

REGULATORY UPDATES (FINANCIAL SERVICES) March 2019 Issue



To maintain the financial stability and facilitate the economic growth of Hong Kong, regulators have been reviewing and establishing different legal framework regularly for financial institutions. In this month, the Hong Kong Monetary Authority (HKMA), Securities and Futures Commission (SFC) and Mandatory Provident Fund Schemes Authority (MPFA) have the following updates:

Remote on-boarding of individual customer

On 1 February 2019, the HKMA has issued a circular to provide feedback and articulate the HKMA's regulatory expectation in respect of remote on-boarding of individual customers, based on observations and insights gathered through the HKMA Fintech Supervisory Sandbox and Chatroom as well as use cases of customer remote on-boarding initiatives of authorized institutions (AIs).

In this circular, the HKMA has illustrated the potential risks of remote on-boarding of individual customers. When compared with current operating models of on-boarding customers, remote on-boarding may present greater risks to AIs, particularly for impersonation risks. AIs are required to conduct customer due diligence measures before establishing business relationships with customers. The HKMA expects that any technology solutions adopted by AIs for remote on-boarding should be at least as robust as those performed when the customer is in front of the staff of an AI, and cover the aspects of (i) identity authentication and (ii) identity matching.

[Read more on HKMA's website](#)

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New licensing forms and mandatory electronic submission of annual returns and notifications

The SFC has published a circular on revamping the licensing processes on 1 February 2019.

The new licensing forms were introduced on 11 February 2019 and expected to be used subsequently. The current forms would be accepted during a two-month transition period until 11 April 2019 from which only new forms would be accepted. The SFC has also published two new self-assessment questionnaires for corporate applicants regarding the business profiles and internal control measures.

The SFC has reminded all intermediaries to submit the annual returns and notifications electronically via the SFC Online Portal with effect from 11 April 2019. Confirmation of the compliance with the continuous professional training requirements for the previous year would also be required when submitting the annual return.

[Read more on SFC's website](#)

SFC revokes W. Falcon Asset Management (Asia) Limited (Falcon)'s licence

The SFC revokes the licence of Falcon for the breach of the regulatory provisions including the Code of Conduct on 4 February 2019.

The SFC finds that Falcon provided misleading information in its license application and financial returns between 2014 and 2017 by window-dressing the month-end liquid capital. Falcon was also found to breach the terms of a restriction notice issued in virtue of the dropped liquid capital by entering into a debenture with a loan lender. Falcon also failed to notify the SFC within seven business days about the resignation of its director.

[Read more on SFC's website](#)

SFC reprimands and fines Guosen Securities (HK) Brokerage Company Limited (Guosen) \$15.2 million for breaches of anti-money laundering (AML) regulatory requirements

The SFC reprimands and fines Guosen \$15.2 million on 18 February 2019 for failures in complying with the AML regulatory requirements when handling third party fund deposit.

The SFC considers that Guosen failed to make enquires about the third party deposits showing AML red flags and submit suspicious transaction reports, and also failed to implement adequate internal controls and procedures (ie putting in place effective AML policies and procedures, documentation of customer risk assessment, conducting ongoing monitoring).

[Read more on SFC's website](#)

Update on the SFC's front-loaded regulation of listing matters

The SFC has published the latest issue of SFC Regulatory Bulletin: Listed Corporations on 21 February 2019 to provide an update on how it exercises its powers under the Securities and Futures (Stock Market Listing) Rules.

To demonstrate the importance of protecting investor's interest and market integrity, the SFC's recent actions to tackle market misbehaviour are highlighted in the Bulletin together with case studies illustrating how the SFC intervenes when there are serious concerns about IPO applications or post-IPO corporate transactions. The Bulletin also reminds company directors to act in good faith and exercise due care and diligence when reviewing and approving corporate transactions.

[Read more on SFC's website](#)

[Read more on SFC's website \(Bulletin\)](#)



Compliance Issues relating to Disclosure of MPF Scheme Information

The MPFA has issued a circular regarding the information disclosure in consolidated reports on 1 February 2019.

The MPFA urges the approved trustees to review and assess the adequacy of existing disclosure of fee rebate arrangement and ensure the calculation of fund expense ratio is correct and in compliance with the Disclosure Code. The MPFA also reminds the approved trustees to disclose accurate and complete information in the annual consolidated reports by strengthening the monitoring and control measures.

[Read more on MPFA's website](#)

Complaints Handling by MPFA Approved Trustees

The MPFA has published a circular on complaints handling on 25 February 2019.

The MPFA has conducted reviews on the complaint handling procedures of certain trustees and identified few areas that need improvements (ie oversight of service providers in complaint handling, documentation on agreed accountability, classification of complaints and communication of service standards on complaints handling to scheme members and employees). The MPFA has reminded the trustees to make reference to the Compliance Standards and regularly review the complaints handling controls and measures.

[Read more on MPFA's website](#)

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