

Hong Kong Corporate and Regulatory Insights

June 2021



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Equity Capital Markets

The Stock Exchange of Hong Kong Limited (SEHK) takes disciplinary action against IntelliCentrics Global Holdings Ltd. (Stock Code: 6819) and two executive directors

The Listing Committee of SEHK (the Listing Committee) censures:

- IntelliCentrics Global Holdings Ltd. (Stock Code: 6819) (the Company); and
- Mr. Lin Tzung-Liang, executive director (ED) and Chairman; and Mr. Michael James Sheehan, ED and Chief Executive Officer of the Company.

This case involves the use of IPO proceeds by the Company to acquire promissory notes on its first day of listing. The Company failed to consult its compliance adviser in breach of Rule 3A.23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and failed to comply with the relevant Listing Rule provisions on major transactions and advances to entities. SEHK found that the two executive directors breached Rule 3.08(f) and their Directors' Undertaking to comply with the Listing Rules to the best of their ability, and to use their best endeavors to procure the Company's compliance with the Listing Rules.

Click [here](#) to view the statement of disciplinary action.

HKEx, 29 June 2021

SEHK takes disciplinary action against Alltronics Holdings Limited (Stock Code: 833) and 10 directors

The Listing Committee censures:

- Alltronics Holdings Limited (Stock Code: 833) (the Company) for breaching Rules 14.49 and 14A.36 by failing to obtain the required shareholders' approval for a disposal.
- Mr. Lam Yin Kee, ED; Mr. Lam Chee Tai Eric, ED; Mr. So Kin Hung, ED; Ms. Yeung Po Wah, ED; Ms. Liu Jing, former ED; Mr. Fan Chung Yue William, non-executive director; Mr. Yau Ming Kim Robert, independent non-executive director; Mr. Yen Yuen Ho Tony, independent non-executive director; Mr. Lin Kam Sui, independent non-executive director.

and criticizes:

- Mr. Pang Kwong Wah, independent non-executive director.

for breaching their directors' duties and undertakings to comply with the Listing Rules to the best of their ability and to use their best endeavors to procure the Company's Listing Rule compliance.

The Listing Committee also directs each of the directors identified above to attend 21 hours of training on regulatory and legal topics including Listing Rule compliance.

Click [here](#) to view the statement of disciplinary action.

HKEx, 28 June 2021

SEHK takes disciplinary action against five former directors of Summi (Group) Holdings Limited (Stock Code: 756)

The Listing Committee censures:

- Mr. San Kwan, former executive director of Summi (Group) Holdings Limited (Stock Code: 756); Mr. Sin Ke, former executive director; Mr. Zeng Jian Zhong, former independent non-executive

director; Mr. Zhuang Wei Dong, former independent non-executive director; and Mr. Zhuang Xue Yuan, former independent non-executive director.

for breaching their respective Undertakings by failing to cooperate in an investigation conducted by the Listing Division.

The Listing Committee further states that by reason of their failure to discharge their responsibilities under the Listing Rules, had any of the above directors remained in office, their retention of office would have been prejudicial to the interests of investors.

Click [here](#) to view the statement of disciplinary action.

HKEx, 24 June 2021

SEHK publishes application forms

SEHK published two application forms for the purpose of exemption of directors of Hong Kong-listed companies or listed applicants under COVID-19 pandemic, respectively:

- Application Form for Exemption of Directors of Hong Kong-listed Companies or Listing Applicants on Duty Travel to Hong Kong under Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (with effect from 21 June 2021).
- Application Form for Exemption for Directors or Executives of Hong Kong-listed Companies Included in Hang Seng Index, Hang Seng China Enterprises Index or Hang Seng Composite LargeCap, MidCap or SmallCap Index (with effect from 21 June 2021).

Click [here](#) and [here](#) to view the two application forms.

HKEx, 21 June 2021

SEHK publishes Frequently Asked Questions (FAQs)

SEHK publishes the FAQs (No. 075-2021) to help applicants and issuers to understand and comply with the Listing Rule changes on the Paperless Listing & Subscription Regime (effective on 5 July 2021), Online Display of Documents (effective on 4 October 2021) and Reduction of the Types of Documents on Display (effective on 4 October 2021).

