
REGULATORY NEWSLETTER

2025 Vol.5



Thank you for being a cornerstone of our community under the SFC's regulatory framework. It's our privilege to share this newsletter, designed to empower your journey with cutting-edge updates, strategic insights, and tools tailored to your ambitions.

"Progress is forged when individuals unite toward a shared vision." This timeless truth reminds us that your trust is the catalyst for everything we do. Together, we decode the complexities of finance, transforming challenges into opportunities.

Let's have a brief look at the latest Regulatory Updates from the SFC!

REGULATORY UPDATES

Circular to Licensed Corporations which are Participants of The Stock Exchange of Hong Kong Limited or Hong Kong Futures Exchange Limited - Licence Holders Insurance Scheme for Exchange Participants

1 Apr 2025

This circular sets out the arrangements of the licence holders insurance scheme applicable to the following categories of licensed corporations for the scheme year from 1 April 2025 to 31 March 2026 (both dates inclusive):-

Category 1: Participants of The Stock Exchange of Hong Kong Limited and licensed for Type 1 Regulated Activity (RA) (i.e. dealing in securities);

Category 2: Participants of Hong Kong Futures Exchange Limited and licensed for Type 2 RA (i.e. dealing in futures contracts).

The insurance requirements

Under the Securities and Futures Ordinance, corporations that are licensed to carry on certain RA are required to take out and maintain insurance in the manner prescribed by the Securities and Futures (Insurance) Rules (Rules). The Rules provide, amongst other things, that the insurance policy must cover specified risks for an amount not less than that specified in the Rules.

Arrangement of the scheme and approval of master policies of insurance

Under each master policy of insurance, an insured participant will be indemnified for financial losses due to fidelity risks relating to its activities of dealing in securities, futures contracts or both (as the case may be), subject to an indemnity limit of \$15 million per RA per year and a deductible amount of \$3 million per claim or loss. For details of the risk coverage, indemnity level, deductible amount and other terms and conditions, please refer to the insurance documents to be distributed to you separately by Marsh.

Premium allocation

For each scheme year, the IWG seeks professional advice from the selected insurance broker regarding the premium allocation methodology with a view to catering for any unforeseen circumstances and looking for possible refinements to the methodology where appropriate.

Basic premium and variable premium

The IWG has approved the same allocation methodology of gross premium adopted in the last scheme year, whereby the premium amount that an insured participant is required to pay equals the sum of a minimum basic premium and a variable premium.

Minimum basic premium (20% of the gross premium quoted for each Category) represents the administration cost that insurers accord to the scheme. This portion will be equally shared by all participants in the same Category. Variable premium (the remaining 80% of the gross premium) will be allocated based on the annual turnover of individual participants during the previous calendar year as a proportion of the total turnover of all participants under the same Category, subject to adjustments for any premium loading and/or discount (mentioned below) where applicable.

Premium loading

As in the previous year, the IWG has also approved that a fixed premium loading amount of \$15,000 will apply to a participant with respect to each claim notification lodged during the preceding scheme year (i.e. from 1 April 2024 to 31 March 2025). In addition, a premium loading based on paid claims will continue to apply to participants that have had claims actually paid above the deductible with reference to the following loading factors: -

	Loading factors to be applied	
	Paid claim in excess of \$5 million	Paid claim of \$5 million or below
1st year after the paid claim	60%	30%
2nd year after the paid claim	48%	24%
3rd year after the paid claim	36%	18%
4th year after the paid claim	24%	12%
5th year after the paid claim	12%	6%

The paid claims loading will be computed as a percentage (as listed above) of the premium amount that the insured participants would have been required to pay had there been no claim(s) paid. The gross premium, after deducting the premiums shared by those participants with additional premium loading, will then be allocated amongst those participants without such claims.

Premium discount in relation to turnover (for Category 2 participants only)

As in the previous year, a premium discount will reduce the premium payable by any Category 2 participant whose annual turnover in the last calendar year falls within the following bands:-

A participant's annual turnover as a percentage of the market total	Discount to be applied to that participant's premium share
Over 10% to 20%	12%
Over 20% to 30%	24%
Over 30% to 40%	36%
Over 40% to 60%	48%
Over 60%	60%

The amount of the discount will be returned to the pool and allocated among the rest of the participants proportionally according to their respective turnovers. The total premium borne by the entire industry, therefore, will not change.

