

REGULATORY NEWSLETTER

2022 Vol.5



The summertime is about to start and the spring is coming to an end. Hong Kong will relax more social-distancing restraints during mid-May despite the fluctuating daily number of Covid-19 cases, with the facilities finally opening four months after the suspension of operations. ComplianceDirect will continuously provide you with professional consultation and compliance advice which ensures your progress runs smoothly and advice addresses questions you need answers to. Remember that the pandemic will not last forever and we are starting to see some good signs. We wish everyone good health and joy in your lives.

REGULATORY UPDATES

Circular to REIT managers and applicants

Consequential amendments to the REIT Code in relation to conduct requirements for bookbuilding and placing activities

22 Apr 2022

This circular sets out consequential amendments to the Code on Real Estate Investment Trusts (REIT Code) which dovetail with the amendments to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct) in relation to bookbuilding and placing activities. The REIT Code amendments are in line with similar consequential amendments made to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules) released today.

The amendments to the REIT Code provide that Chapter 3A of the Listing Rules and the other Listing Rule provisions relating to the sponsor-overall coordinator, overall coordinator and other capital market intermediaries shall apply in the case of offerings involving bookbuilding activities for interests in a REIT by a new REIT applicant or an SFC-authorized REIT. The amendments are

detailed in the Appendix.

The REIT Code amendments will be gazetted on 29 April 2022 and become effective on 5 August 2022. New requirements will be applicable to authorisation applications for REITs to be submitted or re-filed on or after 5 August 2022.

REIT applicants are welcome to consult the SFC at REIT-enquiry@sfc.hk if they have any questions.

[View Circular](#)

Circular to Intermediaries

Commencement of End-To-End (E2E) Test for the Hong Kong Investor Identification Regime (HKIDR)

21 Apr 2021

Reference is made to the Circulars on [18 March 2022](#) and [31 March 2022](#) regarding E2E Test for the HKIDR.

End-To-End Test

The E2E Test for systems relating to the HKIDR will commence from 16 May 2022 until 15 July 2022. It is mandatory for all Relevant Regulated Intermediaries (RRIs) to participate in the E2E Test. RRIs should refer to the SFC's [Circular](#) dated 31 March 2022 for downloading the HKIDR File Transfer Connectivity Guide and relevant E2E test package published by the Stock Exchange of Hong Kong (SEHK) in order to get ready for the mandatory E2E Test.

Remarks:

The HKIDR obligations only apply to RRI, if they:

- I. carry out proprietary trading, or
- II. provide securities brokerage services for another person in respect of orders placed through an account opened and maintained for that person.

[View Circular](#)

ENFORCEMENT NEWS

SFC bans Poon Choi Yung for 20 months

12 Apr 2022

The Securities and Futures Commission (SFC) has banned Mr Poon Choi Yung, a former licensed representative of China Tonghai Securities Limited, from re-entering the industry for 20 months from 12 April 2022 to 11 December 2023 for breaches of the SFC's Code of Conduct (Notes 1 to 4).

The disciplinary action follows an SFC investigation, which found that between June 2019 and March 2020, Poon effected 1,002 transactions in six clients' accounts without the clients' specific authorisations for the trades and/or their written authorisations for him to effect the trades on a discretionary basis.

The investigation also revealed that Poon failed to take reasonable steps to establish three clients' financial situations and investment experience during account opening between May 2019 and February 2020.

The SFC considers that Poon has also failed to act with due skill, care and diligence, and in the best interests of the clients when carrying on business activities.

In deciding the disciplinary sanction, the SFC took into account all relevant circumstances, including Poon's cooperation in resolving the SFC's concerns and his otherwise clean disciplinary record.

Notes:

1. Poon was licensed under the Securities and Futures Ordinance (SFO) to carry on business in Type 1 (dealing in securities) and Type 2 (dealing futures contracts) regulated activities, and was accredited to China Tonghai Securities Limited from 23 April 2018 to 8 May 2020. Poon is currently not licensed by the SFC.
2. General Principle 2 of the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct) provides that a licensed person should act with due skill, care and diligence, in the best interests of clients and market integrity when conducting business activities.
3. Paragraph 7.1(a) of the Code of Conduct provides that a licensed person should not effect a transaction for a client unless before the transaction is effected: (i) the client, or a person designated in writing by the client, has specifically authorised the transaction; or (ii) the client has authorised in writing the licensed person or any person employed by the licensed person to effect transactions for the client without the client's specific authorisation.
4. Paragraph 5.1(a) of the Code of Conduct provides that a licensed person should take all reasonable steps to establish the true and full identity of each client, and of each client's financial situation, investment experience and investment objectives.

[A copy of the Statement of Disciplinary Actions is available on the SFC website](#)

[View News](#)



ComplianceDirect Consulting Limited

Address: Unit 2, 10/F, Cheong K. Building, 84 & 86 Des Voeux Road Central, Central, Hong Kong

Phone: 2606 1800

Website: www.compliancedirecthk.com