

REGULATORY NEWSLETTER

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REGULATORY UPDATES



November, autumn deepens across the globe despite the dynamics of the market. A perfect timing to act with determination and resistance as we believe the world will have prosperity in future. As always, we would endeavor to provide you our professional consultation and compliance services.

Circular on shared liquidity by virtual asset trading platforms

3 November 2025

The Securities and Futures Commission (SFC) has released a circular outlining its regulatory framework for licensed virtual asset trading platform operators (Platform Operators) seeking to integrate their order books with those of overseas affiliate platforms (OVATPs). This integration — known as a Shared Order Book — will allow orders from different platforms to be pooled into a single liquidity source, enabling cross-platform trading and improved price discovery.

As part of the SFC's ASPIRe roadmap, the initiative aims to strengthen Hong Kong's connectivity with global virtual asset markets, enhance trading efficiency, and expand liquidity access for investors.

To safeguard clients and maintain market integrity, Platform Operators must meet specific standards, including:

- Partnering only with OVATPs based in FATF-member jurisdictions with comparable regulatory standards.
- Ensuring full pre-funding, delivery-versus-payment (DVP) settlement, and daily (or intraday) trade reconciliation to reduce exposure.
- Maintaining a compensation reserve fund and appropriate insurance coverage for client asset protection.
- Establishing joint cross-border market surveillance frameworks with the OVATP to prevent misconduct.

- Providing clear risk disclosures to clients and obtaining explicit consent from retail participants.


Prior SFC approval is required before commencing Shared Order Book operations, and approved firms will be subject to additional licensing terms and conditions.

This initiative marks a key step in integrating Hong Kong's regulated virtual asset market with global liquidity while reinforcing robust governance and investor protection.

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Circular on expansion of products and services of virtual asset trading platforms

3 November 2025



The Securities and Futures Commission (SFC) has published a circular expanding the scope of products and services that SFC-licensed virtual asset trading platforms (VATPs) may offer. The initiative is part of the SFC's ongoing efforts to strengthen Hong Kong's role as a global hub for digital assets and to support the sustainable development of its regulated market.

Background

Under Pillar P (Products) of the ASPIRe Roadmap issued on 19 February 2025, the SFC committed to reviewing the digital asset products and services available in Hong Kong to cater to different types of investors while maintaining strong investor protection measures. The circular introduces enhancements in three main areas — token admission, product distribution, and custody services — expanding what licensed VATPs can offer.

Key Changes

Revised Token Admission Requirements

The SFC has removed the 12-month track record requirement for virtual assets (including stablecoins) offered to professional investors.

Licensed stablecoins can now be offered to retail investors without such a track record.

The track record requirement still applies to other virtual assets offered to retail clients.

Despite these relaxations, VATPs must conduct comprehensive due diligence and make appropriate disclosures when trading newer tokens.

The rule change does not apply to tokenised or digital securities, which are covered by separate guidelines.

Distribution of Digital Asset-Related Products

The SFC will amend VATPs' standard licensing conditions to allow them to distribute tokenised securities and other digital asset-related investment products, provided they remain compliant with all applicable laws and codes.

VATPs may also open trust or client accounts with custodians to hold such assets on behalf of their clients.

Interested VATPs must apply to the SFC for approval of modified licensing conditions.

Custody of Non-Traded Digital Assets

VATPs and their associated entities may now apply to offer custody services for digital assets not listed on their platforms.

Operators must meet existing VATP Guidelines and Tokenisation Circular requirements, ensuring strong technological resilience, cybersecurity, and anti-money laundering controls.

For tokenised securities, the SFC may consider case-by-case approvals, provided the VATP demonstrates effective safeguards such as transfer restrictions and whitelisting of wallet addresses.

Conclusion

The SFC's circular signals a significant regulatory milestone, broadening what VATPs can offer within Hong Kong's regulated digital asset framework. By easing product restrictions while enforcing stringent governance, disclosure, and custody standards, the SFC seeks to promote responsible innovation and enhance the city's competitiveness as a compliant digital asset centre.

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Circular to licensed corporations — SFC consultation on the Chinese version of the draft financial resources rule amendments

7 November 2025

The Securities and Futures Commission (SFC) has opened a public consultation on the Chinese version of the draft amendments to the Securities and Futures (Financial Resources) Rules (FRR).

This follows the release of the English draft amendments on 14 July 2025, which were previously issued for consultation. The newly published Chinese version reflects the same proposed changes set out in the English draft.

The SFC invites stakeholders to submit comments by 6 February 2026 through the SFC website (www.sfc.hk), by email at frr_consultation@sfc.hk, by post, or via fax to 2523 4598.