Scheme administration

If you have any queries on the insurance scheme, please contact either your case officer or the scheme administrator. The contact information of the scheme administrator is set out as below:-

Marsh (Hong Kong) Limited
Suite 3402-3406, 34/F & 33/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Phone: 2301 7000

Email address: LHI@marsh.com

Contact persons:

Ms Celine WONG (Phone: 2864 5479 / 6822 7071)

Mr Sky CHU (Phone: 2301 7203 / 6052 1832)

Ms Mabel CHIU (Phone: 2864 5348)

[View Circular](#)

Circular on staking services provided by virtual asset trading platforms

7 Apr 2025

This circular sets out the Securities and Futures Commission's (SFC) regulatory approach and expected standards in respect of SFC-licensed virtual asset trading platforms (VATPs) that wish to provide staking as a service to its clients.

A VATP which provides staking services to its clients should ensure that it and its associated entity observe the expected standards in this circular and as imposed by way of licensing conditions.

Background

In the Guidelines for Virtual Asset Trading Platform Operators published on 1 June 2023 (VATP Guidelines), paragraph 7.26(b) provides that VATPs should not make any arrangements with their clients on using the client virtual assets (VAs) held by the VATPs or their associated entities with the effect of generating returns for the clients or any other parties.

We have noted investors' demand for staking services, and the potential for staking activities to contribute to the security of the blockchain network. The SFC is now prepared to allow VATPs to provide staking services to clients by modifying the conditions imposed on the VATP licence, in order to meet investors' demand and support the development of the virtual asset ecosystem in Hong Kong.

In this circular, staking services refer to any arrangements which involve the process of committing or locking client VAs for a validator 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 (Staking Services).

Regulatory requirements

Internal controls

A VATP should maintain

- a) possession or control of mediums through which the client VAs may be withdrawn from the Staking Services. In this connection, custody of client VAs by third party service providers is not permitted.
- b) effective policies to prevent or detect errors and other improper activities associated with its Staking Services and ensure the "staked" client VAs are adequately safeguarded. It should also implement internal controls to manage operational risks and address conflicts of interest that may arise. Operational rules governing the provision of Staking Services should be in place.
- c) provide the SFC with any information in relation to its Staking Services as requested from time to time.

Disclosure of information

A VATP should disclose on its website and mobile application (if applicable) general information about its Staking Services. This includes the specific VAs for which the VATP provides Staking Services, any third parties involved in providing such services, fees and charges, minimum lock-up periods,

unstaking process and its length, arrangements during outages, business resumption arrangements and custodial arrangements.

A VATP should disclose the risks that clients may be exposed to in using its Staking Services, including the types and nature of additional risks that the “staked” client VAs may be subject to, and the manner in which losses relating to such risks would be dealt with. Examples of these additional risks are: slashing risk, lock-up risk, blockchain technical error/bug risk, hacking risk and inactivity risk relating to the validators, and the legal uncertainty relating to staking which may affect the nature and enforceability of a client’s interest in the “staked” client VAs.

Blockchain protocol selection and third party service providers

A VATP should act with due skill, care and diligence when including a blockchain protocol for providing Staking Services. It must perform all reasonable due diligence and ensure that its internal controls and systems, technology and infrastructure can support the provision of Staking Services in that blockchain protocol and manage any risks arising from it.

Where the provision of Staking Services involves outsourcing to a third party service provider, a VATP should perform proper due diligence and conduct ongoing monitoring on the third party. For example, the VATP should look into the third party service provider’s experience and track record in participating in the validation process of a particular blockchain protocol, its technology infrastructure and risk mitigation measures, and its security measures including security controls.

Approval from the SFC

VATPs interested in providing Staking Services should obtain the SFC’s prior written approval. The SFC will impose specific conditions (Terms and conditions for providing staking services) (see the [Appendix](#) to this circular) on a VATP’s licence before it may provide Staking Services.

