
REGULATORY NEWSLETTER

2025 Vol.3



March, spring begins spreading around the globe despite the dynamics of the market. A perfect timing to act with determination and resistance as we believe the world will have prosperity in future. As always, we would endeavor to provide you our professional consultation and compliance services.

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

REGULATORY UPDATES

SFC flags cybersecurity incidents involving licensed firms and resulting business disruptions in thematic review report

6 Feb 2025

The Securities and Futures Commission (SFC) noted material cybersecurity incidents in recent years involving cyberattacks against licensed corporations (LC) had resulted in significant business disruptions or hacking of client accounts.

Issued today, the SFC's Report on the 2023/24 Thematic Cybersecurity Review of Licensed Corporations (Report) noted eight incidents of material cybersecurity breach reported to the SFC between 2021 and 2024. In some incidents, fraudsters conducted unauthorised trades in clients' accounts after gaining control of them by infiltrating the LCs' networks through network security loopholes. The use of end-of-life software and weak algorithm for encrypting client data are some of the common weaknesses identified in these incidents.

Such vulnerabilities indicate the LCs' insufficient senior management oversight and inadequate controls on cybersecurity measures.

In addition, to address the emerging cybersecurity risks, the SFC has set out in the Report standard of conduct expected of LCs in relation to phishing detection and prevention, end-of-life software management, remote access, third-party IT service providers management and cloud security.

"Licensed firms must take all necessary measures to ward off increasingly sophisticated and prevalent cyberattacks in a highly interconnected and digitalised world. Failing to address the growing threat and mitigating the associated risks, licensed firms would not only jeopardise their own security, but also that of their clients and even our financial system as a whole," said Dr Eric Yip, the SFC's Executive Director of Intermediaries. "To this end, senior management must also recognise the critical importance of safeguarding the cybersecurity of their firms, without leaving these responsibilities to only their IT department."

The SFC, together with the Hong Kong Police Force, will host cybersecurity webinars in February to further share the findings of the thematic review and the common cybersecurity threats in Hong Kong.

The SFC will also conduct another comprehensive review on the existing cybersecurity requirements and expected standards in 2025, in order to develop an industry-wide cybersecurity framework and guide LCs on better managing cybersecurity risks.

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Cross-Agency Steering Group sets 2025 priorities to support growth of sustainable finance in Hong Kong

6 Feb 2025

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) sets out three key priorities for this year to foster the growth of sustainable finance in Hong Kong following its meeting today (6 February)

1. Developing a comprehensive sustainability disclosure ecosystem. With the publication of the Roadmap on Sustainability Disclosure in Hong Kong by the Hong Kong Special Administrative Region (HKSAR) Government, the Steering Group will take further actions to support the implementation of the International Financial Reporting Standards Sustainability Disclosure Standards (ISSB Standards) in Hong Kong. The Steering Group will work closely with stakeholders to provide technical assistance on sustainability reporting, develop a sustainability assurance framework, and deliver capacity building programmes in collaboration with the industry.
2. Reinforcing Hong Kong's role as a leading sustainable and transition finance hub. To scale up the flow of green and sustainable finance, the Steering Group is engaging the industry to expand the Hong Kong Taxonomy for Sustainable Finance to incorporate transition elements

and add new sustainable activities. The Steering Group also works alongside the industry to develop operational guidance for practising transition finance in a sectoral approach. Furthermore, the Steering Group will set up a Transition Finance Knowledge Hub on its website. Following the progress of carbon market developments at COP29, the Steering Group reaffirmed its commitment to develop Hong Kong into an Asia-Pacific region carbon trading hub, through increasing engagement with stakeholders and providing capacity building programmes across the region.

3. Harnessing data and technology to facilitate sustainability reporting and promote sustainable financing activities. The Steering Group is developing the official Hong Kong Green Fintech Map with the industry, which will be published in the first half of 2025, in view of the potential of green fintech solutions in facilitating large-scale mobilisation of sustainable capital and enabling information flow with greater transparency and accessibility. To support sustainability reporting and increase data availability, the Steering Group will continue to enhance the free-for-all public utility data tools on its website throughout the year, including two greenhouse gas emissions calculation and estimation tools and the Climate and Environmental Risk Questionnaire for Non-listed companies/small and medium-sized enterprises.