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

(1) FATF Statement on High-Risk Jurisdictions subject to a Call for Action

(2) FATF Statement on Jurisdictions under Increased Monitoring

(3) Outcomes from the FATF Plenary, 22–24 October 2025

The Financial Action Task Force (FATF) released new statements on 24 October 2025, highlighting updates on high-risk and monitored jurisdictions, and providing key outcomes from its recent Plenary meeting.

1. High-Risk Jurisdictions – Call for Action

The FATF reaffirmed its call for member jurisdictions to apply enhanced due diligence and, where necessary, countermeasures against countries posing significant risks to the global financial system from money laundering, terrorist financing, and proliferation financing.

Democratic People's Republic of Korea (DPRK) : FATF expressed ongoing concern about the DPRK's failure to address AML/CFT deficiencies and its involvement in illicit activities linked to weapons proliferation. Jurisdictions are urged to reinforce countermeasures and strengthen enforcement against DPRK-related risks.

Iran:

Despite progress in ratifying the Palermo Convention, Iran has not aligned its AML/CFT framework with FATF standards. Members are reminded to maintain and apply countermeasures effectively to mitigate risks emanating from Iran.

Myanmar:

Due to limited improvement in its AML/CFT regime, FATF continues to call for enhanced due diligence measures proportionate to risk. If inadequate progress is observed by February 2026, countermeasures may be considered.

2. Jurisdictions Under Increased Monitoring

The FATF's updated list removes Burkina Faso, Mozambique, Nigeria, and South Africa from jurisdictions under increased monitoring. FATF will continue to oversee improvements among remaining jurisdictions and encourages firms to factor this information into their risk assessments.

Licensed corporations, SFC-licensed virtual asset service providers, and related entities should regularly consult the FATF website for the latest updates.

3. FATF Plenary Outcomes (22 – 24 October 2025)

Key developments include:

New guidance on asset recovery published on 4 November 2025, strengthening global capacity to trace and confiscate illicit assets.

Approval of a forthcoming report titled "Horizon Scan", highlighting emerging illicit finance risks arising from generative AI, AI agents, and deepfakes, which can be exploited for cyber-enabled fraud.

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Circular to licensed corporations Implementation Arrangements for Cross-Boundary Wealth Management Connect Pilot Scheme

13 November 2025

Further to the circular issued on 24 January 2024 by the Securities and Futures Commission (SFC) regarding licensed corporations (LCs) participating in the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, the SFC—after consultation with relevant regulatory bodies—announces additional enhancements to the following implementation arrangements: Certification Services

1. Promotion and Sales

According to paragraph 54 of Annex 1 of the Circular, eligible participating LCs may, upon request from Southbound Scheme clients who are outside Hong Kong, conduct investment product screening based on those clients' circumstances and explain product details (such as key features, risks, objectives, and strategies) through appropriate channels, including telephone, video conference, or instant messaging, at their business premises.

Participating LCs may now obtain a one-off written consent valid for up to one year, allowing them to introduce and explain products to Southbound clients according to the clients' preferences and chosen product categories without seeking separate requests each time.

Additionally, Mainland partner brokers within the same corporate group may, upon clients' requests and in compliance with Mainland regulations, assist Southbound clients in arranging three-party communications (via online, phone, or video) with the participating LCs for Cross-Boundary WMC matters. During these sessions, LCs may describe and clarify product information, while both parties must clearly define their respective roles, obligations, and regulatory responsibilities within their cooperation agreement.

On a reciprocal basis, these arrangements also apply to the Northbound Scheme. Mainland partner brokers can similarly obtain one-off written consent from Northbound Scheme clients, valid for up to one year, to provide ongoing product introductions and explanations. Participating LCs may also facilitate three-party meetings with Mainland brokers for Hong Kong clients, provided all regulatory requirements in both jurisdictions are observed.

Participating LCs must not conduct direct marketing, client solicitation, or advisory sales activities in the Mainland. Before introducing products, they must perform product due diligence and risk profiling. Risk assessments must be valid when conducting transactions; where a product's risk level exceeds that of the client, the LC must alert the client and confirm whether they wish to proceed. All services must adhere to Hong Kong laws and regulatory standards, including compliance with paragraph 5.2 of the SFC Code of Conduct.

2. Research Reports

Under paragraph 52 of Annex 1 of the Circular, participating LCs may share research reports with Southbound clients for reference, covering topics like macroeconomic trends, market conditions, and industry overviews, but not individual investment products.