[View Circular](#)

Circular on SFC-authorized funds with exposure to virtual assets

7 Apr 2025

This circular sets out the requirements under which the Securities and Futures Commission (SFC) would consider authorising investment funds with exposure to virtual assets (VA) of more than 10% of their net asset value (NAV) for public offerings in Hong Kong (SFC-authorized VA Funds) under sections 104 and 105 of the Securities and Futures Ordinance, and the VA-related activities in which SFC-authorized VA Funds may engage.

This revised circular supersedes the Circular on SFC-authorized funds with exposure to virtual assets issued on 22 December 2023.

Background

Globally, the VA landscape has been evolving rapidly. A broader range and a larger number of

investment products providing exposure to VA, including VA-related exchange traded funds (ETFs) offered in major overseas markets, are now available to both retail and professional investors, and have become increasingly popular. Demand for these products has also increased in Hong Kong.

In light of these developments, the SFC has introduced regimes that allow the offering of certain VA products to the Hong Kong public with appropriate investor protection safeguards. For example, the SFC started accepting applications in October 2022 for ETFs that obtain exposure to VA primarily through futures contracts.

This circular sets out the requirements for SFC-authorized funds to (i) invest directly in the same spot VA tokens accessible to the Hong Kong public for trading on SFC-licensed VATPs (ie, direct exposure); and/or (ii) acquire indirect investment exposure to such VA (ie, indirect exposure), for example, through futures traded on conventional regulated futures exchanges and other exchange-traded products.

Requirements on SFC-authorized VA Funds

SFC-authorized VA Funds should meet the applicable requirements in the Overarching Principles Section and the Code on Unit Trusts and Mutual Funds (UT Code) in the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products.

Additional requirements as set out below, as well as the relevant requirements in the joint circular on intermediaries' virtual asset-related activities (Joint Circular), should be satisfied.

Management companies

The management companies of SFC-authorized VA Funds should :

- a. Have a good track record of regulatory compliance; and at least one competent staff member with relevant experience in the management of VA or related products.
- b. Are subject to additional terms and conditions to be imposed by the Licensing Department (where applicable).

Eligible underlying VA

SFC-authorized VA Funds should only invest (directly or indirectly) in VA tokens that are accessible to Hong Kong public for trading on SFC-licensed VATPs.

Investment strategy

SFC-authorized VA Funds may invest directly or indirectly in eligible VA tokens in accordance with the following requirements.

- a. For VA futures, only those traded on conventional regulated futures exchanges are allowed, subject to the management company demonstrating that (i) the relevant VA futures have adequate liquidity and (ii) the roll costs of the relevant VA futures are manageable and how such roll costs will be managed.

- b. Indirect exposures to eligible VA via other exchange-traded products are subject to applicable requirements in the UT Code and other requirements which may be imposed by the SFC.
- c. SFC-authorized VA Funds should not have leveraged exposure to VA at the fund level.
- d. For SFC-authorized VA Funds that primarily adopt a futures-based investment strategy, they are expected to adopt an active investment strategy to allow flexibility in portfolio composition (eg, diversification of futures positions with multiple expiry dates), rolling strategy, and handling of any market disruption events.

Transactions and direct acquisitions of spot VA

Transactions and acquisitions of spot VA by SFC-authorized VA Funds should be conducted through SFC-licensed VATPs, or authorised financial institutions (AIs) (or subsidiaries of locally incorporated AIs) in compliance with Hong Kong Monetary Authority's (HKMA) regulatory requirements. In particular:

- a. for in-cash subscriptions and redemptions, SFC-authorized spot VA ETFs are expected to acquire and dispose of spot VA through SFC-licensed VATPs (either on-platform or off-platform); and
- b. for in-kind subscriptions, participating dealers (PDs) are expected to transfer spot VA, which may be held locally or overseas, to SFC-authorized spot VA ETFs' custody accounts with SFC-licensed VATPs, or AIs (or subsidiaries of locally incorporated AIs). The process is vice versa for in-kind redemptions.