For details on the initiatives of the Steering Group and its members, please visit <https://sustainablefinance.org.hk/en/>.

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Circular to licensed corporations - Cybersecurity review of licensed corporations

6 Feb 2025

The Securities and Futures Commission (SFC) today issued its Report on the 2023/24 Thematic Cybersecurity Review of Licensed Corporations (Report), to highlight the key observations from its cybersecurity review.

The Report is based on the SFC's recent thematic review of selected internet brokers compliance with the Cybersecurity Guidelines and Code of Conduct (collectively referred to as "Cybersecurity Requirements") and the cybersecurity incidents reported by licensed corporations (LCs) in the past years.

Prior consultation with the SFC is required before an applicant applies for authorisation of an Alternative Fund for listing.

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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Circular on listed closed-ended alternative asset funds

17 Feb 2025

This circular clarifies the requirements of the Securities and Futures Commission (SFC) when it considers authorising closed-ended collective investment schemes (Alternative Funds) which seek a listing on the Stock Exchange of Hong Kong Limited (SEHK) (Listed Alternative Funds), and the requirements applicable to the distribution of these funds by intermediaries.

Alternative Funds invest mainly in private, illiquid assets, which may not meet the liquidity and other investment requirements under Chapter 7 of the Code on Unit Trusts and Mutual Funds (UT Code) (alternative assets).

Listed Alternative Funds and their offering documents should be authorised by the SFC under sections 104 and 105 of the Securities and Futures Ordinance (SFO) and 8.11 and relevant requirements as set out in this circular in 8.7 of the UT Code and listed under Chapter 20 (Investment Vehicles – Authorised Collective Investment Schemes) of the Main Board Listing Rules¹ (Listing Rules) (SFC-authorised Listed Alternative Funds).

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Circular to licensed corporations and their affiliated corporations carrying on activities concerning over-the-counter (OTC) derivative products or transactions

OTC Derivatives Activities Survey 2025

18 Feb 2025

The Securities and Futures Commission (SFC) has launched this survey to collect information about dealing and clearing activities in OTC derivative products or transactions in Hong Kong.

The SFC invites the following licensed corporations and their affiliated corporations to participate in this survey: i) those carrying on dealing activities concerning OTC derivative products in Hong Kong that fall under Type 1, 2 or 3 regulated activity; ii) those carrying on dealing or clearing activities concerning OTC derivative products or transactions in Hong Kong that will fall within the new Type 7 activity, or Type 11 or 12 regulated activity when the licensing regime relating to OTC derivative products or transactions introduced by the Securities and Futures (Amendment) Ordinance 2014 (SFAO2014) comes into effect. Please refer to section 53 of the SFAO2014 for the definitions of Type 11 and Type 12 regulated activities, and section 55 for the definition of new Type 7 activity, and Part 3 of the Securities and Futures and Companies Legislation (Amendment) Ordinance 2021 for any subsequent amendments relating to these definitions.

Participating entities belonging to the same group of companies¹ should submit their responses in the same survey. The survey can be downloaded from the SFC's designated webpage:

<https://www.sfc.hk/-/media/EN/files/IS/forms/OTCDerivativesActivitiesSurvey2025>

Before filling in the survey, please read the completion instructions set out in it.

Please submit the completed survey to the SFC on or before 11 March 2025 (Tuesday) via email to otcdsurvey2025@sfc.hk.

All information collected will be treated in strict confidence. Should you have any enquiries regarding this circular or the survey, please email to otcdsurvey2025@sfc.hk.

Licensed corporations, SFC-licensed virtual asset service providers and associated entities are encouraged to utilise these resources to keep abreast of latest cybersecurity related information.

[View Circular](#)

Circular to Licensed Corporations Engaged in Asset and Wealth Management Activities - Asset and Wealth Management Activities Survey 2024

20 Feb 2025

As an annual exercise to collect information about asset and wealth management activities in Hong Kong for regulatory and market facilitation purposes and to better understand the state of the asset and wealth management industry in Hong Kong, the Securities and Futures Commission (SFC) has now commenced the Asset and Wealth Management Activities Survey 2024 (the "AWMAS"). We would appreciate your continued cooperation, as in previous years, by completing the questionnaire through the online submission system on or before **22 April 2025**.

