
REGULATORY NEWSLETTER

2022 Vol.4



Happy Easter!

Holidays and gatherings have changed since the COVID-19 pandemic started, especially during the latest wave of Omicron outbreak. It's been stressful for everyone. So it's important to keep celebrating and getting together in creative ways. Special celebration times can help ease "pandemic fatigue". ComplianceDirect wishes you all have a fantastic Easter holiday, and most importantly, stay safe and healthy.

REGULATORY UPDATES

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

1 Mar 2022

The SFC and the HKMA will commence a concurrent thematic review of the distribution of non-exchange traded investment products by intermediaries. The regulators released the findings from the first joint product survey in October 2021, and they have been closely coordinating their supervision to address areas of common concern.

The review's objectives are to assess intermediaries' compliance with the suitability requirement under the Code of Conduct, including their practices for performing product due diligence, conducting suitability assessments and providing information to clients.

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

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Submission of financial statements, other documents and auditor's report under section 156(1) of the Securities and Futures Ordinance

4 Mar 2022

The SFC understands that the directors of certain LCs or AEs, particularly those located outside Hong Kong, may encounter difficulties in physically signing the audited accounts due to the coronavirus situation, and hence the LCs or AEs may not be able to submit the original copy of the audited accounts with wet-ink signatures by the submission deadline, which is four months after the end of the financial year. To provide flexibility to the industry, LCs and AEs are allowed to submit a scanned copy of their audited accounts by the submission deadline and submit the original copy as soon as reasonably practicable after the submission deadline.

LCs and AEs may also apply for an extension of the submission deadline if a delay in preparing the audited accounts is anticipated. These applications will be considered by the SFC pragmatically.

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Measures to deal with disruptions caused by financial distress and insufficient responsible officers

4 Mar 2022

This circular sets out the SFC's regulatory approach and expected standards in the following areas to mitigate the risks and impact of an abrupt discontinuation of business:

- (a) information about all controllers and the shareholding structure of an LC;
- (b) maintenance of a sufficient number of responsible officers (ROs);
- (c) maintenance of adequate financial resources;
- (d) financial and operational dependency on another person;
- (e) plans for the scenario of an orderly closure of business in any regulated activity (exit plans); and
- (f) responsibility of senior management.

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Importance of business continuity planning amidst latest COVID-19 situation

7 Mar 2022

Amidst the acute situation of the fifth wave of COVID-19 infections in Hong Kong, the SFC again reminds licensed corporations to review and update their business continuity plan (BCP). As the HKSAR Government has announced its intention to implement a Compulsory Universal Testing (CUT)

scheme, albeit its timing and details have not been announced yet, licensed corporations should start preparing now considering the number of actions that may need to be taken in advance.

The SFC will continue close dialogue with licensed corporations and, so far as legally permitted (and consistent with market integrity and investor protection principles), afford regulatory flexibility where necessary to address unavoidable operational constraints arising from the COVID-19 situation.

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SFC-HKMA joint product survey 2021: extension of submission deadline

11 Mar 2022

In light of the latest COVID-19 situation, the SFC understands that licensed corporations may need more time to complete the survey¹. Accordingly, the deadline for submitting the survey questionnaire has been extended from 11 March 2022 to 19 April 2022.

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Circular to licensed corporations - Managing the risks of business email compromise

24 Mar 2022

The SFC received reports from LCs about business email compromise (BEC), a type of cyber fraud whereby fraudsters posing as known business contacts dupe unwary staff into sending them money or sensitive information. These incidents resulted in the leakage of client information which undermined client interests and, in some cases, significant financial losses which the LCs had to bear.

The SFC expects LCs to have internal control procedures and financial and operational capabilities which can be reasonably expected to protect their operations and clients from financial losses arising from theft, fraud and other dishonest acts, professional misconduct or omissions. LCs are reminded to vigilantly monitor and effectively manage BEC risks, especially at times when remote working arrangements are commonplace.

LCs should provide regular training to staff to enhance their vigilance in watching out for email scams and ensure that they understand the appropriate handling procedures. LCs' staff should carefully examine email addresses, prudently verify the authenticity of requests, diligently investigate red flags and promptly escalate issues according to internal protocols.