Click [here](#) to view the two FAQs.

HKEx, 18 June 2021

SEHK takes disciplinary action against Tenwow International Holdings Limited (Delisted, Previous Stock Code: 1219) and nine directors

The Listing Committee censures:

- Tenwow International Holdings Limited (Delisted, Previous Stock Code: 1219) (the Company).
- Mr. Lin Jian Hua, former executive director; Mr. Lin Qi, executive director; Mr. Yeung Yue Ming, executive director; Ms. Au Lai Hang, former executive director; Mr. Lam Boris Hang, former executive director.

and criticizes:

- Mr. Liu Zhao, non-executive director; Mr. Cheung Warren Yui Kai, former independent non-executive director; Mr. Liu Chang Tzong, former independent non-executive director; and Mr. Wang Long Gen, former independent non-executive director.

During 2018, the Company discovered some abnormal transactions which included the provision of RMB340 million of financial assistance to a company connected to Mr. Lin Jian Hua, and prepayments made

without proper documentation totaling RMB1.7 billion. The Company then failed to publish its results on time, resulting in a suspension of trading and an eventual delisting.

The Company did not have adequate and effective internal controls, and its internal audit function also lacked independence and was inadequately resourced. The directors had breached their duties in respect of internal controls.

Click [here](#) to view the statement of disciplinary action.

HKEx, 15 June 2021

SEHK publishes revised Listing e-Forms

SEHK published revised Listing e-Forms for Main Board issuers and GEM issuers to assist compliance with the Listing Rules and administrative procedures, which:

- Highlight Listing Rules disclosure and specific compliance requirements on (i) the content of listed issuers' documents (e.g. announcements, circulars) and (ii) particular transactions which are the subject of those documents.
- Facilitate the provision of information required by SEHK in specific circumstances.
- Set out documentary requirements in respect of transactions and corporate actions taken by listed issuers.
- Provide templates and forms specified under the Listing Rules.

Revised checklists and forms for new applicants were also published on SEHK's website.

Click [here](#), [here](#), and [here](#) to view the revised checklists and forms.

HKEx, 12 June 2021

SEHK introduces new Listing e-Forms, guidelines, new Notices to Issuers, Video Tutorials, ESS Quick Reference Guides, Manuals, and FAQs

SEHK has recently introduced Listing e-Forms with a view to:

- Standardize the presentation of routine information in order to reduce processing time.
- Reduce the risk of manual input error through the use of data validation within e-Form fields.
- Assist SEHK in collecting and analyzing data more efficiently.

Click [here](#) to view the revised e-Forms, guidelines and other related materials.

HKEx, 11 June 2021

SEHK publishes revised Guidance Letter on sufficiency of operations

The revised Guidance Letter (HKEX-GL106-19), which concerns Main Board Rule 13.24 and GEM Rule 17.26, was published in relation to sufficiency of operations.

The Guidance Letter identifies three scenarios regarding failure to comply with Rule 13.24(1):

- Listed issuers with minimal operations which might have resulted from business deterioration / discontinuation, corporate actions such as disposing of core business and other circumstances such as financial difficulties.
- Business model that lacks business substance.
- Newly established or acquired business.

In their assessment of an issuer's compliance with Rule 13.24, SEHK would review the following areas:

- Business model: the issuer must operate a business that is viable and sustainable.
- Operating scale and history: an assessment of Rule 13.24 would generally be based on the current operations of the issuer, with reference to its historical track record.
- Sufficient assets to support its operations: Rule 13.24 also requires the issuer to have sufficient assets to support its operations.
- Business of substance: businesses with little or no substance would not comply with Rule 13.24.

It is a listed issuer's continuing listing obligation under Rule 13.24 to maintain a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant its continued listing. As part of its regulatory supervision on listed issuers, SEHK monitors issuers' activities and compliance with the Listing Rules primarily on the basis of their disclosures.

