

REGULATORY NEWSLETTER

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Enforcement News

SFC reprimands and fines Lau Ki Fung \$80,000

12 June 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR65>

The SFC has reprimanded Mr Lau Ki Fung, a former account executive of KGI Asia Limited (“KGI”), and fined him \$80,000 for failing to keep proper records of order instructions from clients.

He received 156 order instructions from four clients on mobile phone or during meetings outside KGI’s office and failed to use a telephone recording system to record these order instructions as required by the SFC Code of Conduct and KGI’s internal requirements.

DBA Telecommunication (Asia) Holdings Limited convicted of making false or misleading announcement

28 June 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR73>

The Eastern Magistrates’ Court today convicted DBA



Regulatory Updates

Compliance with notification requirements

1 Jun 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC38>

This circular serves to remind intermediaries of the notification requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (the “Rules”).

Under the Rules, LCs are required to notify the SFC of any significant changes in the nature of their business and types of services they provide.

The SFC has clarified that introducing trading and asset management services involving crypto-assets and/or robo-advisory financial services would be regarded as significant changes which trigger the notification requirement.

Also, if such crypto-assets business is conducted in Hong Kong by other entities in the same group as an LC, the LC is encouraged to inform the SFC as well.

Telecommunication (Asia) Holdings Limited (“DBA”) after it pleaded guilty to making a false or misleading statement in a prosecution brought by the SFC.

DBA was fined \$20,000 and ordered to pay the SFC’s investigation costs.

The SFC alleges that the financial statements had not been agreed by the auditors as required under the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”). DBA’s statement in the results announcement that the financial statements had complied with the applicable disclosure provisions of the Listing Rules was therefore false and misleading in a material particular.

The SFC also prosecuted DBA’s former director Mr Chan Wai Chuen for making a false or misleading statement for his alleged involvement in the offence.

[IMPORTANT] Upcoming changes to the Securities and Futures (Professional Investor) Rules

As described in the [consultation conclusion](#) released by the SFC on May 2018, several amendments to the Securities and Futures (Professional Investor) Rules will be made and effective on 13 July 2018.

Below are the summary of the amendments:

- An individual’s share in portfolios held in joint accounts with non-associates can now be counted towards the individual’s portfolio;
- Portfolios held in investment corporations wholly owned by an individual can now be counted towards an individual’s portfolio;
- Corporations which have investment holding as their principal business (Note: previously “sole business”) and are wholly owned by one of more PIs can now be classified as a Professional Investor (“PI”);
- For corporations which have investment holding as their principal business and are wholly owned by one of more PIs, a wider range of PI can now be accepted for such purpose.
- Corporations which wholly own another corporation which is a qualified professional investor can now be classified as a PI; and
- A wider range of documentary evidence can now be accepted to ascertain the size of a person’s portfolio/total assets, including certificates issued by a custodian, certificates issued by an auditor/certified public accountant and public filings.

You are advised to revise your existing policies, procedures and the relevant forms to ensure your compliance on the above requirements.