



As October unfolds, the transition into autumn symbolizes a time of reflection and strategic recalibration amidst ongoing market fluctuations. This period presents a valuable opportunity to reaffirm our commitment to resilience and adaptability, guided by our belief in sustained global growth. ComplianceDirect continues to prioritize expert consultation and comprehensive compliance services to navigate the evolving landscape effectively.

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

## REGULATORY UPDATES

### **Mutual Recognition of Funds (MRF) between the United Arab Emirates (UAE) and Hong Kong**

17 Sep 2025

1. The Securities and Futures Commission (SFC) and the Securities and Commodities Authority (SCA) signed a memorandum of understanding concerning the mutual recognition of investment funds and investment management companies and related cooperation (Memorandum) on 17 September 2025 (as amended from time to time).
2. In this circular, "UAE Investment Fund" refers to a UAE-domiciled fund that is eligible for or has received SFC authorisation under MRF, while "UAE Investment Management Company" refers to a UAE management company that is eligible to manage UAE Investment Funds.

#### **General principles**

3. MRF operates on the principles that, in respect of an SCA-licensed UAE Investment Fund that is seeking or has received authorisation for offering to the public in Hong Kong:

- (a) the UAE Investment Fund shall meet the eligibility requirements in accordance with this circular and comply with all of the applicable requirements set out in this circular (see below);
- (b) the UAE Investment Fund shall remain authorised by the SCA and be allowed to be offered, marketed and distributed to retail investors in the UAE;
- (c) the UAE Investment Fund shall operate and be managed in accordance with the relevant laws and regulations in the UAE and its offering documents;
- (d) the sale and distribution of the UAE Investment Fund in Hong Kong shall comply with the applicable laws and regulations in Hong Kong;
- (e) where relevant, the UAE Investment Fund and the UAE Investment Management Company shall comply with the additional rules released by the SFC governing the authorisation, post-authorisation and ongoing compliance in the context of the offering, marketing and distribution of the UAE Investment Fund to the public in Hong Kong;
- (f) the UAE Investment Management Company of the UAE Investment Fund shall ensure that investors in both the UAE and Hong Kong receive fair treatment, including in respect of investor protection, exercise of rights, compensation and disclosure of information;
- (g) ongoing disclosure of information on the UAE Investment Fund shall be made available to investors in the UAE and Hong Kong at the same time (so far as is reasonably practicable given the different time zones and public holidays of the jurisdictions).

4. In general, funds that are seeking or have received SFC authorisation for offering to the public in Hong Kong pursuant to Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO) must comply with the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (SFC Handbook), as well as the circulars, guidelines and other requirements as may be issued by the SFC from time to time, together with the SFO, relevant Hong Kong laws and regulations. Based on the principles set out above, if a UAE Investment Fund complies with the relevant UAE laws and regulations and the conditions as set out in this circular, it is generally deemed to have complied in substance with the relevant Hong Kong laws and regulations and will enjoy a streamlined process of authorisation for offering to the public in Hong Kong.

5. In view of the differences between the regulatory regimes in Hong Kong and the UAE, to ensure proper investor protection and consistency with the existing Hong Kong regime for authorised retail funds, this circular sets out the additional requirements with which a UAE Investment Fund must comply when applying for SFC authorisation pursuant to Section 104 of the SFO for offering to the public in Hong Kong under the Memorandum, as well as other requirements

which a UAE Investment Management Company and a UAE Investment Fund must observe after obtaining SFC authorisation. The SCA will issue a separate circular regarding the authorisation of eligible Hong Kong funds for public offering in the UAE.

### **Eligibility requirements and types of eligible funds**

6. The eligibility requirements (Eligibility Requirements) are set out in Annex B to this circular.
7. UAE Investment Funds applying for SFC authorisation must fall within at least one of the following eligible fund types:
  - (a) General equity funds, bond funds, mixed funds and funds that invest in other schemes;
  - (b) Feeder funds;
  - (c) Unlisted index funds; or
  - (d) Exchange-traded funds (ETFs).

The SFC and SCA may consider extending the MRF to other types of funds in future in accordance with the Memorandum.

8. The UAE Investment Management Company that is seeking SFC authorisation must indicate to the SFC the fund type(s) in paragraph 7 above which the UAE Investment Fund falls within.
9. All UAE Investment Funds must comply with the requirements set out under the “Requirements applicable to all UAE Investment Funds” section below as well as the relevant requirements set out under the “Requirements applicable to each specific type of UAE Investment Funds” section below.

### **Requirements applicable to all UAE Investment Funds**

10. To ensure proper investor protection and consistency with the existing Hong Kong regime for authorised retail funds, all UAE Investment Funds are required to comply with requirements set out in paragraphs 11 – 32 below, as well as the relevant requirements as set out in Annex A.

#### *Representatives in Hong Kong*

11. Each UAE Investment Fund must appoint a firm in Hong Kong as its representative in compliance with Chapter 9 and 11.1(b) of the Code on Unit Trusts and Mutual Funds (UT Code).

#### *Operational and ongoing requirements*

#### Home jurisdiction supervision

12. The UAE Investment Fund must, on an ongoing basis, remain authorised by the SCA for offering to the public in the UAE. The UAE Investment Management Company of the UAE Investment Fund must also remain licensed by the SCA to manage collective investment schemes (CIS) in accordance with The Chairman of the Authority’s Board of Directors’ Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms Rule Book (Section 3 Chapter 5 Article 10) and the SCA Board of

Directors' Chairman Decision No. (01/RM) of 2023 Concerning the Regulations as to Investment Funds. Both the UAE Investment Fund and its UAE Investment Management Company must be subject to ongoing regulation and supervision by the SCA.

