REGULATORY NEWSLETTER

COMPLIANCEDIRECT

2025 Vol.11

As November unfolds, the chill of winter begins to settle in, reminding us of the cyclical nature of change even amid market fluctuations. This season offers a moment for reflection and strategic adjustment, allowing us to reinforce our resolve and adaptability. We believe that the path ahead holds opportunities for growth and renewal. As always, we would endeavor to provide you our professional consultation and compliance services.

Let's have a brief look with our Regulatory Updates from the SFC!

REGULATORY UPDATES

Circular to Management Companies of SFC-authorised Real Estate Investment Trusts - Streamlined documentary requirements for secondary offerings

13 Oct 2025

1. This circular sets out the streamlined content requirements applicable to the offering documents for secondary offerings (secondary offering documents) by SFC-authorised real estate investment trusts (REITs) with immediate effect.
2. It has been the SFC's long-established policy to regulate REITs in the same manner as listed companies under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).
3. For closer alignment with the requirements for listed companies, and in view of the ongoing disclosure and reporting requirements already applicable to REITs, REITs seeking the SFC's

authorisation of their secondary offering documents may adopt the same content requirements as those applicable to listed companies under the Listing Rules, with necessary modifications.

4. In addition, the disclosure requirements under Note 2 to 10.5 and 10.10(o), (s), (t) and (u) of, and B4 of Appendix B to, the Code on Real Estate Investment Trusts will continue to apply.
5. Accordingly, the streamlined document can focus on disclosure on information relating to the offer and be more succinct on information relating to the REIT. It is hoped that the streamlined requirements can help enhance the time-to-market efficiency of REITs and facilitate their fund-raising activities for growing their investments.
6. The Frequently Asked Questions relating to Real Estate Investment Trusts have been updated to provide more practical guidance on the streamlined requirements.
7. REIT managers are welcome to contact the relevant case officers should they wish to seek clarification of any aspect of this circular.

View Circular

SFC supports REIT market growth with new dedicated channel and streamlined authorisation process

13 Oct 2025

The Securities and Futures Commission (SFC) today launched the REIT Channel to facilitate the authorisation of new real estate investment trusts (REITs) for public offerings, as part of its ongoing efforts to advance the development of Hong Kong's REIT market.

The new dedicated, one-stop channel enables both local and global REIT applicants to consult the SFC regarding their applications on a confidential basis, thereby enhancing their listing preparation and efficiency.

In parallel, the SFC has streamlined the authorisation process and documentary requirements for REITs, taking into account the latest updates under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (SEHK) and market practices. Under the streamlined process, the SFC anticipates that a new REIT authorisation application can be decided on within four weeks from take-up under normal circumstances.

Further, to facilitate secondary offerings of existing SFC-authorised REITs, a circular has been issued to REIT managers today setting out certain streamlined documentary requirements.

"By enhancing the regulatory transparency and efficiency for REIT applicants, the latest initiatives underscore the SFC's commitment to driving the long-term growth of Hong Kong's REIT market and the city's appeal as a vibrant fund-raising and investment hub," said Ms Christina Choi, the SFC's Executive Director of Investment Products. "We welcome both local and international REIT managers and asset owners to set up their REITs in Hong Kong. With the new initiatives, applicants can seize REIT sector opportunities as they arise, and navigate Hong Kong's dynamic capital markets with confidence."

Prospective REIT applicants and their professional advisers are welcome to contact the SFC through the REIT Channel via email at REIT_Channel@sfc.hk on their proposals.

View News

Circular to Licensed Corporations, SFC-licensed Virtual Asset Service Providers and Associated Entities - Anti-Money Laundering / Counter-Financing of Terrorism Anti-Money Laundering and Counter-Financing of Terrorism Webinar

17 Oct 2025

The Securities and Futures Commission (SFC) will host two sessions of anti-money laundering and counter-financing of terrorism (AML/CFT) webinar on 17 and 18 November 2025 respectively. The webinar will be conducted via Zoom.

