

# Hong Kong Corporate and Regulatory Insights

Outlook 2022



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## Equity Capital Markets

### **The Stock Exchange of Hong Kong (SEHK) takes disciplinary action against Yihua Overseas Investment Ltd (the Issuer)(delisted, previous debt Stock Code: 5293) and its authorised representative**

Key messages:

- An issuer must apply for a trading halt or suspension if it is not possible to make any required disclosures promptly.
- Listed issuers must respond to SEHK's enquiries and cooperate with SEHK's investigations without delay.

The SEHK censures:

- The Issuer.
- Ms. Liu Shaoxiang, authorised representative of the Issuer.

In October 2017, the debt issued by the Issuer was listed under Chapter 37 of the Listing Rules. The Issuer and its guarantor failed to pay interest due, which resulted in a default under the debt according to its offering memorandum.

SEHK found that the Issuer failed to apply for a trading suspension nor announce its failure to pay interest on due date despite its knowledge of its inability to meet its payment obligation.

SEHK made repeated attempts to contact the Issuer through Ms. Liu since July 2020, however the Issuer did not respond until November 2020. SEHK found that the Issuer failed to provide information requested promptly and Ms. Liu failed to be the principal channel of communication between the Issuer and SEHK.

The Issuer was directed a trading suspension in August 2020 and the debt was delisted in October 2020.

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

*HKEx, 19 January 2022*

### **SEHK takes disciplinary action against TANSH Global Food Group Co., Ltd (the Company)(Stock Code: 3666) and two former directors**

Key messages:

- Directors must address all conflicts of interest, actual and potential, and act in the best interests of the company.

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

- The Company.
- Ms. Wang Hui Min, former Executive Director (ED) and chairlady of the Company.
- Ms. Zhu Xiao Xia, former ED of the Company.

Between November 2018 and December 2018, the Company entered into a series of transactions, which were advances to entities and procurement transactions, with its connected persons. The advances comprised 44 interest free and collateral free fund transfer which amounted a total of RMB 4.1 million, which constituted notifiable and connected transactions. The Company only made announcements regarding the transactions in March 2019 and December 2020.

SEHK found that the transactions exposed the Company to significant financial risks. SEHK also found that the Company failed to comply with the written agreement,

notification, announcement, circular and/or independent shareholders' approval requirements under the Listing Rules as the Transactions amounted to advances to entities, financial assistance, notifiable transactions and/or connected transactions.

SEHK stated that had the former ED remained on the board of the Company, their retention of office would have been prejudicial to the interests of investors.

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

*HKEx, 12 January 2022*

### **SEHK takes disciplinary action against Samson Holding Ltd. (the Company)(Stock Code: 531) and executive director and deputy chairman**

Key messages:

- Repeated breaches of the Listing Rules bring an increased likelihood of disciplinary action and public sanction.
- Receipt of a regulatory letter from the SEHK should result in a proactive and meaningful response by the board of directors of an issuer.

The Listing Committee censures:

- The Company.
- Ms. Liu Yi-Mei, ED and deputy chairman of the Company.

The Company made a US\$150 million investment in July 2018 which constituted to a major transaction under the Listing Rules. An issuer is required to publish an announcement, despatch a circular and obtain shareholders' approval for a major transaction, which the Company did not comply with.

In December 2019, the Company failed to comply with the same requirement when it made a partial disposal of the investment, which amounted to another major transaction, despite SEHK's issuance of a guidance letter to the board of directors of the Company in 2018.

The Listing Committee directs the Company to conduct an internal control review.

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

*HKEx, 10 January 2022*

### **SEHK takes disciplinary action against Enviro Energy International Holdings Limited (the Company)(Stock Code: 1102) and two directors**

Key messages:

- The disclosure requirements under the Listing Rules on advances to an entity should not be contingent on the company's expectation that the monies will be repaid. Transactions which involve substantial prepayments should be subject to scrutiny.

The Listing Committee censures:

- The Company.
- Mr. Pu Wei, former ED and co-chief executive officer (CCEO) of the Company.
- Mr. Zhang Yuan Qing, former ED and CCEO of the Company.