#### Changes to UAE Investment Funds

- 13.Changes to a UAE Investment Fund must be made in accordance with the applicable UAE and Hong Kong laws and regulations and the provisions of its offering documents.
- 14.Any proposed changes to a UAE Investment Fund that fall within 11.1 of the UT Code<sup>3</sup> and revisions made to its offering documents relating to such changes must be submitted by its UAE Investment Management Company for approval by the SFC in accordance with the relevant requirements set out in Annex A. These changes may take effect only upon approval by the SFC and compliance with any relevant notice requirement.
- 15.Any proposed changes to a UAE Investment Fund that do not require the SFC's prior approval pursuant to 11.1 of the UT Code and revisions made to its offering documents relating to such changes must be filed with the SFC and comply with the relevant requirements set out in Annex A.
- 16.Investors in the UAE and Hong Kong must be notified at the same time (so far as is reasonably practicable given the different time zones and public holidays of the jurisdictions) about any changes to the UAE Investment Fund by the UAE Investment Management Company. Equal treatment should be given to investors in both jurisdictions in terms of the form which that notice takes<sup>4</sup>.
- 17.For the avoidance of doubt, changes that render the UAE Investment Fund ineligible under this MRF (for example, the fund changes its strategy and no longer meets the eligible fund type definition) and revisions made to its offering documents relating to such changes require the SFC's prior approval. The UAE Investment Management Company must notify such changes to the SCA and the SFC as soon as possible.

#### Breach

- 18.In the event of a breach of UAE domestic laws or the requirements set out or referred to in this circular, which is notifiable to the SCA and could affect Hong Kong investors in a UAE Investment Fund, the UAE Investment Management Company must endeavour to notify the SCA and report to the SFC at the same time and rectify the breach promptly. The UAE Investment Management Company will notify the SFC once the breach has been rectified.
- 19.Following SFC authorisation of a UAE Investment Fund under Section 104 of the SFO, if a UAE Investment Fund ceases to meet the requirements set out in this circular, its UAE Investment Management Company must notify the SFC immediately. The UAE Investment Fund must not

continue its offering to the public in Hong Kong or accept subscriptions from investors in Hong Kong without the SFC's prior approval.

#### Withdrawal of authorisation

20. Following SFC authorisation of a UAE Investment Fund, if its UAE Investment Management Company no longer wishes to maintain the authorisation of the fund, it should apply for withdrawal of authorisation of the fund from the SFC and provide notice to Hong Kong investors of its intention not to maintain such authorisation in accordance with the relevant Hong Kong laws and regulations.
21. The SFC may at any time review its authorisation of a UAE Investment Fund and may modify, add to or withdraw any of the conditions of such authorisation, or withdraw the authorisation, as it considers appropriate.

#### *Sale/distribution, offering documents, ongoing disclosure and advertisements*

##### Sale/distribution

22. The sale and distribution of a UAE Investment Fund in Hong Kong must be conducted by intermediaries properly licensed by or registered with the SFC and must comply with the relevant Hong Kong laws and regulations relating to the sale and distribution of funds.

##### Offering documents

23. The disclosure of information relating to a UAE Investment Fund must be complete, accurate, fair, clear and effective. It must be easily understood by investors.
24. The offering documents of a UAE Investment Fund must be up-to-date and contain information necessary for investors to make informed judgement of the investment proposed to them.
25. A UAE Investment Fund may use the offering documents approved by the SCA. Unless otherwise provided for in this circular, matters such as the type of documents, content, format, frequency of update and the updating procedures must comply with the applicable UAE laws and regulations and the requirements set out in its offering documents. The SCA-approved offering documents may be supplemented by a Hong Kong covering document to comply with the disclosure requirements set out in Annex A. The Hong Kong covering document should also disclose any other information which may have a material impact on investors in Hong Kong. The Hong Kong offering documents shall not contain any information that would be inconsistent with the offering documents approved by the SCA and/or inaccurate/misleading regarding the UAE Investment Fund.
26. The UAE Investment Management Company of a UAE Investment Fund must take reasonable steps and measures to ensure that any updated offering documents and their changes are

made available to investors in the UAE and Hong Kong at the same time (so far as is reasonably practicable given the different time zones and public holidays of the jurisdictions).

#### Ongoing disclosure

27. The UAE Investment Management Company of a UAE Investment Fund must take reasonable steps and measures to ensure that the ongoing disclosure of information of the UAE Investment Fund (including periodic financial reports, notices and announcements) is dispatched and made available to investors in the UAE and Hong Kong at the same time (so far as is reasonably practicable given the different time zones and public holidays of the jurisdictions) and, in the case of suspension of dealings, must immediately notify the SFC. A UAE Investment Fund must comply with the requirements set out in Annex A and, on an ongoing basis, disclose any other information which may have a material impact on investors in Hong Kong.

28. Subject to paragraph 30, a UAE Investment Fund may use its UAE financial reports as the basis for distribution in Hong Kong, provided that the reports are supplemented by the additional information and meet the other requirements set out in Annex A.

#### Language

29. The offering documents and notices to Hong Kong investors of a UAE Investment Fund must be provided in English and Chinese.

30. The financial reports of a UAE Investment Fund must be made available to Hong Kong investors in either English or Chinese. The language in which these documents are made available to Hong Kong investors should be clearly disclosed in the offering documents.

#### Advertising

31. All advertisements in relation to a UAE Investment Fund offered in Hong Kong must comply with the relevant Hong Kong laws and regulations, in particular, the Advertising Guidelines Applicable to Collective Investment Schemes Authorised under the Product Codes<sup>6</sup>.

