

REGULATORY NEWSLETTER

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Enforcement News

SFC reprimands and fines HSBC Broking Securities (Asia) Limited \$9.6 million

19 Jul 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR86>

The SFC has reprimanded and fined HSBC Broking Securities (Asia) Limited (HSBCBS) \$9.6 million for systemic deficiencies in its bond selling practices.

The SFC found that in selling bonds listed under Chapter 37 of the Main Board Listing Rules, HSBCBS failed to:

- conduct proper and adequate product due diligence on individual bonds before making recommendations or solicitations;
- have an effective system in place to assess its clients' risk profile and to ensure that the recommendations or solicitations made to its clients in relation to bonds were suitable for and reasonable in all the circumstances;
- provide adequate product information to its sales staff to ensure that they fully understood the features and the risks involved so that they could provide adequate disclosure and explanation to the clients during the sale process; and
- maintain proper documentary records of the investment advice or recommendations given to its clients.



Regulatory Updates

Online client onboarding

12 Jul 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC52>

This circular serves to provide guidance to intermediaries which intend to onboard individual clients online.

Intermediaries, when onboarding clients, are required to fulfil the requirements set out under paragraph 5.1 of the Code of Conduct Licensed by or Registered with the SFC (Code of Conduct) in order to establish the true and full identity of each of their clients.

The approach for non-face-to-face client identity verification is set out under 5.1(a) and (b) of the Code of Conduct. In this circular, the SFC has introduced and approved a more flexible approach for verification of client identity, the procedures of which are set out as follow:

1. Obtain a client agreement which is signed by a client by way of an electronic signature together with a copy of the client's identity document (an identity card or relevant sections of the client's passport);

**SFC reprimands and fines
CCB International Capital
Limited \$24 million for
sponsor failures**

9 Jul 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR77>

The SFC has reprimanded and fined CCB International Capital Limited (CCBIC) \$24 million for failing to discharge its duties as the sole sponsor in the listing application of Fujian Dongya Aquatic Products Co., Ltd (Fujian Dongya) in 2013 and 2014.

The disciplinary action followed the SFC's investigation which found that CCBIC failed to:

- conduct all reasonable due diligence on Fujian Dongya before submitting the listing application;
- conduct proper customer due diligence; and
- keep a proper audit trail or written record of its due diligence work.

The SFC has said that it will continue to take actions against sponsors who fail to fulfil requirements.

2. Successfully transfer an initial deposit of not less than HK\$10,000 from a bank account in the client's name maintained with a licensed bank in Hong Kong (Designated Bank Account) to the intermediary's bank account;
3. Conduct all future deposits and withdrawals for the client's trading account through the Designated Bank Account(s) only; and
4. Maintain proper records of the account opening process for each client which are readily accessible for compliance checking and audit purposes.

Note: Intermediaries should obtain satisfactory evidence from clients to confirm that the transfer was made from the client's bank account.

This approach foregoes the need for physical copies of the client agreement and written signature to be presented thus allowing intermediaries to complete the client identity verification process completely online.

The SFC reminds intermediaries to be mindful of the requirements imposed by the domestic regulatory authorities when onboarding overseas clients.

**Anti-Money Laundering / Counter-Terrorist Financing
Seminar Materials**

3 Jul 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC50>

PowerPoint slides of the presentations that the SFC staff made at the recent Seminars on Hong Kong's Money Laundering and Terrorist Financing Risk Assessment Report has been posted on the SFC website. The link for downloading the English version of the Seminar Materials is as follow:

[https://www.sfc.hk/web/EN/files/IS/AML/2018%20AML%20Seminar%20\(Eng\)_FINAL.pdf](https://www.sfc.hk/web/EN/files/IS/AML/2018%20AML%20Seminar%20(Eng)_FINAL.pdf)