If SEHK is concerned with a particular issuer's compliance with Rule 13.24 upon such preliminary assessment, SEHK may write a letter to the issuer setting out the observations giving rise to the concern and requesting the issuer to provide a written submission within a specified time period (normally three weeks) showing cause with reasons as to why, despite the matters set out in the letter, it still complies with Rule 13.24 and hence SEHK should not commence the procedure to cancel its listing. In response to SEHK's request, the issuer must provide information to address SEHK's observations and concerns set out in the letter. If the issuer fails to address SEHK's concerns, SEHK will inform the

issuer of its decision that the issuer does not meet Rule 13.24.

Click [here](#) to view the Guidance Letter.

HKEx, 11 June 2021

SEHK takes disciplinary action against executive director and chairman of China Metal Resources Utilization Limited (Stock Code: 1636)

The Listing Committee criticizes Mr. Yu Jian Qiu, executive director and chairman of China Metal Resources Utilization Limited (Stock Code: 1636) (the Company) for breaching the dealing restriction and the procedural requirement for securities dealings under the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) and his director's undertaking to comply with the Listing Rules to the best of his ability as a result of the disposal. It also directs Mr. Yu Jian Qiu to attend training.

SEHK found that Mr. Yu Jian Qiu disposed of 261,008,000 shares during the black-out period in respect of the company's results for the financial year ended 31 December 2019 without obtaining the designated director's prior approval.

Click [here](#) to view the statement of disciplinary action.

HKEx, 10 June 2021

SEHK takes disciplinary action against Baytacare Pharmaceutical Co., Ltd. (Delisted, Previous Stock Code: 8197), 12 directors and four supervisors

The GEM Listing Committee of SEHK censures:

- Baytacare Pharmaceutical Co., Ltd. (delisted) (the Company) for breaching Rules 17.15, 17.22, 17.101(3), 19.34, 19.38, 19.40, 19.41, 20.33, 20.34 and 20.44 of the GEM Listing Rules principally by failing to comply with the procedural requirements in relation to a number of transactions.
- Mr. Wang Shao Yan, former executive director; Ms. Cui Bing Yan, executive director; Mr. Guo Ai Qun, executive director; Mr. Cao Yang, executive director; Mr. Chen You Fang, independent non-executive director; Mr. Shi Peng, former non-executive director; Ms. Hui Lai Yam, former independent non-executive director; Mr. Yang Yu Lin, former independent non-executive director; Mr. Gao Zhi Kai, former independent non-executive director; Mr. Qin Hai Bo, former executive director; Mr. Jiang Xiao Bin, former executive director; Mr. Zhao Zhen Xing, former independent non-executive director.
- Ms. Lin Xia Rong, supervisor; Ms. Han Xue, former supervisor; Ms. Yang Li Xue, former supervisor; and Ms. Meng Shu Hua, former supervisor.

It is stated that:

- By reason of Mr. Wang Shao Yan's failure to discharge his responsibilities under the GEM Listing Rules, had Mr. Wang Shao Yan remained on the board of directors of the Company, his retention of office would have been prejudicial to the interests of investors.
- The conduct in this matter of Mr. Qin Hai Bo, Mr. Jiang Xiao Bin and Mr. Zhao Zhen Xing, who failed to cooperate in the investigation conducted by the Listing Division, will be taken into account in assessing their suitability to be a director of a company listed on SEHK.

All the above directors (except Mr. Wang Shao Yan) were also directed to undergo training on GEM Listing Rule compliance.

Click [here](#) to view the statement of disciplinary action.

HKEx, 8 June 2021

Financial Services Regulation

Financial Reporting Council (FRC) issues its 2019-21 Annual Report

The FRC issued its 2019 - 2021 Annual Report (Annual Report) for the 18 months ended 31 March 2021, the first financial year of the FRC since the commencement of the new auditor regulatory regime on 1 October 2019.

The Annual Report presents the performance, progress and achievements attained by the FRC with its expanded regulatory powers under the amended Financial Reporting Council Ordinance.