#### Fees

32. For offering to the public in Hong Kong, the UAE Investment Fund/UAE Investment Management Company will be subject to the applicable application fees, authorisation fees and annual fees. The UAE Investment Management Company must ensure that any SFC invoiced periodic fees in respect of the UAE Investment Fund are paid.

#### **Requirements applicable to each specific type of UAE Investment Funds**

33. In general, the SFC will deem a UAE Investment Fund to have complied substantially with the requirements of the UT Code. There are, however, requirements with which each specific type of UAE Investment Funds must comply. Please refer to Annex A for details.

#### **Application process**

34. The SFC understands that this marks the first time UAE Investment Funds may seek authorisation from the SFC. The SFC therefore encourages applicants to consult the Investment Products Division early for any clarification or guidance as to how the relevant requirements may apply and be complied with in light of their specific circumstances.
35. The SFC may issue other circulars, frequently asked questions and other documents on its website from time to time to provide practical guidance to the industry. Please refer to the SFC's website or contact the Investment Products Division.
36. Applicants shall request the SCA to provide directly to the SFC a certificate confirming that the Eligibility Requirements listed in Annex B to this circular are met. The SFC will not take up the application if no such certificate is received from the SCA.
37. Further details of the MRF application process for a UAE Investment Fund seeking SFC authorisation are available on the SFC's website.

[View Circular](#)

## **SFC consults on extending investor identification regime to exchange-traded derivatives in Hong Kong**

22 Sep 2025

The Securities and Futures Commission (SFC) today launched a consultation on the proposed investor identification regime for the exchange-traded derivatives market (HKIDR-DM) to further bolster the integrity and sustainable development of Hong Kong's capital markets.

Building upon the successful implementation of a similar regime for the securities market (HKIDR-S) since March 2023, the proposed HKIDR-DM would cover on-exchange orders for futures contracts, options contracts and stock options traded through the Hong Kong Futures Exchange Limited's trading system.

The HKIDR-DM would adopt a model similar to that of the HKIDR-S, under which licensed corporations and registered institutions offering brokerage services or conducting proprietary trading would be required to submit clients' names and identity information to a centralised data repository.

"To keep up with Hong Kong's fast-growing derivatives market and align with global best practices, the proposed extension of our investor identification regime represents a major stride in detecting irregularities and protecting investors whilst minimising operational burden on the industry," said Mr Rico Leung, the SFC's Executive Director of Supervision of Markets.

"Our enhanced cross-market surveillance capabilities will help reinforce market integrity and investors' confidence – both essential in solidifying Hong Kong's sustainable development as an international financial centre," he added.

The consultation period will last for three months. Interested parties are invited to submit their feedback to the SFC on or before 22 December 2025 through the SFC website ([www.sfc.hk](http://www.sfc.hk)), via email at [HKIDR-DM-consultation@sfc.hk](mailto:HKIDR-DM-consultation@sfc.hk), or by post.

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## **SFC and HKMA unveil roadmap to advance Hong Kong's vision to be global fixed income and currency hub**

25 Sep 2025

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) jointly announced Hong Kong's Roadmap for the Development of Fixed Income and Currency (FIC) Markets (Roadmap) today (25 September) to position the city strategically as a global FIC hub by fostering demand, liquidity and innovation.

The Roadmap outlines key initiatives across the four pillars of primary market issuance, secondary market liquidity, offshore renminbi (RMB) business, and next-generation infrastructure. Formulated in close consultation with industry stakeholders, the Roadmap will guide the policy making and implementation of the SFC and the HKMA in coming years to support the sustainable and diversified growth of Hong Kong's capital markets.

Among the 10 proposed initiatives, the Roadmap seeks to reinforce Hong Kong's existing foundations by further attracting issuers to make use of Hong Kong as their fund-raising hub, and providing issuers and investors with risk and liquidity management tools. It also places equal emphasis on breaking new ground, by boosting offshore RMB usage and liquidity, as well as developing next-generation infrastructure to facilitate market innovation (see Appendix of press release).

To facilitate further dialogue with market participants on FIC, the two regulators co-hosted the Fixed Income and Currency Forum 2025 today. The event brought together senior Hong Kong and Mainland officials, regulators and leaders from major financial institutions to exchange insights on opportunities, challenges and emerging trends in the global FIC landscape.

Dr Kelvin Wong, Chairman of the SFC, said, "As vital engines for global capital flows, Hong Kong's FIC markets are central to the city's international stature and long-term development. The Roadmap is poised to guide our market evolution that will benefit issuers, investors and intermediaries alike for years to come."

Mr Eddie Yue, Chief Executive of the HKMA, said, "To position Hong Kong as a global FIC hub and further cement our position as the premier offshore RMB business centre, we will continue to build on our strengths, adapt to market changes and innovate, and capitalise on emerging trends, including RMB internationalisation and the digitalisation of the FIC market. The Roadmap comprehensively set out our work focuses in the near future. We look forward to implementing the initiatives in collaboration with industry stakeholders."

Ms Julia Leung, Chief Executive Officer of the SFC, said, "Strengthening Hong Kong's FIC markets



is essential to advancing its position as an investment and fund-raising hub. The Roadmap reflects our close collaboration and shared commitment with the HKMA, industry partners and other stakeholders to enhance Hong Kong's vital role in bridging Mainland and international capital markets."

The full Roadmap is available on the [SFC's](#) and the [HKMA's](#) websites.