If Southbound clients' one-off consent specifically allows, LCs may distribute individual product research reports prepared by their partner brokers. These partner brokers will assume full legal and regulatory responsibilities for preparing the reports in compliance with Mainland laws. Participating LCs must:

- a) Select and supervise partner brokers carefully, conducting ongoing monitoring and ensuring legally binding agreements are in place that require compliance with Mainland regulatory standards.
- b) Comply with the SFC Code of Conduct—including General Principles 1, 2, 5, and 6, and paragraphs 2.1 and 12.2.
- c) Take responsibility for ensuring the research reports are factual, balanced, and of high quality.

Reports must also include clear conflict-of-interest and warning statements, as illustrated by examples provided in the Appendix (which are non-exhaustive).

For the Northbound Scheme, if clients' one-off consent permits, partner brokers may provide them with research reports on eligible investment products prepared by participating LCs or their corporate groups.

3. Partnership Arrangements with Mainland Brokers

According to paragraph 5 of Annex 1 of the Circular, participating LCs wishing to partner with multiple Mainland brokers to offer Southbound services must submit a business plan and self-assessment report to the SFC, detailing operational procedures and readiness. Correspondingly, eligible Mainland brokers are required to provide relevant information to Mainland regulatory authorities for their review and consideration.

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Circular to Licensed Corporations, SFC-licensed Virtual Asset Service Providers and Associated Entities – Anti-Money Laundering / Counter-Financing of Terrorism Detection and prevention of potential layering activities in money laundering

17 November 2025

The Securities and Futures Commission (SFC) has identified a growing trend of illicit actors exploiting licensed corporations and virtual asset trading platforms for potential layering activities – movements of funds designed to conceal the origins of criminal proceeds. This poses serious money laundering and terrorist financing (ML/TF) risks to both individual firms and the broader financial system.

1. Strengthening AML/CFT Oversight

The SFC reminds all licensed firms—including licensed corporations, SFC-licensed virtual asset service providers and their related entities—to rigorously uphold anti-money laundering and counter-financing of terrorism (AML/CFT) standards. Robust compliance safeguards are essential not only for meeting regulatory obligations but also for maintaining the integrity of operations and the financial sector overall.

Senior management, including responsible officers (ROs), managers-in-charge (MICs) for AML/CFT and compliance, money-laundering reporting officers (MLROs) and boards of directors, must ensure the effective design and implementation of AML/CFT frameworks proportionate to their ML/TF risk exposure.

2. Identifying Suspicious Fund Movements

SFC supervisory reviews have revealed an uptick in suspicious activities involving frequent and rapid deposits and withdrawals from client accounts, often without any trading. Funds are typically deposited, held for a very short period, then withdrawn—indicating these accounts may have been used as depositary or transfer conduits to disguise fund origins and destinations.

Common red-flag patterns include:

- Numerous small or irregular deposits (often outside normal banking hours).
- Withdrawals to client bank accounts different from those used for deposits.
- Minimal or no trading activity followed by complete account inactivity.
- Use of accounts to process illicit proceeds from scam or fraud cases, including conversion to virtual assets (VAs) and withdrawals to unhosted wallets.

These behaviours often suggest that client accounts have been exploited by illicit actors, stooges, or compromised account holders to launder criminal funds.

3. Detecting Red Flags

The SFC notes that some firms failed to identify obvious warning signs simply because no third party appeared involved. Firms must recognize indicators already listed in the AML/CFT Guideline, including:

- Accounts used merely for holding or transferring funds with little trading.
- Repeated low-value “structured” deposits or withdrawals resembling smurfing.
- Short-term or one-off relationships with no clear purpose.
- Frequent changes in bank or wallet details.
- Transfers inconsistent with clients’ business or residence locations.
- Transactions disproportionate to clients’ financial profiles.
- Shared bank or wallet details among unrelated clients.
- Unexplained conversion to virtual assets or activity from shared IP addresses.

4. Implementing Effective AML/CFT Measures

Licensed firms must deploy robust monitoring systems capable of identifying red-flag patterns—such as repeated deposits and withdrawals with little trading, or fund transfers structured to avoid detection thresholds. The systems should incorporate automated and risk-based parameters, regularly reviewed for effectiveness, and extended to virtual-asset transactions via blockchain analysis to trace source and destination wallets.

5. Heightened Vigilance on Deposits and Withdrawals

Firms should adopt a holistic approach to monitoring fund and VA movements, ensuring linkage between detection of red flags and transaction approval processes. Controls include:

- Establishing registration and whitelisting mechanisms for client bank accounts and wallets, verifying ownership through independent measures (e.g., micropayment or message-signing tests).
- Setting reasonable limits on the number of registered accounts and wallets.
- Requiring management review for new or changed account or wallet information.
- Prohibiting shared accounts or wallets between clients.