Please click [here](#) to view the Annual Report.

FRC, 30 June 2021

Notification to the Securities and Futures Commission (SFC) of suspected ramp and dump scams involving market manipulation in the shares of companies listed on SEHK

The SFC notes with concern a recent increase in apparent market manipulative activities, in particular the rising number of suspected ramp and dump scams, often conducted using popular social media platforms. These activities seriously undermine market integrity and prejudice the interest of investors.

Ramp and dump cases now account for a significant percentage of the SFC's market manipulation investigations, which have found that members of sophisticated and highly coordinated syndicates may be involved. Where possible, the SFC will take action to freeze the securities accounts suspected of being part of these scams. During the past year, the SFC froze over US\$900 million involving more than 109 accounts.

The circular sets out the detailed guidance on identification and reporting of potential ramp

and dump activities as well as the standards of conduct expected of intermediaries.

Please click [here](#) to view the detailed guidance and the standards of conduct SFC sets out in the circular.

SFC, 29 June 2021

SFC-authorized unit trusts and mutual funds — ESG funds

As environmental, social, and governance (ESG) related investment products continue to gain traction globally, authorities around the globe have developed initiatives to require enhanced disclosure on the ESG-related features of products to assist investors' understanding and assessment of whether these products meet their investment needs.

In April 2019, the SFC issued the Circular to management companies of SFC-authorized unit trusts and mutual funds – Green or ESG funds (2019 Circular) as an initial step in the SFC's effort to enhance the disclosure standard of ESG funds and with an aim to improve their comparability, transparency, and visibility.

In view of local and international market and regulatory developments, the SFC now revises the 2019 Circular to provide further guidance on enhanced disclosure including periodic assessment and reporting for ESG funds and with additional guidance for funds with climate-related focus, which now supersedes the 2019 Circular (current Circular).

The current Circular sets out the SFC's expectations with respect to how requirements under the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products apply to SFC-authorized funds which consider climate change or green or ESG or sustainability factors in their investment process.

Given that the ESG investment landscape is rapidly developing, the SFC will continue to monitor local and international developments and may provide further guidance or impose additional requirements for ESG funds, where appropriate.

Please click [here](#) to view the current Circular.

SFC, 29 June 2021

Operation of bank accounts

During the course of supervising licensed corporations (LCs), the SFC has noted some unsatisfactory practices in the operation of their bank accounts. The SFC believed that these practices undermined LCs' ability to properly safeguard client money, promptly discharge their liabilities and fully comply with the financial resources requirements under the Securities and Futures (Financial Resources) Rules (FRR) at all times.

The SFC noted cases where LCs did not implement effective controls in relation to their bank account operations and authorized bank account signatory arrangements to ensure that the LC's responsible officers (ROs) or Managers-in-Charge of Core Functions (MICs), who were involved in the day-to-day management of its regulated activities, have sufficient ability to direct, and sufficient oversight of, the deployment of the LC's cash resources.

The SFC identified a few unsatisfactory practices of which an LC should take note and on which the SFC set out the expected standards in this Circular, namely the responsibilities an LC's senior management should take on, arrangements in relation to authorised signatories, access to information in relation to bank accounts and other internal control processes.

Please click [here](#) to view the details of the unsatisfactory practices the SFC identified and the expected standards in the circular.

SFC, 28 June 2021

Report on “Algorithmic and High-frequency Trading in Hong Kong’s Equity Market: Adoption, Market Impact and Risk Management”

The Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the Hong Kong Academy of Finance (AoF), released an Applied Research report titled "Algorithmic and High-frequency Trading in Hong Kong's Equity Market: Adoption, Market Impact and Risk Management" (Report).

The Report, after providing an overview of algorithmic trading (AT) and high-frequency trading (HFT) across international financial markets, discusses the results of research analysis and the findings of a survey focusing on Hong Kong's equity market that have been conducted by HKIMR with the help of external collaborators. The Report also details the potential risks emerging from AT/HFT and reviews the mitigating measures and best practices used internationally and in Hong Kong to monitor and manage these risks, as well as the current regulatory oversight of AT/HFT activities.