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## **Hong Kong's securities industry saw continued earnings growth and record transactions in first half of 2025**

29 Sep 2025

Hong Kong's securities sector maintained its steady growth momentum with a 14% profit increase to \$28.9 billion amid record high securities transaction value in the first six months of this year, according to the latest [financial review of the industry](#) issued by the Securities and Futures Commission (SFC) today.

The total value of transactions of all securities dealers and securities margin financiers reached a record \$99.2 trillion in the first half, up 22% from the second half of 2024 and 57% from a year ago.

The profit increase was bolstered by the steady growth of trading commission and the reduction in overheads and interest expenses. Among the fastest-growing revenue segments were net securities commission income (up 23% to \$13.6 billion), and income from advising on corporate finance (up 33% to \$2 billion).

The net profits of all SEHK participants totalled \$15.6 billion, up 34% from the previous six months. Notably, the net profits of Category C brokers doubled to \$2.5 billion.

"Once again, the solid performance of our licensed corporations showcases the strength and agility of our financial industry in a fast-changing business landscape, underscoring their key role in driving Hong Kong's continued success as a top international financial centre," said Dr Eric Yip, the SFC's Executive Director of Intermediaries. "The SFC remains fully committed to promoting long-term sustainable growth and diversity for the financial sector, ensuring its resilience and safeguarding investors."

The financial review report is available on the [SFC website](#).

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## Joint circular to intermediaries

### Concurrent SFC-HKMA thematic review of the distribution of non-exchange traded investment products

29 Sep 2025

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) will commence a new round of concurrent thematic review of the distribution of non-exchange traded investment products by intermediaries.

The 2024 SFC-HKMA joint product survey released in September 2025 showed that all major investment product types recorded significant sales growth last year, with collective investment schemes (CIS) rising by 76% year-on-year.

The upcoming concurrent thematic review will examine selected intermediaries' policies and procedures, systems and controls, and management oversight concerning the distribution of CIS. The objectives of this review include evaluating intermediaries' compliance with the suitability requirement under the Code of Conduct, including their practices in performing product due diligence, conducting suitability assessments and providing information to clients.

The SFC and the HKMA will share the findings of the upcoming concurrent thematic review with the industry and consider the need for further guidance where appropriate.

Should you have any questions regarding the contents of this circular, please contact Ms Seine Luk at the Intermediaries Division of the SFC on 2231 1696 or Ms Hannah Wong at the Banking Conduct Department of the HKMA on 2878 8045.

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### Supplemental joint circular on intermediaries' virtual asset-related activities

30 Sep 2025

1. This circular is supplemental to the [Joint circular on intermediaries' virtual asset-related activities](#) issued by the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) on 22 December 2023 (**Joint Circular**). It aims to update relevant licensing or registration conditions and terms and conditions for intermediaries.

#### Background

2. The Joint Circular sets out the requirements for intermediaries which intend to or are engaging in certain virtual asset dealing services, advisory services, asset management services and/or distribution of investment products with exposure to virtual assets (**virtual asset-related activities**). The SFC and the HKMA have conducted a review of the Joint Circular in light of the latest market development and industry feedback. Based on the review, the SFC and the HKMA jointly introduce some refinements and relaxations to the requirements with a view to facilitating market development while adhering to investor protection. For activities involving specified

stablecoins issued by an issuer licensed by the HKMA under the Stablecoins Ordinance (Cap.656), the SFC and the HKMA will issue further guidance in the near future.

3. This circular sets out the resulting changes to the Joint Circular. Corresponding updates have also been made to the Licensing or registration conditions and terms and conditions for licensed corporations or registered institutions providing virtual asset dealing services and virtual asset advisory services (Appendix 6 of the Joint Circular) (**Terms and Conditions**), appended in Appendix A. The tracked changes version of the Terms and Conditions is appended in Appendix B.

### **Staking activities by intermediaries**

4. Given the SFC has issued requirements on staking for SFC-licensed platforms and SFC-authorized virtual asset funds and the HKMA has issued similar guidance for authorized financial institutions and subsidiaries of locally incorporated authorized financial institution, both regulators are now prepared to allow intermediaries to provide staking services to their clients. The Terms and Conditions have been amended accordingly. “Staking activities” refers to any activities carried out by licensed corporations or registered institutions on behalf of its clients which involve the process of committing or locking client virtual assets to participate in a blockchain protocol’s validation process based on a proof-of-stake consensus mechanism, with returns generated and distributed for that participation.

5. Intermediaries may provide staking services to clients for whom they are dealing in virtual assets, but should only do so through segregated account(s) maintained with an SFC-licensed platform or an authorized financial institution (or a subsidiary of a locally incorporated authorized financial institution), while complying with, among others, requirements relating to the disclosure of information and risks.

### **Use of off-platform services of SFC-licensed platforms**

6. In relation to the provision of virtual asset dealing services to clients, licensed corporations and registered institutions may now execute a trade via the off-platform virtual asset trading services of SFC-licensed platforms. Accordingly, clause 4.2 of the Terms and Conditions has been removed.

### **Subscribing for or redeeming investment products using virtual assets**

7. The SFC and the HKMA wish to clarify that client’s subscriptions and redemptions of investment products using virtual assets or in-kind subscriptions or redemptions of virtual asset funds will not be treated as providing virtual asset dealing services. Relevant intermediaries (including portfolio managers and discretionary account managers) should:

(a) notify the SFC (and the HKMA, where applicable) of such activities in advance;

(b) hold the virtual assets in account(s) established and maintained with SFC-licensed platforms or an authorized financial institution (or a subsidiary of a locally incorporated authorized financial institution), except for virtual asset portfolio managers and virtual asset discretionary account managers which have the RA9 Terms and conditions (see paragraph 23 of the Joint Circular) imposed on their licences or registrations); and

(c) ensure compliance with the applicable requirements under Chapter 12 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers) when handling these virtual asset deposits and withdrawals conducted for clients.