Additional safeguards should include scrutiny of withdrawal requests, especially new or immediate withdrawals that appear inconsistent with normal behaviour, and implementing holding periods (e.g., 1–2 days) before releasing newly deposited funds to prevent instant fund recycling.

6. Regulatory Action and Expectations

The SFC will continue to conduct inspections, monitoring, and thematic reviews to ensure compliance. Firms and senior management who fail to meet AML/CFT obligations risk regulatory and enforcement actions, including business restrictions, licence suspension or revocation, fines and public reprimands.

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

27 November 2025

The presentation materials from the recent Anti-Money Laundering and Counter-Financing of Terrorism Webinar jointly delivered by the Securities and Futures Commission (SFC) and the Financial Intelligence and Investigation Bureau of the Hong Kong Police Force are now available on the SFC website.

They can be accessed under the sections “Training materials – Presented by SFC staff” and “Training materials – Presented by external parties”, respectively.

Licensed corporations, SFC-licensed virtual asset service providers and associated entities are encouraged to make use of these materials for internal training purposes.

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Circular to management companies of SFC- authorised unit trusts and mutual funds – Updated streamlined measures on post-authorisation matters for SFC-authorised UCITS funds

28 November 2025

The Securities and Futures Commission (SFC) conducts regular reviews of its procedures and guidance to enhance efficiency while maintaining investor protection.

Following a review and dialogue with market participants, the SFC has further streamlined the handling of certain post-authorisation matters for UCITS funds. The objective is to facilitate UCITS funds in implementing changes overseen by their home regulators. These refinements take immediate effect.

Further streamlined measures for UCITS funds.

The main streamlined measures apply to the following areas:

Change of key operators

The SFC will no longer require prior approval for changes of depositary or investment delegates where these parties are subject to supervision by the fund's home regulator.

Material changes in investment objectives, policies and restrictions

The SFC will no longer require prior approval for material changes to investment objectives, policies and restrictions, provided such changes comply with the requirements of the fund's home jurisdiction.

However, SFC prior approval will still be required where changes introduce novel or complex product features and/or may have local policy implications.

Post-authorisation notifications.

The SFC's notification requirements (including notice periods and content requirements) will be aligned with those of the fund's home jurisdiction.

The SFC has updated the relevant FAQs on its website, including a revamped FAQ on SFC Authorization of UCITS Funds to assist UCITS fund managers in managing post-authorisation compliance. Associated forms and checklists have also been updated.

Implementation

The streamlined measures set out in the FAQs will take effect on 28 November 2025 (the Effective Date).

Existing applications submitted to the SFC before the Effective Date, for which approval or authorisation has not yet been granted, will continue to be processed under the current approval/authorisation procedures.

Obligations of management companies

The SFC will continue to carry out post-vetting of scheme changes (including those not requiring its prior approval) and the associated revised documents filed with it. The SFC may raise follow-up queries and/or take appropriate regulatory action in cases of non-compliance to safeguard investor interests.

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ENFORCEMENT NEWS

SFC bans Cheung Ngai Yi for life

5 November 2025

The SFC has imposed a lifetime industry ban on Mr Cheung Ngai Yi, a former relevant individual of Hang Seng Bank Limited, following his criminal conviction for stealing a client's assets.

On 31 March 2025, the District Court sentenced Cheung to 30 months' imprisonment. The Court found that, while acting as the client's account manager, he misappropriated HK\$1,530,500 through 88 unauthorised ATM withdrawals between 13 May 2016 and 7 February 2017. He had unlawfully kept the client's ATM card and PIN, sold the client's investments without consent, and transferred HK\$1,203,182.40 of the sale proceeds into the client's bank account to facilitate the subsequent withdrawals.

The SFC noted that Cheung abused a position of trust and failed to meet the basic standards of honesty and integrity required of regulated individuals. In determining the sanction, the SFC considered all relevant factors, including the seriousness and premeditated nature of the misconduct.

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SFC commence prosecution in securities fraud case involving illegal short selling

6 November 2025

The SFC has filed criminal charges in the Eastern Magistrates' Courts against Mr Chan Hoi Shing and Mr Li Po Ching for allegedly running a fraudulent scheme to conduct illegal short selling, contrary to section 300 of the Securities and Futures Ordinance.