Please click [here](#) to view the report and [here](#) to view the press release.

HKMA, 28 June 2021

Publication of Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights—Banking Sector) Rules (Stay Rules)

The Stay Rules were published in the Gazette on 25 June 2021.

The requirements under the Stay Rules support the contractual approach to giving effect to cross-border resolution actions which complements and supports statutory frameworks, as advocated by the Financial Stability Board in its Principles for Cross-Border Effectiveness of Resolution Actions issued in November 2015. Under the Stay Rules, covered entities must ensure that covered contracts contain a term or condition to the effect that the parties agree in a legally enforceable manner that the parties (other than an excluded counterparty) will be bound by any suspension of termination rights in relation to the contract that may be imposed by the Hong Kong Monetary Authority (HKMA) under section 90(2) of the Financial Institutions (Resolution) Ordinance (Cap. 628).

An initial period of 24 or 30 months (depending on the counterparty types) beginning on the day on which the Stay Rules come into operation is provided for covered entities to achieve compliance with the Stay Rules. Subject to the views of the Legislative Council in negative vetting, the subsidiary legislation should come into operation on 27 August 2021.

Please click [here](#) to view the circular.

HKMA, 25 June 2021

Supervisory Policy Manual (SPM): IB-1 “Supervision of Insurance Intermediary Business of Authorized Institutions”

Following the consultation with the Insurance Authority (IA) and the two industry Associations, the HKMA issued by notice in the Gazette today a new SPM module IB-1 "Supervision of Insurance Intermediary Business of Authorized Institutions" as a statutory guideline under section 7(3) of the Banking Ordinance.

Under the statutory regime for insurance intermediaries of the Insurance Ordinance, the IA has delegated to the HKMA its inspection and investigation powers in relation to businesses of insurance regulated activities carried on by authorized institutions (AIs). In this connection, the HKMA continues to be the frontline supervisor of insurance regulated activities of AIs. The SPM module outlines the HKMA's supervisory and enforcement approaches and provides an overview of the relevant statutory and regulatory requirements in relation to insurance regulated activities of AIs under the statutory regime.

Please click [here](#) to view the circular.

HKMA, 25 June 2021

SFC to upgrade industry practitioners' competency standards

On 18 June 2021, the SFC released consultation conclusions on proposals to update its entry requirements for licence applicants and its ongoing competency standards for corporations and individual practitioners.

The industry generally welcomed the proposals which included raising the minimum academic qualification requirements for individuals, broadening the scope of recognized academic qualifications, clarifying the management experience requirements for responsible officers (ROs), and enhancing the competence requirements for individuals advising on matters in relation to the Codes on Takeovers.

After considering the responses to the consultation, the SFC agreed to recognize post-graduate diplomas and certificates in designated fields and also clarified the management experience required of an RO applicant and the corporate finance

experience of those who intend to advise on matters in relation to the Codes on Takeovers. The SFC will also include ESG as a relevant topic for continuous professional training purposes.

The revised Guidelines on Competence, Guidelines on Continuous Professional Training and Fit and Proper Guidelines has been gazetted on 25 June 2021 and will become effective on 1 January 2022.

Please click [here](#) to view the circular.

SFC, 18 June 2021

HKMA launches the Regtech Adoption Practice Guide series

The HKMA launched a new Regtech Adoption Practice Guide series on 17 June 2021 to provide banks with detailed practical guidance on the implementation of Regtech solutions.

The publication of the Regtech Adoption Practice Guide series formed part of the HKMA's two-year Regtech promotion roadmap announced in November 2020. It succeeded the Regtech Watch series and builds on it to provide banks with detailed guidance on how to overcome implementation challenges associated with Regtech adoption.

Each Regtech Adoption Practice Guide focuses on a specific technology or application area identified in the HKMA's White Paper to further Regtech adoption in the Hong Kong banking sector. The inaugural issue provides guidance on "Cloud-based Regtech solutions", which is particularly related to the technology deployed during the COVID-19 pandemic.

