

REGULATORY NEWSLETTER



2022 Vol.10



Happily we bask in this warm September sun, it is the month of maturity where there are the heaped baskets with maple leaves and the shades of red. Besides, ComplianceDirect will continuously provide you with professional consultation and compliance advice which ensures your progress runs smoothly and advice addresses questions you need answers to. Remember that the pandemic will not last forever and we are starting to see some good signs. Let's strive to be better in the coming future!

REGULATORY UPDATES

Circular to Intermediaries

Investor Education on the Hong Kong Investor Identification Regime (HKIDR) and Over-the-counter Securities Transactions Reporting Regime (OTCR)

16 Sep 2022

To facilitate the Relevant Regulated Intermediaries (RRIs) preparing for the implementation and promoting public investors' awareness of the HKIDR and OTCR, the SFC has prepared various investor education items for the use of RRIs. Details are as follows.

Videos introducing the HKIDR and OTCR

The SFC has produced two videos (i.e. "Unlocking Investor ID" - [Full Video](#) and [Highlights versions](#)) for investor education of the regimes, which are now made available under the "Information for investors" section of our [HKIDR and OTCR dedicated webpage](#). The videos introduce the regimes to public investors, explain what they are required to do and address their major concerns under the regimes. We hope that the videos can facilitate RRIs' processes to obtain individual client's consent and update client information as part of the preparation for implementation. RRIs are welcome to refer their clients to the videos on [our dedicated webpage](#), or if appropriate, RRIs may post the [highlight video](#) up on their website/trading platform/trading applications for better reach-out to clients. Interested RRIs which wish to post up the [highlight video](#) please contact us via hkidr_faq@sfc.hk.

Posters, mask holders and pamphlet for the HKIDR and OTCR

We have also produced some promotional items including posters, pamphlets and face mask holders carrying key messages about the HKIDR and OTCR. The promotional items are made available to RRIIs and public investors free-of-charge.

For details, please refer to the link below.

[View Circular](#)

Circular to Intermediaries

Market Rehearsals (MRs) for the Hong Kong Investor Identification Regime (HKIDR)

23 Sep 2022

Reference is made to the Circular dated [2 August 2022](#) regarding the HKIDR.

1. Arrangements for Market Rehearsals
2. Access to HKEX's production ECP web interface via the SFC WINGS platform
3. Notification of using ECP Secure File Transfer Protocol (SFTP) Interface by non-EP RRIIs
4. Updates to HKEX's File Transfer Connectivity Guide
5. Updates on the Over-the-counter Securities Transactions Reporting Regime (OTCR)

For details, please refer to the link below.

[View Circular](#)

ENFORCEMENT NEWS

SFC suspends Tang Kai Shing for eight months

5 Sep 2022

The SFC has suspended Mr Tang Kai Shing, responsible officer (RO) and managing director of Rifa Futures Limited (Rifa), for eight months from 2 September 2022 to 1 May 2023 (Note 1).

The disciplinary action follows the SFC's sanctions against Rifa over breaches of know-your-client, anti-money laundering and counter-terrorist financing (AML/CFT) and other regulatory requirements between May 2016 and October 2018 (Notes 2 & 3).

The SFC considers Rifa's breaches were attributable to Tang's failure to discharge his duties as an RO and the most senior member of Rifa's management during the material time.

The SFC's investigation found that Rifa, without conducting adequate due diligence, was unable to properly assess and manage the money laundering and terrorist financing and other risks associated with permitting its clients to use client supplied systems (CSSs) in placing orders. Rifa was also found to have failed to conduct adequate ongoing monitoring of clients' fund movements to ensure they were consistent with the clients' nature of business, risk profile and source of fund (Notes 4 & 5).

In deciding the disciplinary sanction against Tang, the SFC took into account that:

- the failures of him and Rifa to diligently monitor clients' activities and to put in place adequate and effective AML/CFT systems and controls are serious because their failings could damage public confidence and market integrity;
- a strong deterrent message is necessary to the market and industry that these failures are not acceptable;
- he was responsible for Rifa's failures by virtue of his capacity as the senior management of Rifa and Manager-In-Charge (MIC) of the Overall Management Oversight, Compliance and AML and CFT functions; and
- he has an otherwise clean disciplinary record with the SFC.

End

Notes:

1. Tang is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities. Tang has been accredited to Rifa and approved to act as its RO for Type 2 regulated activity since 8 April 2014. Tang has been Rifa's MIC of the Overall Management Oversight, Compliance and AML and CFT functions since 3 July 2017.
2. Rifa (previously known as i-STAR International Futures Co. Limited) was reprimanded and fined \$9 million by the SFC over a number of regulatory breaches. Please refer to the SFC's press release dated 25 July 2022.
3. Please refer to the Statement of Disciplinary Action for the relevant regulatory requirements.
4. CSSs are trading software developed and/or designated by either third party vendors or the clients that enable them to conduct electronic trading through the internet, mobile phones and other electronic channels.
5. The CSSs were connected to Rifa's broker supplied system (BSS) through application programming interface (a set of functions that allows applications to access data and interact with external software components or operating systems). BSSs are trading facilities developed by exchange participants or vendors that enable the exchange participants to provide electronic trading services to investors through the internet, mobile phones, and other electronic channels.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

[View News](#)



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