In 2017, the subsidiaries of the Company entered into procurement agreements for the purchase of construction materials with different suppliers where prepayments of a total of approximately RMB385.6 million were made. Subsequently, the subsidiaries decided to suspend the purchase and requested for refunds of the prepayments from the suppliers. There was no apparent

commercial substance or business rationale for the prepayments.

Each of the prepayments amounted to over eight percent of assets ratio of the Company, which constituted an advance to an entity, and the Company failed to announce the respective prepayments in a timely manner as required under the Listing Rules.

The Listing Committee directs:

- Mr. Pu, to attend 18 hours of training on regulatory and legal topics and Listing rule compliance.
- Mr. Zhang, to attend 18 hours of training as a prerequisite of any further appointment as director of any company listed on SEHK.

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

*HKEx, 5 January 2022*

### **SEHK takes disciplinary action against China Properties Investment Holdings Limited (the Company)(Stock Code: 736), five directors and a former director**

Key messages:

- When breaches or deficiencies have been discovered, directors must respond promptly and appropriately. Failure to do so will constitute a breach of their duties.

The Listing Committee censures:

- The Company.
- Mr. Han Wei, ED, chairman and chief executive officer of the Company.
- Mr. Au Tat On, ED of the Company.

- Ms. Cao Jie Min and Mr. Liang Kuo-Chieh, independent non-executive directors (INED) of the Company.
- Mr. Lai Wai Yin Wilson, former INED of the Company.

In 2019, the Company entrusted its wholly owned subsidiary (the Fund Manager) to manage its stocks. The Fund Manager was authorized to make two disposals of listed shares on behalf of the Company. The disposals took place in January and June, respectively, which constituted disclosable transactions.

The Company only announced the disposals in July. SEHK found that the Company failed to publish an announcement as soon as possible after the terms of the disclosure transactions were finalised, as required by the Listing Rules.

SEHK also found that it was a repeated breach, despite the Company's purported commitment to implement measure to strengthen its internal controls in July 2018 after a similar incident in 2018.

The Listing Committee further directs:

- The directors to attend 21 hours of training on regulatory and legal topics and Listing rule compliance.
- Mr. Lai, to attend 21 hours of training as a prerequisite of any further appointment as director of any company listed on SEHK.
- A review of the Company's internal controls for procuring compliance with the Listing Rules in relation to connected transactions.

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

*HKEx, 4 January 2022*

## **SEHK takes disciplinary action against Bonny International Holding Limited (the Company) (Stock Code: 1906) and two directors**

### Key messages:

- To ensure Listing Rule compliance, an issuer shall consider the form, effect and substance of transactions.
- Directors shall be familiar with the Listing Rules as they are ultimately responsible for Listing Rule compliance. They owe fiduciary duties to the company and are expected to safeguard the company's assets.

### SEHK censures:

- The Company.
- Mr. Jin Guojun, ED and chairman of the Company.
- Mr. Zhao Hui, ED of the Company (collectively, the Directors).

Prior to the Company's listing in April 2019, it entered into a framework purchasing agreement with a connected person of the Company, under which there was an annual cap of RMB 30 million for such connected transactions for each of 2019, 2020 and 2021.

During 2019 and the four months ended 30 April 2020, the Company entered into 51 procurement agreements with an aggregated purchase amount of approximately RMB 258.6 million, whereby an aggregated prepayment of RMB 250.8 million was made. More than half of the procurement agreements were shortly cancelled after they were entered into. The Company had exceeded the annual caps for 2019 and 2020.

SEHK found that the Directors had knowledge of the prepayments, but failed to notify the

board of the prepayments and did not take steps to procure the Company's compliance with the following Listing Rules requirements: (i) comply with announcement, circular, independent shareholders' approval and reporting requirements in relation to the advancement, a disclosable and/or connected transaction, and (ii) consult with its compliance advisers prior to entering into the procurement agreements during the fixed period.

SEHK also found that the Company had breached the relevant Listing Rules when it exceeded the annual caps for 2019 and 2020.

SEHK further directs the Directors to attend 21 hours of training on regulatory and legal topics.

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

*HKEx, 16 December 2021*

## **SEHK takes disciplinary action against China U-Ton Future Space Industrial Group Holdings Limited (In Liquidation) (the Company) (Stock Code: 6168)**

### Key messages:

- Any events relating to winding-up, liquidation or enforcement against the issuer's assets should be announced as soon as an issuer becomes aware of them.

