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# REGULATORY NEWSLETTER

2021 Vol.9



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## Let's get spooky!

Halloween's back! It's nearly that time of year when everyone is showing off their scary costumes, children go from door to door 'threatening' neighbours for sweets, and people exchange scary stories, as well as watch horror films on Netflix together. If you've yet to sort out your plans for Halloween, have no fear! You still have weeks to figure it out. We are also getting ready for the occasion in no time. But before that, to mark the spookiest time of year, we wanted to share with you some notable SFC News for the month.

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## REGULATORY UPDATES

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### Obtaining client consent under HKIDR and OTCR

13 Sept 2021

The SFC set out the requirements to be observed for obtaining express consent from individual clients for the transfer of their personal data to the Stock Exchange of Hong Kong (SEHK) and/or the Securities and Futures Commission (SFC) under the Hong Kong Investor Identification Regime (HKIDR) and Over-the-counter Securities Transactions Reporting Regime (OTCR). Such consent may be obtained by written and signed acknowledgement on paper, or by electronic means or by phone. The HKIDR and OTCR will be implemented tentatively in the second half of 2022 and the first half of 2023 respectively. The requirements in respect of client consents are as follows: -

1. Express consent
2. Explanation of consent
3. Authentication of client identity
4. Purposes of use and minimum content of the consent

5. Proper recording of consents and withdrawals of consents
6. Maintenance of records

Please also refer to the SFC [circular](#) issued on 13 September 2021 for details of the Roadmap for Implementing HKIDR and OTCR.

[View Circular](#)

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## **SFC concludes consultation on anti-money laundering guidelines**

**15 Sept 2021**

The SFC released consultation conclusions on proposed amendments to its anti-money laundering and counter-financing of terrorism (AML/CFT) guidelines. The amendments aim to align the guidelines with the Financial Action Task Force's (FATF) AML/CFT standards, which include additional guidance to facilitate the implementation of risk-based AML/CFT measures by securities industry participants. A brief summary of the amendments are as follows: -

1. Institutional risk assessment

FIs should conduct an institutional risk assessment at least once every two years or more frequently.

2. Third-party deposits and payments

FIs are permitted to delay third-party deposit due diligence only under exceptional situations where there is no suspicion of AML and CFT risks and where appropriate risk management policies and procedures are in place.

3. Identification requirements for persons purporting to act on behalf of the customers (PPTAs)

FIs could verify the identities of the PPTAs with reference to a list of PPTAs, whose identities and authority to act have been confirmed by a department or person within that legal person customer, which is independent to the persons whose identities are being verified (for example, compliance, audit or human resources).

4. Additional Due diligence for cross-border correspondent relationships

FIs may apply additional due diligence and risk mitigating measures by assessing whether their group policy and AML/CFT program applicable to an affiliated company are in line with the FATF standards.

The revised AML/CFT guidelines will become effective upon gazettal on 30 September 2021, with the exception of the new cross-border correspondent relationships requirements, which will take effect on 30 March 2022.

The complete Consultation Conclusions can be viewed [here](#).

[View News](#)

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# ENFORCEMENT NEWS

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## **SFC-ICAC operation leads to conviction of Convoy Global's former senior executives**

**20 Sept 2021**

Four people, including two former senior executives of Convoy Global Holdings Limited (Convoy Global), were convicted at the District Court of conspiracy to defraud the company and its board of directors and shareholders as well as The Stock Exchange of Hong Kong Limited (SEHK) over the placement of bonds issued by Convoy Global.

The conviction came after a joint operation of the Securities and Futures Commission (SFC) and the Independent Commission Against Corruption (ICAC) in 2017, after which the four were charged by the ICAC.

The SFC will continue to collaborate with other law enforcement agencies, including the ICAC, to jointly combat corporate fraud and misconduct.

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