Both in-kind and in-cash subscription and redemption are allowed for SFC-authorized spot VA ETFs. For ETFs that invest in spot VA, their PDs should be (i) SFC-licensed corporations or registered institutions; and (ii) subject to additional terms and conditions to be imposed by the Licensing Department (where applicable).

Custody

The trustee/custodian of an SFC-authorized VA Fund should only delegate its VA custody function (where applicable) to (i) an SFC-licensed VATP, or (ii) an AI (or subsidiary of a locally incorporated AI) which meets the expected standards of VA custody issued by the HKMA from time to time. The trustee/custodian and any delegate responsible for taking custody of VA holdings of an SFC-authorized VA Fund should comply with the following:

- (a) It should ensure that the VA holdings are segregated from its own assets and the assets it holds for its other clients;
- (b) It should store most of the VA holdings in the cold wallet. The amount and duration of VA holdings stored in the hot wallet should be minimized as much as possible, save for meeting the needs of subscriptions and redemptions; and

- (c) it should ensure the seeds and private keys are (i) securely stored in Hong Kong; (ii) tightly restricted to authorised personnel; (iii) sufficiently resistant to speculation (eg, through generation in a non-deterministic manner) or collusion (through measures such as multi-signature and key sharding); and (iv) properly backed up to mitigate any single point of failure.

Valuation

For the valuation of spot VA, the management companies of SFC-authorised VA Funds should adopt an indexing approach based on VA trade volume across major VA trading platforms (ie, a benchmark index published by a reputable provider that reflects a significant share of trading activities in the underlying spot VA).

Service providers

The management companies should confirm that all necessary service providers (such as fund administrators, PDs, market makers and index providers) are competent, available and ready to support the SFC-authorised VA Funds.

Disclosure and investor education

The offering documents, including the product key facts statements (KFS), of SFC-authorised VA Funds should disclose the investment limits and key risks related to the funds' VA exposures. The KFS of SFC-authorised VA Funds should contain upfront disclosure of the investment objectives and the key risks associated with the funds' VA exposures, such as:

(a) price risk, custody risk, cybersecurity risk and fork risk for investments in spot VA; and

(b) potentially large roll costs and operational risks (such as margin risk and risk associated with mandatory measures imposed by relevant parties) for investments in VA futures.

The management companies of SFC-authorised VA Funds are expected to carry out investor education before launch as per existing requirements under the UT Code.

Distribution

Please refer to the relevant requirements for intermediaries and distribution of SFC-authorised VA Funds as set out in the Joint Circular.

Engaging in VA-related activities

The SFC may allow SFC-authorised VA Funds to engage in staking and other VA-related activities conducted through SFC-licensed VATPs, or where applicable, AIs (or subsidiaries of locally incorporated AIs), subject to adhering to the general guiding principles set out below, the management company should:

- a. ensure that the VA-related activities are consistent with the fund's investment objective and strategy;

- b. implement robust internal controls to monitor and manage material risks and conflicts of interest which may arise from the VA-related activities, as well as establish appropriate custody arrangement, in the best interests of investors for investor protection;
- c. perform proper due diligence and conduct ongoing monitoring on the counterparties and service providers engaged for the VA-related activities;
- d. the fund's offering documents, including the KFS, should disclose the amount of VAs that may be used for VA-related activities, and the key features and risks associated with the VA-related activities;
- e. if engagement in the VA-related activities will result in a material change to the fund's existing investment objective and strategy, or a material change or increase in the fund's overall risk profile, prior notice should be provided to investors with a reasonable notice period. The management company should also assess whether shareholders' approval and/or amendments to constitutive documents are required; and
- f. in addition to complying with the relevant disclosure requirements in Appendix E of the UT Code, the interim and annual reports should disclose the total amount of VA holdings committed to each type of VA-related activities as a proportion of the fund's NAV, the amount of revenue, as well as the direct and indirect expenses incurred from each of such activities.

Others

The SFC may consider introducing additional requirements or conditions as deemed necessary or appropriate in the discharge of its functions.