### **Distribution of investment products with exposure to virtual assets**

8. Paragraph 6.2 of the Joint Circular requires intermediaries to ensure that their clients have sufficient net worth to be able to assume the risks and bear the potential losses of trading virtual asset-related products. The SFC and the HKMA wish to clarify that this requirement does not apply to clients who are institutional professional investors and qualified corporate professional investors.

9. With respect to paragraph 13 of the Joint Circular, the SFC and the HKMA wish to clarify the requirement that intermediaries should provide clients with risk disclosure statements specific to virtual asset futures contracts does not apply to clients who are institutional professional investors and qualified corporate professional investors.

### **Implementation**

10. Intermediaries are reminded to notify the SFC (and the HKMA, where applicable) before making changes to their virtual asset-related activities, including the following:

- (a) the type(s) of clientele served;
- (b) allowing clients to deposit or withdraw virtual assets from the intermediaries' accounts for the first time;
- (c) providing staking services to their clients for the first time;
- (d) allowing their clients to subscribe for or redeem products using virtual assets for the first time; or
- (e) other material changes made to the arrangements for such activities as first communicated in the advance notification.

For enquiries, please contact your case officer at the SFC or the Banking Conduct Department of the HKMA (as the case may be).

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# ENFORCEMENT NEWS

## SFC bans Suen Kin-wing for life

2 Sep 2025

The Securities and Futures Commission (SFC) has banned Mr Suen Kin-wing, a former Associate Director of UBS AG (UBS), from re-entering the industry for life in light of his criminal convictions for money laundering and committal for contempt of court

The case arose from Suen's role as the Client Advisor of two Mainland Chinese clients who held a joint account with UBS (Joint Account). Since the clients encountered difficulties in remitting RMB from the Mainland to Hong Kong, they entered into an arrangement with Suen to facilitate cross-boundary fund transfers. Under the arrangement, they would transfer funds into Mainland bank accounts designated by Suen, and thereafter the funds would be remitted to Hong Kong and deposited into the Joint Account.

All in all, the clients transferred over RMB132 million to Suen's designated Mainland accounts between November 2016 and February 2018. Although Suen provided transaction confirmations and bank statements which purported to show that the remitted funds had been deposited into the Joint Account, the clients subsequently discovered that a significant proportion of the transferred money was missing.

It transpired that, during the material time, deposits totalling over HK\$134 million had been diverted into two Hong Kong bank accounts belonging to Suen. The Court found that the diverted deposits were crime proceeds, being sums which Suen had defrauded or stolen from the clients. The Court also found that Suen had used the stolen proceeds to maintain a lavish lifestyle, spending them on his purchases of luxury vehicles and numerous properties in the UK (UK Properties) and Mainland China.

The Court of First Instance sentenced Suen to 10 years' imprisonment on 21 June 2024 following his guilty pleas to two counts of dealing with property known or believed to represent proceeds of indictable offence.

Meanwhile, the two clients obtained a worldwide freezing injunction against Suen in July 2018 as part of their legal action to recover the misappropriated sums. Specifically, Suen was prohibited from, among other things, disposing of or dealing with any of his assets up to the value of HK\$130 million. However, he assigned his interest in a number of the UK Properties to a BVI company owned by him, in breach of the injunction. As a result, he was sentenced by the Court of First Instance on 20 December 2023 to six months' imprisonment on account of his contempt of court.

In the circumstances, the SFC considers that Suen is not fit and proper to be a regulated person.

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## **SFC suspends former Agg. Asset Management responsible officer Chow Tsz Lam for 12 months for fund management failures**

4 Sep 2025

The Securities and Futures Commission (SFC) has suspended Mr Chow Tsz Lam, a former responsible officer (RO) and manager-in-charge of various core functions of the now dissolved Agg. Asset Management Limited (Agg), for 12 months from 2 September 2025 to 1 September 2026 over fund management failures.

The disciplinary action followed the SFC's investigation which found that Agg, as the investment manager of a Cayman-incorporated fund, invested up to 100% of the fund's assets in debentures issued by companies controlled by Mr Ng Ka Shun, who was the sole shareholder, director and the other RO of Agg. By doing so, Agg failed to avoid conflicts of interest and properly manage the risks of the fund. Agg also caused the fund to invest in two debentures which appeared to have been constructed for the purpose of inflating the fund's net asset value. The SFC has taken disciplinary action against Ng who made investment decisions for the fund and was primarily responsible for these failures.

The SFC found that Chow failed to discharge his duties as an RO and a member of the senior management of Agg to ensure that the firm act in the best interests of the fund and its investors and comply with applicable regulatory requirements.

In deciding the disciplinary sanction, the SFC took into account all relevant circumstances, including:

- Chow's cooperation with the SFC in resolving the SFC's concerns;
- Chow bore a lower level of responsibility within Agg vis-à-vis Ng;
- unlike Ng, there is no finding of dishonesty against Chow;
- Chow made a report to the SFC which triggered the SFC's investigation; and
- Chow's otherwise clean disciplinary record.

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## **SFC reprimands and fines Instinet Pacific Limited \$8 million for failure to report cross trades to the Stock Exchange**

8 Sep 2025

The Securities and Futures Commission (SFC) has reprimanded and fined Instinet Pacific Limited (Instinet) \$8 million for its failure to comply with the reporting requirements of The Stock Exchange of Hong Kong Limited (SEHK) for direct business transactions or cross trades.

