
REGULATORY NEWSLETTER

2023 Vol.9



Happy Mid-Autumn Festival!

Wishing you a long life to share the graceful moonlight, though thousands of miles apart.

The Mooncake Festival is around the corner and we take this auspicious opportunity to wish you all and your family prosperity, good health and may the shine of the full moon bring you tranquility and may our wishes come true!

ComplianceDirect wishes everyone a happy and prosperous Mid-Autumn Festival!

REGULATORY UPDATES

New Roadmap to Promote Fintech Adoption in Financial Services Sector 25 Aug 2023

The Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC), and the Insurance Authority (IA) have jointly launched a new Fintech Promotion Roadmap. This initiative, which will be implemented over the next year, aims to accelerate Fintech adoption across the financial services sector.

Informed by the "Fintech 2025" strategy, the Roadmap was developed based on a Tech Baseline Assessment and an industry-wide survey. These studies highlighted potential growth in Wealthtech, Insurtech, and Greentech, and technologies like Artificial Intelligence (AI) and Distributed Ledger

Technology (DLT).

The Roadmap offers practical recommendations for different stages of the Fintech adoption journey, from sourcing to implementation. A range of initiatives including events, seminars, training sessions, guidelines, promotional videos, and a new Fintech Knowledge Hub will help institutions share insights, exchange ideas, and expand their Fintech network.

HKMA, SFC, and IA highly encourage institutions to actively participate in these initiatives to maximize the benefits of the Roadmap and push the implementation of Fintech solutions.

Detailed information about the upcoming initiatives will be announced separately. In the meantime, if your institution has any questions about the Fintech Promotion Roadmap, please feel free to contact:

- a. Mr Nitish Koladoo at the Banking Supervision Department of the HKMA at all-banks-go-fintech@hkma.gov.hk
- b. the SFC Fintech Contact Point at fintech@sfc.hk;
- c. Ms Jessica Yeung at the Policy and Development Division of the IA at insurtech@ia.org.hk.

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Circular to Intermediaries Reminder on the Over-the-counter Securities Transactions Reporting Regime (OTCR) 25 Aug 2023

Relevant Regulated Intermediaries¹ are reminded that the OTCR will become effective on 25 September 2023. Those that have not yet completed the testing and preparation for reporting under the OTCR are urged to do so before the effective date.

Please refer to the Circular on [20 December 2022](#) for information on the OTCR submission channels on WINGS.

[View Circular](#)

Circular to Licensed Corporations in relation to list of prescribed persons who have reached the clearing threshold under the clearing and record keeping rules for the OTC derivatives regime 31 Aug 2023

An updated list of prescribed persons who have reached the clearing threshold under the Securities and Futures (OTC Derivative Transactions - Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules has been posted on the website of the Securities and Futures Commission (SFC) today.

The list is available at:

<http://www.sfc.hk/web/EN/rules-and-standards/otc-derivatives-regulatory-regime/>

The list is compiled based on information currently available to the Hong Kong Monetary Authority

(HKMA) and/or the SFC. Please refer to the disclaimer set out in the aforesaid list.

The list may be updated from time to time by the HKMA and the SFC as appropriate and relevant.

Relevant Regulated Intermediaries are reminded that the OTCR will become effective on 25 September 2023. Those that have not yet completed the testing and preparation for reporting under the OTCR are urged to do so before the effective date.

Please refer to the Circular on [20 December 2022](#) for information on the OTCR submission channels on WINGS.

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ENFORCEMENT NEWS

Suspected core members of sophisticated syndicate charged in ramp-and-dump case

3 Aug 2023

Mr Stevens Yip Chi Fai and Ms So Lung Ying, both being suspected core members of a large-scale and sophisticated syndicate suspected of ramp-and-dump market manipulation, were charged today at the Eastern Magistracy following an extensive investigation of the Securities and Futures Commission.

They were charged with the offence of conspiracy to employ a scheme with intent to defraud or deceive in transactions involving securities contrary to section 300 of the Securities and Futures Ordinance and section 159A and 159C of the Crimes Ordinance.

No plea was taken. The case was adjourned to 2 November 2023.

The Court granted bail to Yip and So on these conditions: (i) not to leave Hong Kong; (ii) surrender all travel documents; (iii) report to police station on regular basis; (iv) cash bail \$500,000 and \$50,000 respectively; (v) reside at the reported residential address and inform Police within 24 hours of any change of residential address.

No further comment will be made now that legal proceedings have commenced.

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SFC reprimands and fines China Industrial Securities International Brokerage Limited \$3.5 million for internal control failures

22 Aug 2023

The Securities and Futures Commission (SFC) has reprimanded and fined China Industrial Securities International Brokerage Limited (China Industrial) \$3.5 million for internal control failures relating to monitoring of suspicious trading activities and recording of client order instructions.

The disciplinary action followed an SFC investigation which found that China Industrial had failed to effectively implement its internal policy on post-trade monitoring and ensure all unusual transactions flagged by its post-trade surveillance system (Alerts) were properly examined from 1 August 2017 to 31 July 2019 and from 1 June to 31 October 2020 (Relevant Periods).

China Industrial also failed to ensure the findings and outcomes of its examinations of the Alerts were adequately documented from March 2016 to October 2020 and to have in place effective compliance

procedures to ensure the proper implementation of the internal policy on post-trade monitoring and documentation of the Alerts examinations during the Relevant Periods.

Separately, the SFC found that during the Relevant Periods, China Industrial had failed to comply with the regulatory requirements on recording of telephone order instructions by failing to effectively implement its internal policy on recording of telephone orders, and properly record and maintain telephone order instructions from clients in relation to at least 1,034 orders.

In addition, China Industrial failed to diligently supervise its account executives and take adequate and timely follow-up actions against those in breach of the internal policy on recording of telephone orders and report immediately to the SFC after it became aware of its account executives' breaches of the regulatory requirements on recording of telephone order instructions.

In deciding the disciplinary sanction, the SFC has taken into account China Industrial's cooperation in resolving the SFC's concerns and its otherwise clean disciplinary record.

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