Objectives and rundown

The objectives of the webinar are –

- To provide an overview of the current scam landscape in Hong Kong and related illicit funds flow through Securities Firms and virtual asset trading platforms (VATPs) situation;
- To provide an update on major regulatory developments;
- To share supervisory observations related to AML/CFT;
- To present money laundering typologies and feedback on the suspicious transaction reporting of the securities sector; and
- To introduce the new Suspicious Transaction Report and Management System 2 (STREAMS 2) developed by the Joint Financial Intelligence Unit.

Please refer to the Appendix for the rundown and speakers of the webinar.

Who should attend

You are invited to nominate relevant management or supervisory personnel and compliance officers to attend. The webinar is free of charge and 3 Continuous Professional Training (CPT) hours will be offered to those who attend the whole session.

Enrolment

Each firm should only submit one enrolment form via the following link on or before 31 October 2025:

https://sfc-aml-and-cft-webinar-2025.open-exchange.net/

Enrolments are subject to a maximum of two representatives per firm. Places will first be allocated to the first nominee in each of the enrolment forms submitted to the SFC on a first come first served basis. Any remaining places will be allocated to the second nominee on the same basis.

Successful applicants will be notified by email at least two days before the webinar.

If you have any queries, please contact us at aml_seminar@sfc.hk.

View Circular

SFC supports market's initiatives on regulatory compliance for digital asset funds and tokenised funds

20 Oct 2025

The Securities and Futures Commission (SFC) showed its support to the market's initiatives in a seminar organised by the Association of Fund Administrators of Hong Kong and the Greater Bay Area (AFA) last week for raising industry awareness of regulatory compliance standards in the fast-evolving digital asset sector.

Dr Eric Yip, the SFC's Executive Director of Intermediaries, delivered a keynote speech at the seminar comprising over 150 participants, including fund and digital asset professionals as well as legal and compliance experts. During the seminar, the AFA discussed various risk management and control measures to support the management of digital asset funds and tokenised funds. Notably, discussions highlighted the importance for collaborative efforts within the fund industry to strengthen digital asset-related technical and regulatory compliance capabilities while adopting innovative technologies in fund management.

The SFC's participation in the seminar underscored its commitment to empowering industry through education, engagement and transparency as part of its initiatives under Pillar **Re** (**Re**lationship) of the "**ASPIRe**" roadmap.

"The SFC is committed to raising professional standards and fostering mutual trust in the digital asset market," said Dr Yip, "By supporting industry participants in their ongoing efforts to uphold regulatory compliance standards in managing digital asset funds and tokenised funds, we aim to cultivate a safe, reliable, sustainable and competitive digital asset fund ecosystem anchored in robust risk management and investor protection measures."

View News

SFC and Québec's AMF enhance regulatory cooperation on supervision of cross-border investment management activity

27 Oct 2025

The Securities and Futures Commission (SFC) and the Autorité des marchés financiers (AMF), the financial regulator of Québec, Canada, have concluded a Memorandum of Understanding (MoU) to enhance cooperation on the supervision of investment managers of collective investment schemes operating in either market.

The two sides entered into the MoU on the sidelines of the Board Meeting of the International Organization of Securities Commissions in Madrid, Spain, today.

The MoU provides for a regulatory framework for consultation, cooperation and exchange of information in connection with the supervision and oversight of regulated entities engaging in cross-border investment management services. The SFC has included Québec of Canada on its list of Acceptable Inspection Regimes following the signing of the MoU. The inclusion will facilitate AMF-licensed managers in providing investment management services in respect of SFC-authorised funds.

"This MoU marks a new chapter in regulatory collaboration between the SFC and the AMF, particularly in the realm of asset management. As closer regulatory cooperation takes root, both Hong Kong and Québec stand to benefit from enhanced cross-market industry collaboration and market connectivity," said Ms Julia Leung, the SFC's Chief Executive Officer.

"This MoU reflects our shared commitment to fostering robust, transparent regulatory standards. By strengthening cooperation between Québec and Hong Kong, we are enabling asset managers to access new opportunities, better serve investors, and support innovation, integrity, and resilience in our capital markets," said Mr Yves Ouellet, the AMF's President and Chief Executive Officer.