The SFC's investigation revealed that between December 2012 and March 2018, Instinet had failed to report 8,817 pairs of cross trades involving transactions worth around \$25.9 billion between its clients and affiliated company to the SEHK in accordance with the reporting requirements, in breach of the Code of Conduct. The SFC also found that during the relevant

period, Instinet had no internal policy and procedure requiring, governing, or monitoring the reporting of cross trades to the SEHK, and it did not conduct any review on its trade reporting process.

In deciding the disciplinary sanction, the SFC has taken into account all relevant circumstances, including the duration of Instinet's failure, the number of unreported cross trades and the sum involved, and Instinet's initiative to cease the relevant trade flows and cooperation with the SFC in resolving the SFC's concerns.

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## **SFC seeks court order to freeze assets up to \$82.4 million against suspected manipulators of Smartac shares**

12 Sep 2025

The Securities and Futures Commission (SFC) has applied for an order from the Court of First Instance to freeze assets intended for compensation to affected investors in an alleged market manipulation case (Application).

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 alleged manipulation of the shares of Smartac International Holdings Limited (Smartac) between 31 October 2018 and 11 March 2019

In the legal proceedings, the SFC is seeking various orders under section 213 of the Securities and Futures Ordinance, including orders to restore the affected counterparties in the alleged market manipulation case to their pre-transaction positions (restoration order) and to restrain the disposal of the assets of 14 defendants up to \$82.4 million.

The first hearing of the Application took place today. The Court gave directions for the filing of evidence and adjourned the hearing to 24 October 2025.

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## **SFC bans Citigroup Global Markets Asia Limited's former responsible officer Richard Charles Heyes for five years**

16 Sep 2025

The Securities and Futures Commission (SFC) has banned Mr Richard Charles Heyes, a former responsible officer (RO), Manager-In-Charge (MIC) of Key Business Line, board member, and Head of Pan-Asia Equities of Citigroup Global Markets Asia Limited (CGMAL), from re-entering the industry for five years from 15 September 2025 to 14 September 2030.

The disciplinary action follows the SFC's earlier sanctions against CGMAL for serious regulatory breaches and internal control failures in allowing various trading desks under its Cash Equities business to disseminate mislabelled indications of interest (IOIs) and make misrepresentations to institutional clients when executing facilitation trades over a 10-year period from 2008 to 2018.

The SFC is of the view that CGMAL's breaches and failings were attributable to Heyes' failure to discharge his duties as an RO, MIC and a member of CGMAL's senior management.

Mr Christopher Wilson, the SFC's Executive Director of Enforcement, said: "Senior management of a licensed corporation bears primary responsibility for ensuring the firm's maintenance of appropriate standards of conduct and adherence to proper procedures. By exerting significant pressure on the trading desks to grow CGMAL's market share while failing to be vigilant for telltale signs that his subordinates were achieving this by dishonest means, Heyes neglected and failed to properly discharge his managerial responsibility. Consequently, his subordinates' misconduct lingered on through his serious neglect which enabled a culture of chasing revenue at the expense of client interests and basic standards of honesty to take root within CGMAL."

"The SFC will make active use of the MIC regime to identify and hold errant members of senior management accountable for their firms' failures in order to drive changes in the culture and behaviour of intermediaries," Mr Wilson added.

### **Mislabelled IOIs**

The SFC's investigation revealed that Heyes should have known that it was the practice of CGMAL's Equities Sales Trading Desk to send mislabelled IOIs to clients with a view to provoking client enquiries. Notably, he failed to ensure that CGMAL had implemented adequate and effective controls on issuance of IOIs despite the fact that a limited review of the business activities of CGMAL conducted by the SFC in 2014 had exposed other concerns in relation to the firm's IOI process. In addition, despite having received reports from his subordinates between 2017 and 2018 recording client complaints about the quality and accuracy of CGMAL's IOIs, he did not take any step to investigate the client complaints, and therefore no step was taken to stop the dissemination of mislabelled IOIs. His failures allowed the dishonest conduct of the desk to take hold.

### **Misrepresentation and non-disclosure to conceal the principal nature of facilitation trades**

In mid-2014, Heyes attended an SFC roundtable meeting, during which the SFC highlighted common issues found in client facilitation activities in the market, including missing explicit client consent. However, he failed to ensure that CGMAL had adequate internal guidelines and compliance monitoring to check that traders had made pre-trade disclosure of CGMAL's principal capacity and obtained clients' prior consent before executing facilitation trades.

Furthermore, the SFC found that Heyes ought to have learnt from emails addressed or forwarded to him by his subordinates that traders were misrepresenting facilitation trades as agency trades to clients in order to gain additional market share. However, as he failed to take note of the relevant emails, the traders' misconduct went unchecked.

These findings demonstrate that Heyes had failed to ensure that CGMAL maintained appropriate



standards of conduct and adhered to proper procedures. His lapses included failing to ensure that adequate policies and systems controls were in place to effectively monitor the issuance of IOIs and the compliance with consent and disclosure requirements of facilitation trades, and that proper training had been provided to traders.

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

- Heyes' neglect in discharging his management and supervisory responsibilities was serious, thereby enabling CGMAL's grave internal control failures and regulatory breaches to prevail for over 10 years;
- despite having been in the industry for a considerable period of time, his conduct fell short of the standards expected of an RO, an MIC, a board member and a member of the senior management of a licensed corporation;
- it is necessary to send a clear and strong message to the industry that the SFC will not tolerate misconduct such as Heyes'; and
- Heyes' cooperation with the SFC in accepting the disciplinary action and withdrawing his appeal to the Securities and Futures Appeals Tribunal and his otherwise clean disciplinary record.