Application and prior consultation

Subject to paragraph 30, the requirements above are not applicable to Recognised Jurisdiction Schemes (including UCITS funds) and those under mutual recognition of funds arrangements.

For (i) funds having or intending to have VA exposure of more than 10% of NAV that wish to seek the SFC's authorisation, (ii) existing SFC-authorised funds that plan to obtain VA exposure of more than 10% of their NAV, or (iii) SFC-authorised VA Funds intending to engage in staking and other VA-related activities, prior consultation with and approval of the SFC are required.

If you wish to seek clarification of any aspects of this circular, please contact the team supervisor or case officer of the Investment Products Division who is responsible for overseeing the SFC-authorised funds of your fund group or client.

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SFC on track to launch uncertificated securities market regime in early 2026

17 Apr 2025

The Securities and Futures Commission (SFC) welcomes the enactment of all necessary legislation to pave the way for the implementation of the uncertificated securities market initiative (USM) in early 2026 subject to market readiness.

During the SFC's recent consultations and engagement, a broad array of market participants have shown support and enthusiasm for this initiative, which will further increase efficiency in our securities market and also provide investors with better protection and trading convenience.

To help the market better understand and prepare for this new initiative, the SFC also launched a dedicated [USM webpage](#) to provide one-stop access to all useful information. The webpage includes a set of frequently asked questions to help listed issuers and investors better understand their rights and obligations under USM.

Among the key changes under USM:

- Newly listed securities will have to be in paperless form from the time of listing, meaning investors will no longer be able to hold these securities in paper form.
- For existing securities, investors may continue to hold their paper certificates, which will not be invalidated. Meanwhile, specific deadlines will be set for each issuer to take steps to enable investors to hold and transfer the securities in their own names without paper. Thereafter, issuers will no longer be able to issue new paper certificates.

The SFC is working with Hong Kong Exchanges and Clearing Limited (HKEX) and the Federation of Share Registrars Limited (Federation of Share Registrars) on a detailed five-year implementation timetable which will cover issuers from Hong Kong, Mainland China, Bermuda and Cayman Islands.

"Issuers are encouraged to reach out to their share registrars to discuss the possible timing of their participation," said Mr Rico Leung, the SFC's Executive Director of Supervision of Markets. "We urge market participants to start making preparation for the implementation of USM."

In the coming months, the SFC will increase engagement efforts together with HKEX and the Federation of Share Registrars, to help stakeholders understand how the new regime operates, its benefits and impact, as well as next steps for their participation.

[View News](#)

Circular to Licensed Corporations - Updates to the technical specifications and gazette notice for Hong Kong's Over-the-Counter (OTC) derivatives reporting requirements

25 Apr 2025

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) published further updated versions of the Administration and Interface Development Guide (AIDG),

Frequently Asked Questions (FAQs) and the Supplementary Reporting Instructions (SRI), as part of the communications on enhancements to Hong Kong's OTC derivatives reporting requirements. These updates clarify industry participants' questions and address their concerns on the implementation of the enhanced reporting requirements which will take effect from 29 September 2025.

A notice is also published in the [Government Gazette](#) to give legal effect to the mandatory data elements for OTC derivatives reporting. The notice shall come into effect on 29 September 2025, superseding the previous notice G.N. 3344 published in the Government Gazette on 30 June 2022. A mark-up version is attached to this Circular showing some minor changes made against the version attached to the Consultation Conclusions on 26 September 2024.

Reporting entities are reminded to refer to the updated AIDG, FAQs and SRI on the SFC's dedicated [webpage](#), in conjunction with the Gazette Notice for the detailed requirements, and to make best efforts to prepare for the upcoming implementation.

For questions about the service, operation and testing arrangements of the Hong Kong Trade Repository (HKTR), please contact the HKTR at 8100 3115 or email to hktr@hkma.gov.hk. For questions about the policy or regulatory requirements, please email the SFC at otc_enquiries@sfc.hk (for Licensed Corporations and Central Counterparties) or the HKMA at fss@hkma.gov.hk (for Authorised Institutions and Approved Money Brokers).