View News

ENFORCEMENT NEWS

SFC suspends Joey Lo Wai Hon for four months

2 Oct 2025

The Securities and Futures Commission (SFC) has suspended Mr Joey Lo Wai Hon, a former responsible officer (RO) of MTF Securities Limited (MTF), for four months from 30 September 2025 to 29 January 2026 for failing to properly manage credit risks and to identify and report suspicious trading patterns of clients.

The disciplinary action follows the SFC's findings that MTF failed to maintain effective policies and procedures to ensure the proper management of credit risks and an effective ongoing monitoring system to identify, examine and report suspicious trading patterns, in breach of the Code of Conduct as well as other regulatory requirements on risk management and anti-money laundering and counter-financing of terrorism. The SFC considers that MTF's failures were attributable to Lo's failure to discharge his duties as an RO and a member of the senior management of MTF at the material time.

The SFC's investigation found that shortly after three cash clients had opened their accounts and deposited only $10,000 with MTF in January 2021, MTF granted each of them a trading limit ranging from $4 million to $5 million at the request of MTF's substantial shareholder, despite no application was received from the clients and no proper due diligence was done on those clients' financial status.

The SFC also found that the three clients utilised the trading limits to conduct transactions which were incommensurate with the financial situations of two of them. These transactions further demonstrated suspicious features which should arouse reasonable suspicion of potential market misconduct and money laundering. However, MTF failed to identify these transactions as suspicious, follow up on them or ensure that they were reported to both the Joint Financial Intelligence Unit and the SFC in a timely manner.

In deciding the disciplinary sanction against Lo, the SFC has taken into account that:

- MTF's failures are serious as they could undermine public confidence in, and damage the integrity of, the market;
- a deterrent message needs to be sent to the market that such failures are not acceptable;
- Lo cooperated with the SFC in resolving the SFC's concerns; and
- Lo has an otherwise clean disciplinary record.

View News

Court penalises AMTD Global Markets Limited for contempt of court due to non-compliance with SFC notices and orders it to produce records and pay fine

13 Oct 2025

The Court of First Instance has ordered AMTD Global Markets Limited (AMTD, formerly known as orientiert XYZ Securities Limited and currently known as oOo Securities (HK) Group Limited) to produce records and pay a fine, following legal proceedings initiated by the Securities and Futures Commission (SFC) against AMTD for failing to comply with statutory notices issued during the course of SFC investigations.

The SFC's investigations concern suspected fraudulent or deceptive schemes and/or the disclosure of false or misleading information in the initial public offerings of certain listed companies where AMTD acted as bookrunner, lead manager and underwriter.

The Court ordered AMTD to comply with the outstanding requests in the relevant SFC notices by 19 January 2026. Additionally, the Court ruled that AMTD should be penalised for contempt of court by paying a fine for its past non-compliance with the notices. The amount of the fine will be determined at a later date.

The Court rejected AMTD's explanations for failing to comply with the notices by the stipulated deadlines, including AMTD's change of ownership and management and the relocation or loss of its books and records, finding these were not reasonable excuses for non-compliance with the notices.

Mr Christopher Wilson, the SFC's Executive Director of Enforcement, said, "The SFC does not tolerate non-compliance with the SFO. Licensed firms and individuals must cooperate with SFC investigations and must not withhold information when requested. Failure to do so undermines market integrity and will be met with robust enforcement action."

The SFC wishes to express its appreciation to the United Kingdom Financial Conduct Authority for its assistance in the investigation of this case.

[View News]

SFC reprimands and fines UBS AG $8 million for professional investor misclassification

20 Oct 2025

The Securities and Futures Commission (SFC) has reprimanded and fined UBS AG (UBS) $8 million for deficiencies in its internal systems and controls, resulting in the firm's failure to ensure accurate classification of professional investors (PIs) for over 12 years.

The SFC's investigation revealed that, between 2009 and July 2022 (Relevant Period), UBS verified its clients' PI status by an automated process which was based upon the firm's misinterpretation of the minimum portfolio requirement under the Securities and Futures (Professional Investor) Rules for certain types of joint client accounts.