According to the SFC, from 27 May to 29 December 2020, Chan and Li falsely claimed that Chan held sufficient shares in 28 Hong Kong-listed companies to back sell orders placed via his account at Black Marble Securities Limited. In reality, he did not, enabling illegal short sales that generated about HK\$11 million in profits.

No plea was entered at the initial hearing. The case was adjourned to 6 February 2026, when prosecutors intend to seek a transfer to the District Court. Both defendants were granted bail on conditions: they must not leave Hong Kong, surrender travel documents, report regularly to police, post HK\$280,000 cash bail each, reside at their stated address, and notify police of any change of address.

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SFC secures first custodial sentence against influencer for provision of paid investment advice on social media chat group without licence

7 November 2025

The Eastern Magistrates' Court has convicted Mr Chau Pak Yin, a influencer formerly known as Chau Kin Hei, for offering investment advice without a licence via a subscription-based Telegram chat group he operated, following a criminal prosecution by the SFC (Notes 1 to 5).

Chau received a six-week prison sentence and was ordered to pay the SFC's investigation costs.

The Court heard that between 16 April and 14 May 2021, Chau ran a Telegram group titled “Futu真。財自Private Group” under the handle “Futu大股東”. The group accepted public members on a paid subscription basis.

During this period, Chau distributed commentary, recommendations and target prices for various securities and answered paid subscribers' questions about the performance of Nasdaq-listed securities. He charged a monthly fee of US\$1,560, collecting a total of HK\$43,680 in subscription income.

Commenting on the case, Michael Duignan, the SFC's Executive Director of Enforcement, said the SFC is determined to combat unlawful conduct by influencers and will not hesitate to hold them accountable when their investment-related content and advice on social media or online platforms constitute regulated activities requiring a licence (Note 6).

He added that unlicensed finfluencers may not meet the SFC's standards of conduct and accountability, potentially exposing investors to significant risk and harm. Investors should therefore verify a finfluencer's regulatory status, exercise caution when considering their advice, and ensure they fully understand the risks and key features of any investment promoted online before committing funds.

Chau was remanded in custody after his bail application was refused pending his intended appeal against both conviction and sentence.

The SFC reminds investors to consult the Public Register of Licensed Persons and Registered Institutions on its website (www.sfc.hk) to confirm that firms and individuals providing securities investment advice are properly licensed.

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SFC reprimands and fines Tung Tai Securities Company Limited HK\$900,000 for failure to safeguard client assets

13 November 2025

The SFC has reprimanded Tung Tai Securities Company Limited and imposed a HK\$900,000 fine for failures related to unauthorised sales of client securities and transfers of client funds.

According to the SFC's investigation, between 6 September 2019 and 18 February 2020, Tung Tai acted on instructions sent from a fake email address resembling that of an overseas client, sold the client's shares, and transferred a total of US\$3,301,740 in proceeds to three non-designated overseas bank accounts. Despite multiple warning signs—such as the incorrect email address and several banks rejecting the telegraphic transfers—Tung Tai continued processing the transfers.

The SFC concluded that Tung Tai did not adequately safeguard client assets and lacked effective internal controls to protect against theft, fraud, and misappropriation. When determining the penalty, the SFC considered that:

- The control deficiencies were serious and exposed clients to significant loss risks.
- Tung Tai implemented remedial measures to strengthen order placement and trade execution for the client to prevent recurrence.
- The client was compensated.
- An independent reviewer was engaged to assess Tung Tai's asset-safeguarding controls, and the firm cooperated with the SFC.
- Tung Tai otherwise had a clean disciplinary record.

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SFC issues restriction notices to two brokers to freeze accounts of client allegedly involved in corporate misconduct

28 November 2025

The Securities and Futures Commission (SFC) has issued restriction notices to Futu Securities International (Hong Kong) Limited (Futu) and Soochow Securities International Brokerage Limited (Soochow). These notices bar the firms from handling, or processing any withdrawals or transfers of, assets in accounts ultimately owned by a board member of a listed company who is suspected of misconduct and breach of duties owed to that company.

Under the restriction notices, the two brokerages are not allowed, without the SFC's prior written consent, to:

- Dispose of or otherwise deal with the assets in the specified accounts, or
- Assist, advise, or procure any other person to dispose of or deal with those assets,

up to the amounts specified in the notices. They must also notify the SFC immediately if they receive any instructions that relate to the above prohibitions.

The SFC considers these restriction notices necessary to preserve the assets in the accounts so that funds will be available to satisfy any potential court order in legal proceedings that the SFC may commence. The measure is regarded as being in the interest of the investing public or in the public interest.

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