[View Circular](#)

Circular to applicants seeking SFC authorisation of unit trusts and mutual funds - Formal adoption of Fund Authorisation Simple Track ([FASTrack](#))

28 Apr 2025

The Securities and Futures Commission (SFC) announced that [FASTrack](#) will be formally adopted from 5 May 2025 onwards, upon the end of a six-month pilot period.

On 4 November 2024, the SFC launched FASTrack for simple funds domiciled and regulated in MRF Jurisdictions that apply for authorisation for public offering in Hong Kong. FASTrack aims to grant fund authorisation within 15 business days from the submission of application(s), if successful, in order to promote authorisation efficiency and maintain the competitiveness of Hong Kong's asset management industry.

Since its launch, FASTrack's implementation has been smooth overall with positive feedback from applicants. The SFC granted authorisations for all eligible fund applications processed under FASTrack within the target timeframe of 15 business days. The SFC will continue to monitor and enhance the operation of FASTrack where appropriate.

Should you wish to seek clarification of any aspects of this circular, please contact the relevant case officers in charge.

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SFC proceeds with position limit increases for key stock index derivatives

30 Apr 2025

The Securities and Futures Commission (SFC) published [consultation conclusions](#) on the proposed increases of position limits for exchange-traded derivatives based on the three major stock indices in Hong Kong .

Respondents to the consultation which ended on 28 March 2025 have shown strong support for the proposal, noting that the changes will facilitate market liquidity, hedging efficiency and further market growth. The SFC received a total of 25 submissions from both local and overseas market participants, including market makers, asset managers, industry associations and other stakeholders.

The SFC will now proceed to implement the proposal after considering the feedback, the historical and potential market growth, as well as utilisation of the limits by market participants. To this end, it will amend the Securities and Futures (Contracts Limits and Reportable Positions) Rules, as well as the Guidance Note on Position Limits and Large Open Position Reporting Requirements.

"The SFC is committed to fostering an adaptive and robust regulatory framework that not only safeguards the integrity of our financial markets but also supports their developments," said Mr Rico Leung, the SFC's Executive Director of Supervision of Markets. "The enhancements will reinforce Hong Kong's position as a leading global risk management centre; in parallel, we will maintain vigilant oversight and rigorous monitoring of our market operations."

Subject to the legislative process, the new position limits are expected to take effect in July 2025.

[View News](#)

ENFORCEMENT NEWS

District Court set trial date for sophisticated ramp-and-dump syndicate

15 Apr 2025

The District Court trial of Mr Stevens Yip Chi Fai, Ms So Lung Ying, Mr Lau Ka Wing and Ms Chan Sin Ying, key members of an alleged sophisticated ramp-and-dump syndicate will begin on 14 September 2026.

The criminal proceedings arose from an investigation by the Securities and Futures Commission (SFC).

The trial date was fixed at this hearing after the four defendants pleaded not guilty to the charge of conspiracy to employ a scheme with intent to defraud or deceive in securities transactions under the Securities and Futures Ordinance (SFO) and the Crimes Ordinance.

Bail pending trial was granted to Yip, So, Lau and Chan under the same conditions. The conditions include: (i) not to leave Hong Kong; (ii) surrender all travel documents; (iii) cash bail of \$500,000, \$50,000, \$400,000 and \$400,000 respectively; and (iv) reside at the reported residential address and inform the Police in advance of any changes to residential address.

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SFC bans Kao Cheng Yung for six months

22 Apr 2025

The Securities and Futures Commission (SFC) has prohibited Mr Kao Cheng Yung, a former responsible officer (RO), manager-in-charge of overall management oversight and key business line and managing director of CSC Futures (HK) Limited (CSC), from re-entering the industry for six months from 19 April 2025 to 18 October 2025 .

The disciplinary action follows the SFC's sanctions against CSC for its failures in complying with anti-money laundering and counter-financing of terrorism (AML/CFT) and other regulatory requirements between January 2017 and December 2018 .

The SFC considers that CSC's failures were attributable to Kao's failure to discharge his duties as an RO and a member of the senior management of CSC during the material time.