Please click [here](#) to view the press release.

HKMA, 17 June 2021

Response on the Further Reform of Regulatory Regime of Accounting Profession

In response to the Secretary for Financial Services and the Treasury's blog post "Further Reform of Regulatory Regime of Accounting Profession" on the Financial Services and the Treasury Bureau's website on 8 June 2021, the Hong Kong Institute of Certified Public Accountants (HKICPA) called on the HKSAR Government to undertake the reform after extensive consultations and assessment of all its impacts.

The Council of the HKICPA (Council) held a special meeting to discuss the proposals on 11 June 2021. The Council is concerned about the short notice of the intention to reform the regulatory regime; the legislative timeline; and the lack of clarity about the transition period and arrangements. In order to ensure that the reform is carried out appropriately and effectively, the Council will direct the HKICPA to carry out actions such as comparative studies to assess the implications of the reform, and urges the Government to carry out extensive local consultations with a wide range of stakeholders, including those from the profession, to make sure that all views are collected and considered.

Please click [here](#) to view the press release.

HKICPA, 11 June 2021

Proposed updates to the Technical Specifications for OTC Derivatives Trade Reporting

The SFC has been working closely with the HKMA to review the Equity reporting templates and other reporting requirements under OTC derivatives trade reporting. As a result of the review, the SFC would like to inform reporting entities on the proposed updates to the Administration and Interface

Development Guide (AIDG), which includes mandating new / modified data fields, under the OTC derivatives reporting requirements.

The key proposed updates to the technical specifications for OTC derivatives reporting include:

- Mandating the supporting field value of "Proprietary rates" (which is currently reported on a voluntary basis) under the data fields "Floating Rate Index" and "Floating Rate Option".
- Making available the data field "Global Unique Transaction Identifier" (Global UTI) and related data fields in anticipation of the global implementation of UTI.
- Mandating the reporting of product types under the data field "Special Terms" for products specified in the Supplementary Reporting Instructions (SRI).
- Enhancing the Equity templates to address market feedback and to cater to regulatory needs. The proposed changes have made reference to international standards.

Please click [here](#) to view the circular.

SFC, 8 June 2021

HKMA unveils "Fintech 2025" Strategy

The HKMA unveiled "Fintech 2025", its new strategy for driving fintech development of Hong Kong on 08 June 2021.

There are five key focus areas the HKMA put forward in relation to "Fintech 2025", and they are essentially the following:

- All banks go fintech — the HKMA will continue to promote the all-round adoption of fintech by Hong Kong banks and encourage them to fully digitalize their operations, from front-end to back-end.

- Future-proofing Hong Kong for Central Bank Digital Currencies (CBDCs) — the HKMA will strengthen its research work to increase Hong Kong's readiness in issuing CBDCs at both wholesale and retail levels.
- Creating the next-generation data infrastructure — the HKMA will take the lead in enhancing the city's existing data infrastructure and building new ones, including Commercial Data Interchange, digital corporate identity, and DLT-based credit data sharing platform, to facilitate consent-based data sharing.
- Expanding the fintech-savvy workforce — the HKMA aims to collaborate with various strategic partners to groom all-round fintech talent, both students and practitioners, through various initiatives, including developing fintech-specific training programmes and qualifications, as well as promoting joint projects between the industry and the academia.
- Nurturing the ecosystem with funding and policies — the HKMA and various industry players will establish a new Fintech Cross-Agency Co-ordination Group to formulate supportive policies for the Hong Kong fintech ecosystem.

Please click [here](#) to view the press release.

HKMA, 8 June 2021

Revised banking returns and disclosure templates and tables for implementation of revised counterparty credit risk framework

Following recent industry consultations, the HKMA has finalized the revisions to the template and completion instructions (CIs) of the Return of Leverage Ratio (Form MA(BS)27), the CIs of the Return of Stable Funding Position of an Authorized Institution

(Form MA(BS)26) and the Return of Large Exposures (Form MA(BS)28), and the relevant disclosure templates.