As a result, UBS incorrectly classified certain joint accounts as PI accounts when in fact they ought to be classified as non-professional investors' accounts (Non-PI Clients). By doing so, UBS:

- provided its securities pooled lending (SPL) service to some Non-PI Clients without obtaining valid standing authorities for the use of client securities or securities collateral or disclosing the relevant information in the monthly statements issued to them; and

- offered and sold investment products intended for PIs only (PI-Restricted Products) to some Non-PI Clients.

A look-back review conducted by UBS covering the four-year period between July 2018 and July 2022 identified that a total of 560 joint accounts booked and/or managed in Hong Kong were misclassified as PI accounts. The misclassified accounts included:

- 23 accounts that subscribed to the SPL service, involving 9,190 SPL transactions where securities listed or traded on The Stock Exchange of Hong Kong Limited were lent to UBS; and

- 94 accounts that conducted investment transactions in PI-Restricted Products, involving a total of 500 transactions.

The SFC considers that UBS failed to act with due skill, and care and establish effective systems and controls to ensure accurate classification of PIs and compliance with the applicable regulatory requirements.

In deciding the sanction, the SFC has taken into account all relevant factors, including:

- the long duration of UBS's failures lasting for over 12 years;

- the previous disciplinary action against UBS for failures of a similar nature;

- the look-back review and remedial actions by UBS to strengthen its internal controls and systems upon identifying and self-reporting the breaches;

- UBS's cooperation with the SFC in resolving the SFC's concerns; and

- UBS will implement Enhanced Complaint Handling Procedures (ECHP) to review any complaints which may be made by clients potentially misclassified as a PI during the Relevant Period.

View News

Court verdict on money laundering of listed company funds

22 Oct 2025

The Securities and Futures Commission (SFC) welcomes the conviction by the High Court today of Mr Wong Ming Chun of two counts of money laundering charges in relation to misappropriation of the funds of Hua Han Health Industry Holdings Limited (Hua Han) in 2015.

Today, Wong, the then financial controller and company secretary of Hua Han, was sentenced to seven years and eight months' imprisonment in the High Court after he pleaded guilty to the money laundering offences. He was also disqualified by the court from being a director of any company in Hong Kong, without the leave of the court, for a period of 12 years.

In the course of the SFC's investigation into suspected disclosure of false or misleading information in Hua Han's financial statements from 2013 to 2015, the SFC uncovered misappropriation of proceeds from the fundraising activities of Hua Han in 2015. The SFC then referred our investigation findings to the Police.

The SFC's Executive Director of Enforcement, Mr Christopher Wilson, said: "Wong didn't just fail as a controller – he became an accomplice. Today's conviction underscores the gravity of Wong's betrayal of trust as the company's financial controller and reaffirms that financial controllers' responsibilities extend beyond transactional oversight to safeguarding a company's financial integrity and investor trust through robust internal control."

"When individuals in gatekeeping roles – whether or not they sit on the board – abuse their positions to engage in or facilitate criminal acts, they not only breach their fiduciary duties but also undermine the transparency and stability essential to an efficient and sustainable capital market," Mr Wilson added. "These roles exist to protect shareholders, not exploit them. When that trust is broken, as it was here, we will not hesitate to use every enforcement tool at our disposal, including collaborating with the Police, to ensure justice is served and market integrity is maintained."

View News

Former directors of Universal Star disciplined following SFC-HKEX enforcement collaboration

23 Oct 2025

The Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited (Exchange) have collaborated in an enforcement action that led to a disciplinary action against Mr Lu Qingxing, former non-executive director, and his son, Mr Lyu Zhufeng, former executive director, of Universal Star (Holdings) Limited (Universal Star) for their failure to procure the disclosure of material information in the company's prospectus.

The outcome stemmed from the SFC's investigation which focused on, among other things, the failure of the pair to disclose 13 outstanding loans involving a subsidiary of Universal Star (as co-borrower or guarantor) to the sponsor or the other directors of Universal Star at the time of its listing (IPO) in May 2019.

The loans – totalling approximately RMB49 million – were taken out by the father between April 2017 and April 2019 of which at least approximately RMB44 million were found to have been paid to him. The loans, which remained outstanding as of August 2020, constituted material financial liabilities but were not disclosed in Universal Star's prospectus.