The Company was presented with four winding-up petitions between February and April 2021. In May 2021, SEHK was informed by the Official Receiver's Office that a winding-up order had been made against the Company by the High Court of Hong Kong. SEHK found that the Company failed to (i) inform SEHK when the winding-up petitions were presented against the Company, and (ii) publish any



announcement as soon as they came to the Company's attention.

Further, on 31 March 2021, the Company published its unaudited annual results for the financial year ended 31 December 2020 claiming that the Company's auditors were unable to perform audit work on schedule. The 2020 annual results and annual report were not published and despatched within the prescribed time required by the Listing Rules.

SEHK censures the Company.

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

*HKEx, 9 December 2021*

### **SEHK takes disciplinary action against Zhejiang Prospect Company Limited (the Company) (Delisted, previous Stock Code: 8273), ten current and former directors and five supervisors**

Key messages:

- Directors should pay close attention to unusual patterns of transactions, and consider Listing Rule implications.
- Internal control framework must be continuously maintained to ensure its effectiveness.

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

- The Company.
- Former board members of the Company, namely:
  - Mr. Fei Guo Yang (Mr. Fei), former chairman and executive director (ED) of the Company.
  - Mr. Hong Guo Ding, former ED and compliance officer of the Company.
  - Mr. Li Zhang Rui and Ms. Tang Jing Jing (Ms. Tang), former non-executive directors (NED) of the Company.
- Current board members of the Company, namely:
  - Mr. Hong Chun Qiang, ED of the Company.
  - Mr. Tang Cheng Fang and Mr. Tang Jing Qi (Mr. Tang JQ), NEDs of the Company.
  - Mr. Ma Hong Ming, INED and chairman of the audit committee (AC) of the Company.
  - Mr. Lu Guo Qing and Mr. Wang He Rong, INEDs of the Company and AC members.
- Supervisors of the Company, namely Mr. Hong Jin Shui, Mr. Chen Jin Long Mr. Feng Yun Lin, Mr. Wang Ye Gang and Ms. Lin Ya.

The Company entered into a total of 28 transactions between 2017 and early 2018 (the Transactions), where most of the Transactions were purportedly for purchasing steel and/or bank acceptance bills. The Transactions involved making prepayments or paying guarantee deposits to the counterparties, which amounted to a total outflow of RMB 365.4 million. Each of the Transactions was cancelled within a month, following which the prepaid amounts were refunded to the Company. Although the Transactions were approved by Mr. Fei, they were not reported to the board at the time. The Company only announced the Transactions and their GEM Listing Rules implications in November 2018 and June 2019.

Further, when the independent investigation committee (engaged by the INEDs) reviewed the Company's relevant internal control system in light of the Transactions, it was found that there were material deficiencies in the Company's internal controls for procuring with the notifiable transactions and connected transactions requirements under the GEM Listing Rules, despite the Company had been directed by the GEM Listing Committee in 2012 to conduct a thorough review of its internal controls, and to make necessary improvements after its failures in respect of a very substantial acquisition and a major transaction.

SEHK found that the Company failed to comply with the announcement, circular and/or shareholder approval requirements under the GEM Listing Rules, and the directors failed to discharge their directors' duties in respect of the effectiveness of the Company's internal controls. SEHK also found that the supervisors failed to cooperate with its investigations.

The GEM Listing Committee further directs:

- Ms. Tang and Mr. Tang JQ, to attend 21 hours of training on regulatory and legal topics as a prerequisite of any further appointment as director of any company listed on SEHK.

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

*HKEx, 7 December 2021*

### **SEHK takes disciplinary action against China Huiyuan Juice Group Limited (the Company) (Delisted, previous Stock Code: 1886), its current and former directors**

Key messages:

- Directors must address actual and potential conflicts of interest.
- Directors are obliged to supervise the performance of delegated functions, and they must ensure that the issuer operates an adequate and effective internal control system. Any deficiencies identified must be addressed promptly.