The electronic files for the revised template and revised CIs are available here:

- Form MA(BS)26 – [revised CI](#).
- Form MA(BS)27 – [revised CI](#) and [revised template](#).
- Form MA(BS)28 – [revised CI](#).

Please click [here](#) to view the circular.

HKMA, 4 June 2021

Implementation guidance on counterparty credit risk capital standard

The HKMA issued a set of Q&As on the counterparty credit risk framework under the Banking (Capital) Rules (BCR) to assist authorized institutions in interpreting the BCR at a more detailed level in a number of specific areas. The Q&As have incorporated the FAQs on the framework issued in September 2013 with modifications and additions (highlighted in blue for ease of reference) that cover:

- The latest FAQs published by the Basel Committee on the Standardized approach to counterparty credit risk and Capital requirements for bank exposures to central counterparties.
- Questions raised by the industry in previous consultations on the Banking (Capital) (Amendment) Rules 2020.
- Updates to reflect the passage of time and the implementation of revised or new Basel capital standards.

Please click [here](#) to view the Q&As and [here](#) to view the circular.

HKMA, 3 June 2021

FRC issues annual inspection report

FRC issued its Annual Inspection Report (Report) on 03 June 2021 which presents the full results of our inspections of listed entity audits in our first period of inspections from 1 October 2019 to 31 December 2020. During the period, the FRC completed 37 engagement inspections and 18 inspections of the quality control systems of listed entity audit firms.

The Report includes FRC's significant findings and audit quality ratings for the engagements we inspected, the key drivers of those ratings, and the follow up actions the FRC is taking to respond to those findings and ratings. The Report also promotes transparency and a better understanding of its work, setting out its expectations on auditors and enabling all auditors (including those not yet inspected) to take action to improve audit quality.

Please click [here](#) to view the Report and [here](#) to view the press release.

FRC, 3 June 2021

Court orders boiler room fraudsters to compensate investors

The Court of First Instance has granted orders sought by the SFC against boiler room fraudsters to compensate 75 investors who fell victim to the scams following legal proceedings under section 213 of the Securities and Futures Ordinance.

The boiler room scams involved three unlicensed entities purportedly based in and operating from Hong Kong. They are: (i) Broadspan Securities using the website www.broadspansecurities.com; (ii) Shepherd Hill Partners, Hong Kong using the website www.shepherdhillhk.com; and (iii) Rich Futures (HK) Limited using the website www.richfutureshk.com.

The three unlicensed entities solicited investors through cold calls to open trading accounts via their websites and to invest in securities and/or futures in 2014. They also asked investors to deposit funds purportedly for their investments into six bank accounts in Hong Kong.

IA, June 2021

The Court has appointed administrators to receive and distribute the proceeds of the boiler rooms frauds remaining in the six bank accounts – approximately a sum of US\$4.3 million – for the benefit of the investors on a pro rata basis.

Please click [here](#) to view the circular.

SFC, 3 June 2021

IA issues the Guideline on Application for Authorization to carry on Special Purpose Business (GL33)

GL33 was issued pursuant to s133 of the Insurance Ordinance (Cap. 41) (Ordinance) in connection with the regime administered by the IA for authorization of special purpose insurers (SPIs) to carry on special purpose business (SPB) in or from Hong Kong. In July 2020, amendments were introduced to the Ordinance by the Insurance (Amendment) Ordinance 2020 to enable the formation of SPIs specifically for issuing insurance-linked securities (ILS) in Hong Kong.

GL33 elaborated on relevant provisions in the Ordinance concerning the regulation of SPIs and supervisory principles and requirements adopted by the IA in relation to SPIs. Any applicant who wishes to carry on SPBs should read GL33 before applying for authorization of an SPI, in conjunction with relevant provisions in the Ordinance as well as other related ordinances, rules, codes, circulars, and guidelines issued by the IA or other regulatory bodies from time to time.

Please click [here](#) to view the Guideline.