Furthermore, the pair pledged a property of the subsidiary of Universal Star to secure the loans after the IPO without the knowledge or approval of other directors, or independent shareholders as required by the Listing Rules.

They had also failed to manage conflicts of interest properly given that the father personally benefited from the loans and the pledge – an obvious breach of their fiduciary duties and caused significant prejudice to investors' interests.

The SFC referred the matters to and shared with the Exchange its investigation findings, including evidence of the loans, the pledge and payment records of the loan proceeds.

The Exchange subsequently imposed a disciplinary action of "Prejudice to Investors' Interests Statement" (PII Statement) and censure against the pair, who had resigned from their positions as directors in 2021 and 2023, respectively. In the Exchange's opinion, the interests of investors would have been prejudiced had the pair remained on the board of directors of Universal Star.

The SFC's Executive Director of Enforcement, Mr Christopher Wilson, said: "The misconduct which led to the Exchange's PII Statement casts serious doubt on the two individuals' suitability to continue serving as directors of the company."

"It is of critical importance that directors of listing applicants and listed companies fulfil their fiduciary duties and ensure full compliance with relevant rules and regulations enforced by the SFC and the Exchange. Boards of directors must also act with transparency, diligence and integrity, particularly in disclosing financial activities and information and managing conflicts of interest."

"The SFC remains committed to working closely with the Exchange to hold directors accountable for misconduct and protect investors' interests, thereby upholding corporate governance and integrity of Hong Kong's capital markets," Mr Wilson added.

View News

Court finalises trial dates for insider dealing case against Wong Pak Ming

24 Oct 2025

The criminal trial of the insider dealing prosecution brought by the Securities and Futures Commission (SFC) against businessman Mr Wong Pak Ming has been fixed to take place from 14 November 2025 to 10 December 2025 at the Eastern Magistrates' Court after today's pre-trial hearing.

Wong has pleaded not guilty to the charge of insider dealing involving the shares of Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) (Pegasus). Specifically, he allegedly counselled or procured another person to deal in the shares of Pegasus around 25 August 2017 to 17 October 2017, while he was the chairman and the controlling shareholder of Pegasus and having information which he knew was inside information in relation to Pegasus.

Wong's bail was extended by the Court today pending the next hearing on the following conditions: (i) cash bail of $200,000; (ii) he shall reside at the home address provided and inform the Police prior to any change of residence; and (iii) he shall inform the SFC 24 hours prior to leaving Hong Kong.

[View News]

SFC obtains court order to freeze up to $82.4 million of assets belonging to suspected manipulators of Smartac shares

27 Oct 2025

The Court of First Instance has granted an interim injunction order against 12 suspected manipulators of shares of Smartac International Holdings Limited (Smartac) in proceedings brought by the Securities and Futures Commission (SFC) under section 213 of the Securities and Futures Ordinance (SFO).

Pursuant to the Court order, the 12 suspected manipulators, who allegedly manipulated Smartac shares between 31 October 2018 and 11 March 2019 (relevant period), are prohibited from (i) removing any of their assets which are within Hong Kong, or (ii) in any way disposing of or dealing with or diminishing the value of any of their assets which are within Hong Kong, up to the value of $82.4 million. The interim injunction order ensures that there are sufficient assets to meet the restoration orders sought by the SFC, if the Court finds the suspected manipulators in contravention of the relevant provisions of the SFO.

This action is part of the SFC’s legal proceedings against the former chairman and non-executive director of Ding Yi Feng Holdings Group International Limited, 28 other suspects and a corporate entity for their alleged manipulation of the shares of Smartac during the relevant period.

The interim injunction order remains in effect until the next hearing on 27 March 2026.

[View News]

SFC bans Cheng Lai Ho for seven months

27 Oct 2025

The Securities and Futures Commission (SFC) has prohibited Mr Cheng Lai Ho, a former relevant individual of Bank of Communications Co., Ltd. and Bank of Communications (Hong Kong) Limited (collectively, BOCOM), from re-entering the industry for seven months from 27 October 2025 to 26 May 2026.

