

REGULATORY NEWSLETTER

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Enforcement News

SFC issues restriction notice to broker to freeze client account linked to suspected insider dealing

9 Mar 2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR23>

A restriction notice has been issued to Interactive Brokers Hong Kong Limited (“IBHK”) on dealing with or processing certain assets held in a client account (the Client Account) which is related to suspected insider dealing in the shares of Bloomage BioTechnology Corporation Limited between 22 May and 15 Jun 2017.

It prohibits IBHK disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with any assets in any way in the Client Account without the SFC’s prior written consent and to notify the SFC if brokers receive any instructions.

SFC reprimands and fines CLSA Limited \$9 million over internal control failures

13 Mar 2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR25>

The SFC reprimanded and fined CLSA Limited (“CLSA”) \$9 million after resolving concerns over CLSA’s internal control failures in relation to its client facilitation services and reporting obligation under the Code of Conduct.

In Nov 2016, an independent reviewer conducted a review of CLSA’s internal controls from the period between 2014 and 2016. It is found that CLSA did not



Circular Updates

Circular to All Intermediaries, Responsible Officers and Representatives Regarding the Waiver of Annual Licensing Fees

15 Mar

2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC19>

This circular advises all licensed corporations, registered institutions, responsible officers and licensed representatives that the SFC will waive payment of licensing fees from 1 Apr 2018 to 31 Mar 2019 (“Waiver Period”). The waiver applies only to annual licensing fees that become payable during the Waiver Period. It does not apply to any other fees, such as licence application fees and transfer fees.

Circular to licensed corporations on expected standards for sponsor work

26 Mar 2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC23>

The SFC has identified compliance failures primarily from a recent thematic inspection. Licensed corporations are reminded to comply with the expected standards as set out in this circular

put in place controls to prevent co-mingling of agency execution and client facilitation trading until Mar 2016 despite having introduced client facilitation services in 1986. Also, it did not immediately notify the SFC until Feb 2015 despite having learnt as early as Apr 2013 that its licensed representatives were suspected of violating overseas regulatory requirements and were being investigated by an overseas regulator.

SFC reprimands and fines UBS Securities Asia Limited \$4.5 million in relation to facilitation trading activities
21 Mar 2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR30>

The SFC has reprimanded and fined UBS Securities Asia Limited (“UBS Securities”) \$4.5 million for failing to put in place effective controls to record transactions and client consents in relation to its facilitation trading activities.

UBS Securities was only able to locate client consent records for about half of the client facilitation trades it conducted between June 2015 and Jun 2016 during an SFC inspection in 2016 and a subsequent investigation despite its regulatory duty to have resources and procedures for proper performance of its business activity with sufficient record keeping and maintaining.

in carrying out sponsor work. Detailed findings are set out in a report on the [Thematic Review of Licensed Corporations Engaged in Sponsor Business](#), which highlights a number of deficiencies and instances of non-compliance with relevant provisions in the Code of Conduct, CFA Code and the Listing Rules (including the practice notes) in respect of due diligence practices and internal systems and controls. The report also highlights practices observed during the thematic inspection which meet the expected standards.

Sponsors with a history of returned or rejected listing applications or serious deficiencies and instances of non-compliance may expect more frequent inspection visits and supervisory actions, as these factors may cast doubt on a sponsor’s capability to discharge its responsibilities as well as potential compliance risk. Future listing applications submitted by these sponsors may also be subject to closer scrutiny by the regulators.

The SFC will not hesitate to take enforcement action against sponsors and their senior executives responsible for failure to comply with the expected standards in sponsor work.

Updated AML/CFT Self-Assessment Checklist
26 Mar 2018

<http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC22>

The SFC posted an updated [AML/CFT Self-Assessment Checklist](#), which reflects the recent revisions to the Guideline on AML/CFT.

The self-assessment checklist provides a structured framework for LCs and AEs to assess compliance with the key AML/CFT requirements. LCs and AEs are advised to use the checklist in their regular review to monitor their AML/CFT compliance. The senior management of LCs and AEs should ensure that any compliance deficiencies identified during the regular reviews are rectified in a timely manner. LCs and AEs are required to provide documentary evidence of the performance of such review and its results during inspection.