The SFC's investigation found that CSC, without conducting any due diligence, was not in a position to properly assess and manage the money laundering and terrorist financing and other risks associated with permitting its clients to use customer supplied systems (CSSs) in placing orders. The SFC also

found that CSC failed to detect, assess and conduct proper enquiries on client deposits which were incommensurate with the clients' declared financial profiles.

In deciding the disciplinary sanction against Kao, the SFC has taken into account that:

- the failures of him and CSC to diligently monitor clients' activities and put in place adequate and effective AML/CFT systems and controls are serious as they could undermine public confidence in, and damage the integrity of, the market;
- a strong deterrent message to be sent to the market that such failures are not acceptable; and
- he has an otherwise clean disciplinary record.

[View News](#)

SFC obtains arrest warrant for suspected market manipulator and interim injunction to freeze his assets in Hong Kong up to \$3,158,400

25 Apr 2025

The Eastern Magistrates' Court has issued a warrant for Mr Liu Shaolin's arrest, directing that Liu be brought before the Court to answer four charges of false trading in the shares of Pak Wing Group Holdings Limited (Pak Wing).

The Court made the order for Liu's arrest following an application made by the Securities and Futures Commission (SFC).

The SFC alleged that Liu pushed up the share price of Pak Wing by "marking-the-close" activities in May and June 2018. Liu subsequently disposed of some of his Pak Wing shares in June 2018 and made an illicit profit of around \$2,900,000.

In parallel, the SFC has commenced civil proceedings in the Court of First Instance under section 213 of the SFO against Liu to seek for, inter alia, an order to restore affected counterparties to their pre-transaction positions.

On 13 December 2024, the Court of First Instance granted an interim injunction order against Liu to freeze his assets in Hong Kong up to the value of \$3,158,400. The interim injunction order would ensure that there are sufficient assets to meet any restorative or compensation order which the Court may make if Liu is found to be in contravention of the relevant provisions of the SFO.

On 19 February 2025, the interim injunction order was discharged after Liu paid \$3,158,400 into Court as security until final determination of the proceedings or further order of the Court.

[View News](#)

Court further adjourns insider dealing hearing against Wong Pak Ming

25 Apr 2025

The Eastern Magistrates' Court has further adjourned the insider dealing case against Mr Wong Pak Ming to 5 June 2025 for mention in the criminal proceedings commenced by the Securities and Futures Commission (SFC).

Wong is charged with the offence of insider dealing involving the shares of Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) (Pegasus). He allegedly counselled or procured another person to deal in the shares of Pegasus around 25 August 2017 to 17 October 2017 while he was the chairman and the controlling shareholder of Pegasus and having information which he knew was inside information in relation to Pegasus.

Wong's bail was extended pending the next hearing on the following conditions: (i) cash bail of \$200,000; (ii) he shall reside at the home address provided and inform the Police prior to any change of residence; and (iii) he shall inform the SFC 24 hours prior to leaving Hong Kong.

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SFC reprimands and fines Interactive Brokers Hong Kong Limited \$4.2 million for regulatory breaches

28 Apr 2025

The Securities and Futures Commission (SFC) has reprimanded and fined Interactive Brokers Hong Kong Limited (IBHK) \$4.2 million for regulatory breaches in relation to the handling of client assets.

The SFC's investigation found that between 3 December 2017 and 23 October 2020, IBHK relied on expired standing authority of 7,911 clients and loaned their securities listed on the Stock Exchange of Hong Kong Limited pursuant to a securities borrowing and lending agreement. The incident arose from IBHK's failure to send these clients renewal notices of the standing authority during the material time due to a programming error.

IBHK's failure constitutes breaches of the Securities and Futures (Client Securities) Rules (CSR) and the Code of Conduct. In deciding the disciplinary sanction, the SFC has taken into account all relevant circumstances, including:

- IBHK's remedial actions and self-report to the SFC regarding its breach of the CSR;
- IBHK's conduct was not deliberate and there is no evidence of client loss as a result of such conduct; and
- IBHK's cooperation in resolving the SFC's concerns and accepting the SFC's findings and disciplinary action.

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