The disciplinary action follows an SFC investigation which found that, between April 2017 and April 2022, Cheng failed to disclose to BOCOM the existence of multiple personal securities trading accounts that he held in his name at other financial institutions.

The SFC also found that between August 2017 and April 2022, Cheng opened and maintained a securities margin account at an external brokerage firm in the name of his mother and conducted over 260 personal trades through the account. In this connection, he did not disclose to BOCOM his personal interest in the account, report his personal trades, provide the relevant statements of account to BOCOM, and hold the shares in the account for the minimum holding period required by BOCOM before selling them.

During the material time, Cheng further falsely declared to BOCOM on eight occasions that he had complied with the firm's staff dealing policy.

Cheng's conduct circumvented BOCOM's internal control under its staff dealing policy and prevented BOCOM from monitoring his personal trading activities.

The SFC considers that Cheng's concealment of his mother's account and his trading activities in it to be wilful and dishonest, and his failure to disclose his pre-existing personal securities trading accounts to BOCOM casts doubt on his reliability and ability to carry on regulated activities competently. All things considered, Cheng's conduct calls into question his fitness and properness to be a regulated person.

In determining the sanction against Cheng, the SFC has taken into account all relevant circumstances, including his violations lasted over five years, his cooperation in resolving the SFC's concerns, and his otherwise clean disciplinary record.

View News

SFC suspends Tang Wai Choi for seven months

28 Oct 2025

The Securities and Futures Commission (SFC) has suspended the licence of Mr Tang Wai Choi, a former licensed representative of Shanxi Securities International Limited (SSIL), for seven months from 28 October 2025 to 27 May 2026.

As part of an investigation into a suspected ramp-and-dump scheme, the SFC found that between 10 July 2019 and 10 December 2019, Tang, unbeknownst to SSIL, had logged into a client's securities account and placed 945 orders for the client via the internet without valid written authorisation. He also failed to maintain proper records of the order instructions from the client.

Tang's conduct not only deprived SSIL of the ability to be reasonably certain about the identity of the person responsible for originating the order instructions for transactions in the client's account, but also prevented SSIL from discharging its obligation to maintain a proper audit trail of the client's instructions. In addition to exposing clients to the potential risk of unauthorised trading and licensed corporations to the risk of potential trade disputes, such kind of behaviour could also facilitate market misconduct by obscuring the true source of trades and hindering efforts to trace and monitor suspicious trading activities.

In deciding the sanction, the SFC has taken into account all relevant circumstances, including:

- the duration and frequency of Tang's misconduct;

- the need to send a deterrent message to the industry that conduct of this nature is not acceptable; and
- Tang's otherwise clean disciplinary record.

View News

SFC seeks court orders to disqualify former directors of China Longevity Group Company Limited

31 Oct 2025

The Securities and Futures Commission (SFC) is seeking disqualification orders from the Court of First Instance against three former directors of China Longevity Group Company Limited (China Longevity), formerly known as Sijia Group Company Limited, in legal proceedings under section 214 of the Securities and Futures Ordinance (SFO).

The three former directors of China Longevity named in the proceedings are Mr Lin Shengxiong, former Chairman and Executive Director, Mr Zhang Hongwang and Mr Huang Wanneng, both former Executive Directors.

The legal proceedings follow the SFC's investigation into the overstatements of China Longevity's cash and cash equivalents balance by about RMB198.9 million and RMB302.4 million as at 31 December 2011 and 30 June 2012, respectively; the overstatements accounted for about 13.6% and 19.9% of China Longevity's net assets on aforementioned dates. As a result, China Longevity's annual reports for the years ended 31 December 2011 and 2012 and the interim report for the six months ended 30 June 2012 contained material misstatements and did not reflect the true state of the company's affairs.

The SFC alleges that the former directors had allowed or caused China Longevity to overstate its cash and cash equivalents, and hence its net assets in its financial statements. They had also failed to cause or procure China Longevity to make timely, accurate and complete disclosure of the discovery of the overstatements and other audit irregularities by the then auditors of China Longevity.

View News