Data Protection

Privacy Commissioner hosts webinar on “Social Media and You” in Privacy Awareness Week 2021

The Office of the Privacy Commissioner for Personal Data (PCPD) is organising the Privacy Awareness Week (PAW) 2021 from 21 to 27 June 2021.

In the lead-up to the PAW, the Privacy Commissioner for Personal Data (Privacy Commissioner) hosted a webinar to provide practical guidance to users of social media and instant messaging apps on how to protect personal data privacy, as well as explain the latest development of social media and its impact on society.

Others key messages of PAW 2021 include "Protecting Children Privacy" and "Say 'No' to Doxxing."

Click [here](#) to read the media statement.

PCPD, 22 June 2021

Privacy Commissioner reminds the public to safeguard personal data privacy when they participate in lucky draw activities

Many organizations have launched various lucky draw activities to encourage more citizens to receive COVID-19 vaccination. These activities may involve the collection of participants' personal data.

The PCPD reminds members of the public to pay attention to the information released by the organizers, including (i) the Personal Information Collection Statement, in order to ascertain the correct websites or methods for registration, (ii) the requisite personal data to be provided, (iii) the purposes of collection and the retention period, etc.

Organizations involved should handle personal data prudently when they organize lucky draw activities to ensure compliance with the provisions of the Personal Data (Privacy) Ordinance. In particular:

- The personal data collected should be necessary but not excessive. The purpose of collection should be directly related to the lucky draw activities. The means of collection should be lawful and fair. Organizations should take practicable steps to inform participants of the purpose(s) of using their data and the classes of persons to whom their data may be transferred, etc.
- After the original purpose(s) of the collection of the data has been fulfilled, the personal data collected should be erased as soon as practicable.
- The use of personal data is restricted to the purpose(s) stated at the time of collection (e.g. to participate in the lucky draw activities) or a directly related purpose. Except with the data subjects' express and voluntary consent, the data should not be used for other purposes, including the promotion of goods or other activities.
- All practicable steps should be taken to protect the personal data against unauthorized or accidental access, processing, erasure, loss or use.

Click [here](#) to read the media statement.

PCPD, 19 June 2021

Privacy Commissioner reported on the proposed amendments to the PDPO to combat doxxing

The 55th Asia Pacific Privacy Authorities (APPA) Forum was held virtually from 16 to 18 June 2021, during which the Privacy Commissioner updated APPA members on legislative developments in Hong Kong. In particular, the Privacy Commissioner highlighted the Government's proposals to amend the Personal Data (Privacy) Ordinance to curb doxxing activities, by introducing new doxxing offence and the new criminal investigation, prosecution and enforcement powers.

During the APPA Forum, representatives from the PCPD also introduced the functions of the "LeaveHomeSafe" app and "iAM Smart" app. The privacy-friendly designs highlighted include (i) the absence of registration requirements, (ii) no location tracking functions, (iii) the storage of visiting and vaccination records on users' smartphones, (iv) minimizing, and encrypting, the amount of personal data kept for the one-stop mobile app, and (v) making it mandatory to obtain users' consent before collecting or using such personal data.

Click [here](#) to read the media statement.

PCPD, 18 June 2021

Privacy Commissioner provides "Vaccination Leave" for staff after COVID-19 vaccination in support of Government's "Early Vaccination for All" Campaign

The PCPD supports the launch of the "Early Vaccination for All" campaign to further encourage citizens to receive COVID-19 vaccination, and adopts certain measures to facilitate vaccination.

From 1 June 2021 to 31 August 2021, all staff members of the PCPD will be entitled to one

day of "vaccination leave" for each dose of vaccination received.

Those who were vaccinated on or before 31 May 2021 are entitled, for each dose of vaccination already received, to apply for one day of authorized leave that may be taken by 31 March 2022

Click [here](#) to read the media statement.

PCPD, 1 June 2021

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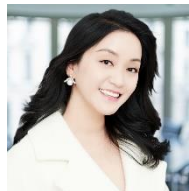
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