LCs are also advised to make reference to the SFC's guidance on the control measures and techniques for managing cybersecurity risks⁶ and guarding against email scams.

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Circular to intermediaries, responsible officers and licensed representatives Waiver of annual licensing fees

25 Mar 2022

The SFC will waive the annual licensing fees of all intermediaries and licensed individuals incurred during the period from 1 April 2022 to 31 March 2023.

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Circular to intermediaries and licensed individuals

Mandatory online submission of licensing applications, notifications and regulatory filings

28 Mar 2022

This circular serves as a reminder that online submission of corporate license applications will become mandatory from 1 April 2022.

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Circular to Licensed Corporations

Updated Technical Specifications for OTC Derivatives Trade Reporting

29 Mar 2022

The HKMA issued a notice (Notice) about updated technical specifications for over-the-counter (OTC) derivatives trade reporting under the Hong Kong Trade Repository. A copy of the Notice can be found [here](#).

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Circular to licensed corporations

Handling of client complaints

31 Mar 2022

The SFC issued a circular to provide guidance to assist LCs in their compliance with regulatory requirements for handling complaints from clients.

The SFC received a large number of complaints against intermediaries and market activities in the past few years¹. It noted cases where client complaints were not properly handled and as a result LCs did not properly identify or deal with control deficiencies and regulatory breaches. In view of this, the SFC conducted a review of LCs' complaint handling procedures and identified a number of deficiencies.

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ENFORCEMENT NEWS

SFC bans Leung Siu Lun for life

1 Mar 2022

The SFC banned Mr Leung Siu Lun, a former vice president of the Hongkong and Shanghai Banking Corporation Limited (HSBC), from re-entering the industry for life following his convictions for bribery.

The Court found that, between 2014 and 2016, Leung, who was responsible for handling commercial banking matters for HSBC's corporate customers, had accepted a number of gifts and advantages from a business client.

The SFC considers that Leung is not a fit and proper person to be licensed or registered to carry on regulated activities as a result of his criminal convictions.

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SFC reprimands and fines HSBC Securities Brokers (Asia) Limited \$6.3 million for regulatory breaches

3 Mar 2022

The SFC reprimanded and fined HSBC Securities Brokers (Asia) Limited (HCCB) \$6.3 million for internal control failures and breaches of the Code of Conduct.

The SFC is of the view that HCCB failed to act with due skill, care and diligence in conducting its business, and to implement adequate and effective systems and controls to ensure compliance with the Code of Conduct and the requirements of the Rules of the Exchange.

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SFC obtains court order to disqualify former directors of DBA Telecommunication (Asia) Holdings Limited

9 Mar 2022

The SFC obtained disqualification orders in the Court of First Instance against DBA Telecommunication (Asia) Holdings Limited's former executive director Mr Chan Wai Chuen and former independent non-executive director Mr Yun Lok Ming.

SFC reprimands and fines Emperor Securities Limited and Emperor Futures Limited \$5.4 million for breaches of anti-money laundering regulatory requirements

16 Mar 2022

The SFC reprimanded and fined Emperor Securities Limited and Emperor Futures Limited (collectively, Emperor) \$5.4 million for failures in complying with anti-money laundering and counter-terrorist financing (AML/CFT) regulatory requirements.

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

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SFC bans Kim Bum Suk for 27 months

29 Mar 2022

The SFC banned Mr Kim Bum Suk, former relevant individual of BNP Paribas Wealth Management and BNP Paribas (collectively, BNP), from re-entering the industry for 27 months from 29 March 2022 to 28 June 2024.

The SFC considers that Kim is not fit and proper to be a regulated person as his conduct was deceptive and dishonest, and casts doubt on his character and reliability as well as his ability to carry on regulated activities competently and honestly.

In deciding the sanction, the SFC took into account all relevant circumstances, including Kim's misconduct and breaches of BNP's policies lasted for almost two and a half years, his admission of using pre-signed documents and causing the production of false call reports, as well as his otherwise clean disciplinary record.

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