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# REGULATORY NEWSLETTER

2022 Vol.9



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## Happy Mooncake 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 brings you tranquility and may our wishes come true!

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

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## REGULATORY UPDATES

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### Circular to Intermediaries

#### Reminder on End-To-End (E2E) Test for the Hong Kong Investor Identification Regime (HKIDR)

2 Aug 2022

##### Completion of E2E Test

Relevant Regulated Intermediaries<sup>1</sup> (RRIs) are reminded to complete the mandatory E2E Test for the HKIDR on or before 5 August 2022 in order to proceed to the market rehearsals following the successful completion of the E2E Test. Details of the MRs will be announced in due course.

RRIs are also reminded to submit (if they have not already submitted) the E2E Test confirmation reply forms (contained in the E2E Test package) upon completion of the E2E Test on or before 5 August 2022 to:

The SFC – for E2E Test on the submission of the BCAN-CID Mapping File and Reporting Forms to Stock Exchange of Hong Kong's (SEHK) data repository (applicable to all RRIs); and/or

Hong Kong Exchanges and Clearing Limited (HKEX) – for E2E Test on BCAN tagging for order

submission to the SEHK trading system (applicable to RRIIs who are Exchange Participants (EP) only).

The SFC E2E Test account will expire at 8:00 pm on 5 August 2022 and RRIIs will not be able to use such account to log on to SEHK's E2E Test Electronic Communication Platform (ECP) web interface by then.

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## **Circular to licensed corporations**

### **Review of online brokerage, distribution and advisory services**

**31 Aug 2022**

The SFC conducted a review of the business models of licensed corporations (LCs) which provided online brokerage, distribution and advisory services and their compliance with regulatory requirements when onboarding clients and distributing or advising on investment products via their online platforms. The review was conducted in various ways including via a fact-finding survey, desktop analysis and inspections.

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## **SFC's review shows increasing popularity of online investment services**

**31 Aug 2022**

The SFC released the observations and findings from its [review](#) of licensed firms providing online brokerage, distribution and advisory services. It also reminded firms of the regulatory standards applicable to them when providing these services.

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## **ENFORCEMENT NEWS**

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### **SFC reprimanded and fines TC Capital International Limited \$3 million and suspends its responsible officer for sponsor failures**

**1 Aug 2022**

The SFC reprimanded and fined TC Capital International Limited (TC Capital) \$3 million for failing to discharge its duties as the sponsor in

### **SFC commenced MMT proceedings against hedge fund manager over alleged false trading**

**16 Aug 2022**

The SFC commenced proceedings in the Market Misconduct Tribunal (MMT) against Mr Jonathan Dominic Iu Wai Ching, a responsible officer of

the listing application of China Candy Holdings Limited (China Candy).

The disciplinary action followed the SFC's investigation which found that TC Capital failed to:

- conduct reasonable due diligence on the third party payments made on behalf of two top customers of China Candy; and
- maintain proper records of the due diligence work allegedly done in relation to the listing application.

The SFC also suspended the licence of Mr Edward Wu Wen Guang for seven months from 29 July 2022 to 28 February 2023 for failing to discharge his duties as a responsible officer and sponsor principal of TC Capital in charge of China Candy's listing application and the supervision of the transaction team responsible for the listing application.

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### **SFC issued restriction notice to a broker to freeze client account linked to suspected insider dealing**

**17 Aug 2022**

The SFC issued a restriction notice to Bright Smart Securities International (H.K.) Limited (Bright Smart), prohibiting it from disposing of or dealing with certain assets held in a client account that holds proceeds of suspected insider dealing.

Bright Smart fully cooperated with the SFC and is not the subject of the SFC's investigation into suspected insider dealing. The restriction notice does not affect Bright Smart's operations or its other clients.

The SFC considers that the issue of the restriction notice, which prevents dissipation of proceeds of

Tarascon Capital Management (Hong Kong) Limited (Tarascon), for allegedly engaging in false trading in the shares of two Hong Kong-listed companies.

At the material time, Iu, who was responsible for managing and making investment decision for a hedge fund, was also a director, the chief investment officer, and a substantial shareholder of Tarascon.

The SFC alleges that Iu executed matched trades between the brokerage accounts of the hedge fund and of his mother between August and September 2014, which had the effect of creating a false or misleading appearance of active trading or of the price for dealings in the listed shares concerned.

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### **Retail investors convicted and fined for illegal short selling**

**18 Aug 2022**

The Eastern Magistrates' Court today convicted Ms Chan Siu Tai and her sister Ms Janice Chan after they pleaded guilty to illegal short selling in prosecutions brought by the SFC.

The sisters were fined a sum of \$114,000 and ordered to pay the SFC's investigation costs.

suspected insider dealing held in the account, is desirable in the interest of the investing public or in the public interest.

The SFC's investigation is continuing.

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