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## **SFC seeks court orders to disqualify former directors of Century Energy International Holdings Limited**

19 Sep 2025

The Securities and Futures Commission (SFC) is seeking disqualification orders from the Court of First Instance against four former directors of Century Energy International Holdings Limited, formerly known as China Oil Gangran Energy Group Holdings Limited (China Oil Gangran Energy), in legal proceedings under section 214 of the Securities and Futures Ordinance (SFO).

The four individuals named in the SFC's proceedings are: Mr Gregory Ho Chun Kit, former executive director; Mr Zheng Jian Peng, former executive director, chief financial officer and company secretary; Ms Eugenia Yang, and Mr Vincent Lau Sung Tat, both former independent non-executive directors.

The SFC's action follows an investigation into China Oil Gangran Energy's loss of control over four major operating subsidiaries in the Mainland. As a consequence, they were deconsolidated from China Oil Gangran Energy with effect from 1 January 2019, resulting in a loss of \$184 million for the company for the year ended 31 March 2019.

The SFC alleges that the former directors failed to properly supervise these four major operating subsidiaries in the Mainland; nor did they act in the company's best interests. As a result, their prolonged lack of oversight led to the deconsolidation of these operating subsidiaries and significant financial losses.

Additionally, Ho, Yang, and Lau were responsible for China Oil Gangran Energy's publication of a circular in 2014 containing inaccurate or misleading information about one of the operating subsidiaries in the Mainland.

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## **SFAT affirms SFC decision to reprimand and fine RaffAello Capital Limited for sponsor failures**

25 Sep 2025

The Securities and Futures Commission (SFC) has reprimanded and fined RaffAello Capital Limited (RaffAello) \$4 million for failing to discharge its duties as the sponsor in the listing application of Paprika Holdings Limited (Paprika) after the Securities and Futures Appeals Tribunal (SFAT) upheld the SFC's disciplinary action against RaffAello.

The SFC's investigation found that RaffAello had failed to perform all reasonable due diligence on Paprika before submitting the listing application. The SFC also found that RaffAello had failed to examine with professional scepticism the accuracy and completeness of statements and representations made, or other information given, to it by Paprika.

### **Inadequate due diligence on Paprika's retail sales**

Paprika marketed and sold handbags and related accessories to retail and wholesale customers. During the two consecutive financial years ended 31 March 2017, retail sales accounted for around 90% of Paprika's revenue, of which over 80% were generated by sales from its retail stores.

RaffAello conducted a walkthrough on the transactions conducted at Paprika's retail stores on a sample basis and found that during the period from 19 February 2016 to 13 March 2016:

- series of consecutive cash transactions were conducted at different retail stores which made up 90% of their total cash sales on the sampled dates when purchases of a significant number of handbags were made within one to 10 minutes;
- a number of individuals, including three owners of Paprika's wholesaler and suppliers, repeatedly purchased handbags in bulk from different retail stores by credit cards; and
- cash transaction invoices that were marked "POS Test", referring to testing of Paprika's point-of-sale system, were included in the sales documents provided by Paprika.

While RaffAello had made further enquiries with Paprika, its wholesaler and suppliers concerning the above-mentioned transactions, the SFC's investigation found that RaffAello had:

- accepted to a large extent the information provided by Paprika and parties involved in the transactions, without examining the information and the documents provided by Paprika with professional scepticism in order to assess the accuracy and completeness of the

information provided; and

- overlooked a number of red flags discernible from the relevant retail sales documents which indicated a risk that the transactions might have been fabricated by Paprika to inflate its retail sales.

**Inadequate due diligence on Paprika's largest wholesaler (Novi eBusiness Limited (Novi)) and fifth largest supplier (API Trading Company Limited (API))**

In the course of its due diligence, RaffAello failed to undertake reasonable due diligence to verify the independence of Novi and API even after discovering a number of red flags indicating a risk that they could be controlled by Paprika – contrary to Paprika's claim that they were independent third parties.

Notably, RaffAello did not carry out sufficient investigations on the matters below:

- Novi and API were former subsidiaries of a company controlled by a shareholder with a 15% stake in Paprika;
- Novi and API were acquired from the former owner at about the same time, under the request and facilitation of Mr Samuel Leung, Paprika's founder, Chairman and Chief Executive Officer;
- the new owner of Novi partnered with two Mainland Chinese companies in order to sell Paprika's products it purchased, while the person who was the founder of one of these Mainland Chinese companies and the supervisor of the other one had also been authorised by Leung to receive payments from a number of suppliers of merchandise to Paprika;
- the owners of both Novi and API were involved in repeatedly purchasing handbags in bulk from different Paprika retail stores by credit card.

RaffAello also failed to conduct reasonable due diligence to determine whether API was a company of commercial substance. The SFAT found that RaffAello did not consider with sufficient vigour and concerns as to API's true business model raised by the transaction team's discovery. Specifically, the team discovered that API obtained its supply of products from a pre-existing supplier of Paprika's (Lung Yiu) and on-sold the products to Paprika, and that there was a rapid increase in the supply to Paprika from \$41,000 in the year ended 2016 (when Lung Yiu was the direct supplier) to \$3.18 million in the year ended 2017 (when Lung Yiu supplied to Paprika via API).

The SFC originally proposed a \$13 million fine against RaffAello in light of the gravity of its failings, but accepted a reduction to \$4 million to account for RaffAello's financial difficulties. The SFAT agreed that too great a financial penalty could drive RaffAello into liquidation, to the prejudice of its existing clients. The Tribunal also determined that the same amount of fine determined by the SFC would best meet the ends of justice in this matter.

