

REGULATORY NEWSLETTER

Enforcement News | Regulatory Updates

Enforcement News

SFC commences MMT proceedings against Health and Happiness (H&H) International Holdings Ltd and its Chairman for late disclosure of inside information

29 Nov 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR131>

The SFC has commenced proceedings in the Market Misconduct Tribunal against Health and Happiness (H&H) International Holdings Ltd (known as Biostime when the alleged breach occurred) for failing to disclose price sensitive information as soon as reasonably practicable, and proceedings in the MMT against Mr Luo Fei, Biostime's Chairman, Chief Executive Officer and Executive Director for his reckless or negligent conduct causing the alleged breach by Biostime of the provisions of the statutory corporate.

In mid-June 2015, the consolidated management accounts of the Group for the first five months of 2015 became available which revealed that both the revenue and the net profit had significantly decreased by 13.7 per cent and 28.9 per cent, respectively, when compared with the corresponding period in 2014.



Regulatory Updates

SFC announces thematic review of remote booking, operational and data risk management practices

16 Nov 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC82>

The SFC has announced the commencement of a thematic review of selected LCs to assess their risk governance, oversight framework and risk management practices. The review comprises three work streams:

1) Underlying risks of remote booking models

The scope of this work stream covers an understanding of the remote booking framework and transfer pricing methodologies adopted as well as the assessment of the relevant controls and monitoring implemented by LCs.

2) Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The scope of

This information about the financial deterioration came to the knowledge of Biostime and Luo on or around 23 June 2015. However, Biostime did not disclose such information to the public until 23 July 2015, when it issued the profit warning.

The SFC alleges that the information about the financial deterioration was specific information regarding Biostime, price sensitive and not generally known to the public at the material time. Had the information been known to the investing public, it would have been likely to materially affect the share price of Biostime

this work stream covers an understanding of the procedures and methodologies adopted to address trade-related issues as well as the assessment of relevant controls and monitoring implemented by LCs such as the segregation of duties and surveillance of trade processing.

3) Data risk

The scope of this work stream covers an understanding of the data management-related procedures and methodologies adopted as well as the assessment of the relevant controls and monitoring implemented by LCs, such as data protection governance, access controls and data loss protection and recovery.

The format of the thematic review shall be:

- questionnaires sent to selected LCs in Hong Kong;
- analysis on the responses to identify any red flags suggesting potential concerns or instances of non-compliance;
- selections of LCs for meetings and on-site inspections, which will involve the SFC meeting with key personnel and inspecting internal controls and risk management activities; and
- comparison of existing SFC regulatory requirements to those of other major financial market regulators. Market practices will be assessed to identify good practices or common issues.

SFC announces new arrangements for submission of notifications and delivery of letters of approval

23 Nov 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC84>

1) Electronic submission of notifications and annual returns

Starting 26 November 2018, the SFC Portal shall allow (i) directors of licensed corporations or registered institutions and (ii) persons authorised by their boards of directors to submit corporate notifications and annual returns.

2) Electronic letters of approval to individual applicants

The SFC will only send approval letters electronically to the email address provided by individual licence applicants, with a copy to the office email address of the principal licensed corporation with which they are affiliated. The SFC reminds all licensees and registered institutions are reminded to keep their contact information, including email addresses, up-to-date.