
REGULATORY NEWSLETTER

2021 Vol. 03



Happy Easter!

Easter is about more than candy and bunny. It's about peace, love, and family. April is the month for everyone to rejoice at the resurrection of Jesus Christ. During this very significant festival, the life of plants and animals that have been dormant for winter revives and spring comes back, likewise the financial market.

In the season of love, hope, and rebirth, ComplianceDirect is grateful for your company over the past years. We would like to show you our greatest gratitude for your ongoing support. We would like to wish you a delightful holiday and a flourishing business! In March, the SFC seems wide-awake as well. Let's take a look at the news awaiting us, shall we?

REGULATORY UPDATES

Responsible officers and licensed representatives Waiver of annual licensing fees

19 Mar 2021

The SFC will waive the annual licensing fees of all intermediaries and licensed individuals incurred during the period from 1 April 2021 to 31 March 2022.

The SFC will not issue the usual demands for payment for annual licensing fees which would ordinarily become payable during this one-year period. Payments of all other fees, including for license applications and transfers, will not be affected.

[View Circular](#)

Technical Specifications for OTC Derivatives Trade Reporting

23 Mar 2021

The Hong Kong Monetary Authority issued a notice about updated technical specifications for over-the-counter (OTC) derivatives trade reporting under the Hong Kong Trade Repository. Licensed Corporations that may be subject to mandatory reporting obligation are advised to refer to the Notice. Reporting entities are reminded to read the revised Administration and Interface Development Guide ("AIDG") for the details of the changes and their obligation to report all transactions involving the updated coding schemes supported by the HKTR.

The key changes made in the revised AIDG include

- (i) updates of coding schemes supported in the HKTR reporting templates,
- (ii) renaming of "Unique Trade Identifier (UTI)" to "Unique Transaction Identifier - Unique Swap Identifier (UTI-USI)",
- (iii) cessation of the outdated reporting templates and
- (iv) corresponding changes in some business validation rules.

[View Circular](#)

ENFORCEMENT NEWS

SFC reprimands and fines Sino-Rich Securities & Futures Limited \$7.2 million for breaches of anti-money laundering regulatory requirements

The SFC has reprimanded and fined Sino-Rich Securities & Futures Limited (Sino-Rich) \$7.2 million for failures in complying with anti-money laundering and counter-terrorist financing regulatory requirements when handling cash deposits and third party fund transfers.

For cash deposits, there is no record of any enquires made by Sino-Rich's staff with the clients and approvals by its responsible officers (ROs) prior to January 2017. It was only after the SFC issued a management letter to

SFC reprimands and fines GEO Securities Limited \$6.3 million for regulatory breaches

The SFC has reprimanded and fined GEO Securities Limited (GEO) \$6.3 million for breaching its licensing conditions and failures related to the sale of unlisted bonds.

The disciplinary action followed an SFC investigation which found that GEO had provided discretionary account management services to eight clients in return for an annual management fee between 1 July 2014 and 15 June 2015 and introduced 36 clients directly to four listed

Sino-Rich in November 2016 that Sino-Rich required its staff to record the reasons and the ROs' approval for cash deposits.

There is no record that Sino-Rich had rejected any requests for cash deposits and third party transfers or made any reports to the Joint Financial Intelligence Unit (JFIU) during the Relevant Period. Nonetheless, the SFC found that a substantial number of cash deposits and third party transfers processed or approved by Sino-Rich raised a number of red flags that warranted further inquiries or report to the JFIU.

The SFC is of the view that Sino-Rich's conduct was in breach of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (April 2015 – February 2018 edition), the Code of Conduct and the Internal Control Guidelines

[View News](#)

[View News](#)

SFC reprimands and fines Black Marble Securities Limited \$1.8 million for internal control failings and regulatory breaches

The SFC has reprimanded and fined Black Marble Securities Limited \$1.8 million for internal control failings and breaches of the SFC's Code of Conduct.

The disciplinary action follows an SFC investigation after receiving Black Marble Securities' report of a client complaint against one of its licensed representatives for allegedly conducting unauthorized trading activities in the client's account from August 2016 to July 2017.

The SFC's investigation found deficiencies in the internal controls of Black Marble Securities Limited.

companies to subscribe for their unlisted bonds totalling about \$108 million between 28 October 2014 and 16 November 2015. The SFC also found serious deficiencies in GEO's systems and controls.

SFC reprimands and fines Yardley Securities Limited \$5 million for breaches of anti-money laundering regulatory requirements

The SFC has reprimanded and fined Yardley Securities Limited (YSL) \$5 million for failures in complying with anti-money laundering and counter-financing of terrorism (AML/CFT) regulatory requirements when handling third party fund transfers.

The SFC investigation found that, between February and October 2016, YSL failed to take all reasonable measures to ensure that proper safeguards exist to mitigate the risks of money laundering and terrorist financing.

Despite red flags suggesting that some of the third party fund transfers in two client accounts between February and May 2016 were unusual or suspicious, YSL processed and approved these transfers without conducting proper enquiries and sufficient scrutiny. In addition, YSL did not properly record enquiries it claimed to have made in relation to these transfers. YSL also failed to have adequate policies, procedures, controls and provide adequate training to its staff to ensure compliance

with the AML/CFT regulatory requirements.

The SFC is of the view that YSL's conduct was in breach of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Guideline on Anti-Money Laundering and Counter-Terrorist Financing and the Code of Conduct

[View News](#)

[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