The SFAT further made an observation regarding the sponsor's duty to undertake additional due diligence when it becomes aware of circumstances that may cast doubt on information provided to it or otherwise indicate a potential problem or risk. The Tribunal, chaired by Mr Michael Hartmann, GBS, said that: "[i]f issues of concerns are identified, it is not sufficient for the sponsor

simply to investigate the matter, make a bald note of that fact, if making any note at all, and to move on... if a matter of concern is identified by a sponsor in the course of the exercise of due diligence, a coherent note should be made of what has been discovered and what has been resolved”.

The Tribunal took the view that if RaffAello had harboured concerns as to any red flag issues, and if it was of the opinion that the reporting accountants could assist in resolving those concerns, the obligation would have been on RaffAello to consult regarding those issues.

In the circumstances, the Tribunal said that: “... absent consultation as to specific matters of concern, it would not have been reasonable for the RaffAello transaction team to adopt a blanket assumption that the reporting accountants must – independently – have spotted and considered the same issues that it had spotted, also concluding that they were not of concern.”

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## **SFC seeks court order to freeze assets up to \$219 million for investors compensation in suspected manipulation of KNT shares**

26 Sep 2025

The Securities and Futures Commission (SFC) has applied for an interim order from the Court of First Instance to freeze assets intended for compensation to affected investors in an alleged sophisticated ramp-and-dump scheme involving the shares of KNT Holdings Limited (KNT) (Application).

This Application is part of the SFC’s legal proceedings under section 213 of the Securities and Futures Ordinance (SFO) against 17 individuals (Defendants) for allegedly manipulating the shares of KNT between February and May 2019.

In parallel, a criminal trial will commence at the District Court on 6 April 2027 in which 12 of the 17 Defendants involved in the above-mentioned legal proceedings were charged with various criminal offences in relation to the same alleged ramp-and-dump scheme.

In this Application, the SFC is seeking to restrain five Defendants from disposing of their assets up to \$219 million, representing the estimated loss suffered by the affected investors.

The first hearing of the Application took place today. The Court provided further directions and adjourned the Application to 22 December 2025 for a substantive hearing.

The SFC will not make any further comments as the legal proceedings are ongoing.

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## Landmark compensation distribution to eligible Combest shareholders nears completion

26 Sep 2025

The Securities and Futures Commission (SFC) today announced that the administrator has successfully distributed over \$189 million – more than 98% of the \$192 million court-approved compensation money – to around 600 independent public shareholders of Combest Holdings Limited (Combest).

The direct distribution of compensation in the form of a special dividend to eligible shareholders of Combest was administered by Bruno Arboit of Kroll (HK) Limited (Administrator), jointly appointed by the SFC and Combest pursuant to the landmark court order obtained earlier by the SFC.

The SFC reminds independent public shareholders who are entitled to receive the special dividend and have not received their entitled special dividend to contact the Administrator at [DL.combestholdingslimited@kroll.com](mailto:DL.combestholdingslimited@kroll.com) or via the hotline at (852) 2281 0108 to submit their claims on or before 10 October 2025.

This is because the special dividend distribution is scheduled for completion on 23 October 2025. Thereafter, any uncollected special dividend, following the deduction of costs, expenses and disbursements, will be returned to Combest.

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## SFC reprimands and fines Roofer Securities Limited \$2.1 million for mishandling client money

29 Sep 2025

The Securities and Futures Commission (SFC) has reprimanded and fined Roofer Securities Limited (Roofer) \$2.1 million for regulatory breaches relating to mishandling of client money.

The SFC's investigation, which followed a referral by The Hong Kong Exchanges and Clearing Limited (HKEX), found that between 8 February 2021 and 7 July 2022, there were 12 incidents where Roofer failed to maintain sufficient funds in its segregated client account. On one occasion, the shortfall in the client account amounted to \$15.5 million.

These incidents arose as a result of Roofer using money from the client account to meet margin calls made or anticipated to be made by HKEX, its failure to properly manage its daily online bank transfer limit, and human error on the part of its staff.

The SFC is of the view that Roofer's failures constitute breaches of the Client Money Rules and Code of Conduct and decided on the disciplinary sanctions after taking into account all relevant circumstances, including:

- no client has suffered loss as a result of Roofer's failures;

- Roofer has taken remedial actions, including enhancing its internal controls and processes and rectifying the under-segregation of client money shortly following each incident;
- Roofer's cooperation with the SFC in resolving the SFC's concerns; and
- Roofer has no previous disciplinary record.

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## **SFC seeks court order to freeze assets up to \$394 million for investors compensation in suspected manipulation of Grand Talents shares**

30 Sep 2025

The Securities and Futures Commission (SFC) has applied for an interim order from the Court of First Instance to freeze assets intended for compensation to affected investors in an alleged sophisticated social media ramp-and-dump case involving the shares of Grand Talents Group Holdings Limited (Grand Talents) (Application).

This Application is part of the SFC's legal proceedings under section 213 of the Securities and Futures Ordinance against 16 defendants, including the suspected masterminds, for allegedly manipulating the shares of Grand Talents between June 2021 and June 2022.

In this Application, the SFC is seeking to restrain the 16 defendants from disposing of their assets in Hong Kong up to \$394,067,589, representing the estimated loss suffered by the affected investors as a result of the alleged market misconduct.

The Court has thus far granted an interim injunction order against four of the 16 defendants as sought by the SFC. The interim injunction order against these four defendants will remain in force until further order of the Court.

As for the other 12 defendants, the Court has provided further directions and adjourned the Application to a date to be fixed.

The SFC will not make any further comments as the legal proceedings are ongoing.

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