The Listing Committee censures:

- The Company.
- Mr. Zhu Xinli, Ms. Zhu Shengqin, Mr. Cui Xianguo, Mr. Leung Man Kit, former directors of the Company; and

criticizes Mr. Song Quanhong, Mr. Wang Wei, Ms. Zhao Yali, former INED of the Company.

SEHK found that the Company failed to comply with the reporting, announcement, circular, shareholders' approval and general disclosure requirements when it provided loans of approximately RMB 4.28 billion to connected persons of Mr. Zhu in 2017 to 2018. No board or shareholders' approval was obtained prior to the advances of the loans. The Company entered into further connected transactions with the same connected persons of Mr. Zhu in 2018 to 2019 where Mr. Zhu endorsed the transfer without informing the board, and declaring his conflict of interest. The Company also failed to publish its (i) 2017 annual results and report, and (ii) 2018 and 2019 interim and annual results and report within the deadlines under the Listing Rules.

SEHK further found that, among other breaches, the Company failed to take steps to address internal control issues such as delayed account recording, non-approved payments and fund transfers.

The Company is criticized for not having adequate and effective control, and the former directors (in particular, Mr. Leung, who was

the chairmen of the audit committee of the Company) are criticized for failure to take proactive steps to address the internal control deficiencies.

The Listing Committee further directs:

- Mr. Leung, to attend 24 hours of training on regulatory and legal topics, and Listing Rules compliance, with a focus on (i) directors' duties, (ii) the Corporate Governance Code, (iii) Listing Rule requirements for notifiable transactions, connected transactions, and financial reporting.
- Ms. Zhu, Mr. Cui, Mr. Song, Mr. Wang and Ms. Zhao, to attend 24 hours of training as a prerequisite of any further appointment as director of any company listed on SEHK.

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

*HKEx, 17 November 2021*

### **SEHK takes disciplinary action against a former director of China Fortune Holdings Limited (the Company) (Stock Code: 110)**

Key messages:

- Directors are required to cooperate with the SEHK's investigation and respond to the SEHK's enquiries. They must provide their up-to-date contact details to the Exchange.
- Failure by directors to respond to the Listing Division's enquiries may result in the imposition of severe sanctions.

The Listing Committee censures:

- Mr. Luo Xi Zhi Peter, former executive director of the Company.

SEHK found that Mr. Luo breached his undertaking to cooperate in an investigation conducted by the Listing Division and to promptly respond to queries addressed to him. SEHK further found that such breach was serious and his conduct demonstrated his failure to discharge his responsibilities under the Listing Rules.

The Listing Committee further states that in SEHK's opinion, by reason of his failure to discharge his responsibilities under the Listing Rules, had Mr. Luo remained on the board of directors of the Company, his retention of office would have been prejudicial to the interests of investors.

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

*HKEx, 16 November 2021*

### **SEHK takes disciplinary action against China Ruifeng Renewable Energy Holdings Limited (the Company) (Stock Code: 527) and its executive director**

Key messages:

- SEHK expects directors to (i) comply with an issuers' internal control procedures for the execution of significant contracts, (ii) procure the issuer to consider any Listing Rule implications of a proposed transaction, and (iii) seek professional advice where appropriate.

The Listing Committee criticizes:

- The Company.
- Mr. Peng Zi Wei, executive director of the Company.

SEHK found that Mr. Peng failed to inform the board and comply with the Company's internal control procedures prior to the execution of an US\$100 million guarantee (the Guarantee) on behalf of the Company.

The Guarantee was intended to facilitate a proposed acquisition of an offshore company by a third party.

Mr. Peng submitted that the Guarantee did not constitute a transaction under the Listing Rules given that he had signed a supplemental agreement to release the Company from its obligations under the Guarantee in the event that the transaction for which the guarantee was provided did not go ahead. SEHK concluded that Mr. Peng's view was incorrect as (i) the Guarantee was intended to be legally binding and (ii) the supplemental agreement did not mean that the arrangement was no longer a transaction or otherwise excuse non-compliance with the Chapter 14 requirements.

The Guarantee constituted a major transaction and SEHK criticizes the Company's failure to publish an announcement after the terms of a major transaction have been finalised, and its failure to send a circular to its shareholders, and obtain shareholders' approval when it entered into the Guarantee.