For those licensed corporations which had gross operating income derived from asset management, giving advice on funds / portfolios and / or private banking / private wealth management during 2024, please complete the full questionnaire.

If your corporation did not engage in any of the activities covered in the survey throughout the year, please fill in the part of General Information in the questionnaire. The questionnaire can be accessed at: <https://wings.sfc.hk/awmas/#/en/>

Please read the important notes on the front page (after selecting the type of firm) and the definitions of certain terms and expressions set out in the "Note" section of the questionnaire. Please be assured that all information provided will be treated in strict confidence and will not be disclosed to any third party except in an aggregated form of statistics.

If you have any queries on the AWMAS, please email to awmas2024@sfc.hk or contact the SFC's Investment Products Division at (852) 2231-2275 if your company's name begins with the letter A – H, or (852) 2231-1364 if your company's name begins with the letter I – Z.

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Circular to licensed corporations, SFC-licensed virtual asset service providers and associated entities

Cybersecurity webinar materials

20 Feb 2025

The presentation materials used by the Securities and Futures Commission (SFC) staff at the recent Cybersecurity Webinar are included in the Appendix of this circular.

Licensed corporations, SFC-licensed virtual asset service providers and associated entities are encouraged to download the aforesaid presentation materials for reference and internal training as appropriate.

In addition, information on Cyber Defender and Scameter, as mentioned by the Hong Kong Police Force at the Cybersecurity Webinar, can be found under the following websites:

- Cyber Defender: <https://cyberdefender.hk/en-us/>
- Scameter: <https://cyberdefender.hk/en-us/scameter/>

Licensed corporations, SFC-licensed virtual asset service providers and associated entities are encouraged to utilise these resources to keep abreast of latest cybersecurity related information.

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SFC proposes to relax position limits for key exchange-traded derivatives

27 Feb 2025

The Securities and Futures Commission (SFC) today launched a [consultation](#) proposing to increase the position limits for exchange-traded derivatives based on the three major stock indices in Hong Kong to keep pace with market development.

To facilitate hedging activities of market participants, the proposals will lift the current position limits for the futures and options contracts by 50% to 15,000 position delta for Hang Seng Index, 108% to 25,000 position delta for Hang Seng China Enterprises Index, and 43% to 30,000 position delta for Hang Seng TECH Index.

These will enable Hong Kong's derivatives markets to keep pace with the growth in the market capitalisations of major stock indices and trading volumes of their constituents over the past years, without introducing additional risks to the markets.

"The relaxation of position limits will not only allow market participants to enjoy greater flexibility in managing positions, but also promote the liquidity and efficiency of both the derivatives and broader markets," said Ms Julia Leung, the SFC's Chief Executive Officer. "We believe the proposal will help bolster the Hong Kong financial market's competitiveness while striking the right balance by maintaining a robust regulatory framework to manage systemic risks."

The public is invited to comment on the SFC's proposals by 28 March 2025 via its website (www.sfc.hk), by email to position-limit@sfc.hk, by post or by fax to 2521 7917.

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ENFORCEMENT NEWS

SFC issues restriction notices to Money Concepts (Asia) Holdings Limited and Money Concepts Asset Management Limited

18 Feb 2025

The Securities and Futures Commission (SFC) has issued restriction notices to Money Concepts (Asia) Holdings Limited (MCAH) and Money Concepts Asset Management Limited (MCAM) because of doubts over their honesty, reliability, integrity and ability to carry on regulated activities competently, honestly and fairly, and hence, their fitness and properness to remain licensed .

The restriction notices prohibit them, without prior written consent from the SFC, from carrying on any business, whether directly or through agents, which constitutes regulated activities for which they are licensed under the Securities and Futures Ordinance (SFO) until further notice.

The SFC considers that the issue of the restriction notices is desirable in the interest of the investing public or in the public interest.

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SFC commences insider dealing prosecution against Wong Pak Ming

27 Feb 2025

The Securities and Futures Commission (SFC) today commenced criminal proceedings at the Eastern Magistrates' Court against businessman Mr Wong Pak Ming for insider dealing involving the shares of Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) (Pegasus)).

Wong is suspected to have 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.

No plea was taken and the Court adjourned the case to 27 March 2025.

Wong was granted bail 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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