 the Company shares using his wife's securities account which the knowledge that there is a possible general offer and was instructed to arrange suspension of trading.

According to the Executive Director of Enforcement, Mr. Thomas Atkinson, Mr. Chow's position within the Company has provided him the access to insider information which has given him an unfair advantage in the market when he made profit using the information.

SFC bans Yung Lap Hong for life

Mr Yung Lap Hong ("Mr. Yung") is banned for life for misappropriated HK\$3,600,000 ("Funds") from a bank account of a customer.

Mr. Yung admitted using cashier's order application form pre-signed by the Customer and addressed the Funds to Mr. Yung's wife which later transferred the Funds from his wife's account to himself.

Mr. Yung was considered to be no fit and proper to be licensed or registered to carry on regulated activities. According to Section 129 of the Securities and Futures Ordinance, a person shall be considered fit and proper, if a person is able to carry regulated activity competently, honestly and fairly, and the reputation, character, reliability and financial integrity.

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