The Listing Committee further directs:

- A review of the Company's internal controls in compliance the Listing Rules' requirements for notifiable transactions and connected transactions.
- Mr. Peng, to attend 18 hours of training on regulatory and legal topics and Listing Rules compliance, with a focus on (i) directors' duties, (ii) the Corporate Governance Code, and (iii) Listing Rule requirements for notifiable transactions.

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

*HKEx, 15 November 2021*

## **SEHK takes disciplinary action against Daisho Microline Holdings Limited (the Company) (Stock Code: 567) and its former executive director and chairman**

Key messages:

- Issuers' announcements and corporate communications must contain accurate, and complete information in all material respects.
- Directors must take all reasonable steps to monitor the progress of transactions entered and to ensure the financial information disclosed is accurate.

The Listing Committee censures Ms. Cheung Lai Na, former executive director and chairman of the Company, and criticizes the Company.

The Company entered into a sale and purchase agreement to acquire four vessels from a vendor in September 2017. When Ms. Cheung directed the Company to issue payment to buy the vessels, she was aware that the mortgages over three of the vessels had not been discharged. When the Company published its 2018 interim results and report, it stated that the acquisition of the vessels had been duly completed. It was subsequently found in January 2019 that the mortgages for three of the vessels were still not discharged and the vendor did not bank in the payment cheque.

SEHK found that the Company failed to (i) perform bank reconciliation prior to the publication of its interim results and report, and (ii) ensure the interim results and report were accurate and complete in all material aspect. Ms. Cheung also failed to discharge her duties, and director's undertaking in taking sufficient steps to follow up on the discharge of the mortgages, and ensure the completion of the acquisition was in

accordance with the terms of the sale and purchase agreement.

The Listing Committee further directs:

- The Company to retain an adviser to review its internal controls for procuring compliance with Rule 2.13 of the Rules governing the listing of securities on Main Board (Listing Rules) in relation to accurate and complete disclosure in corporate communication and for avoidance of conflict of interests; and
- Ms. Leung, to attend 17 hours of training by providers approved by the Listing Division of SEHK (the Listing Division), as a prerequisite of any further appointment as director of any company listed on SEHK.

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

*HKEx, 11 November 2021*

### **HKEx publishes report on review of issuers' annual reports**

As part of the Listing Division of HKEx (Listing Division)'s monitoring activities, it reviews issuers annual reports on an on-going basis. We highlight some of the key findings from the Listing Division's review:

- Auditor's modified opinions on the issuers' financial statements continued to be about the fairness of the reported values of the issuer's assets.
- It was identified that some material lending transactions were not properly authorised or the subsequent impairment show weaknesses in internal control.
- Money lenders generally provided limited information on their loan portfolios, client bases, and risk measures over their money lending business in the annual reports.

- It was identified that in some cases the use of IPO proceeds were inconsistent with business plans disclosed in the issuers' listing documents; in particular, there are occasions where issuers invested a material part of their IPO proceeds in entities or management products associated with the initial listing professional parties, which was not disclosed in the prospectuses; and
- About 60 percent of the cases reviewed by the Listing Division recognized impairment losses in the current year and a majority of the cases disclosed COVID-19 as the events and circumstances that triggered the impairment losses.

HKEx also makes recommendations based on its observations to provide guidance to issuers in their future annual reports to improve transparency and accountability.

Please click [here](#) to view the Review of Issuers' Annual Reports 2021.

*HKEx, 28 January 2022*

### **HKEx publishes revised Country Guides**

In light of the new listing regime for overseas issuers that took effect on 1 January 2022 which covers, among other things, that all issuers are required to comply with the Core Shareholder Protect Standards, HKEx published over 20 revised Country Guides covering subsequent development since 1 January 2022.

Please click [here](#) to view the latest Country Guides.

*HKEx, 28 January 2022*

### **SEHK publishes and revises guidance letters**

SEHK published the following new guidance letters:

- HKEx-GL111-22 on overseas issuers who are contemplating a listing on SEHK.
- HKEx-GL112-22 on change of listing status from secondary listing to dual-primary or primary listing on the Main Board.
- HKEx-GL113-22 on Special Purpose Acquisition Companies with, or seeking, a listing on SEHK by virtue of Chapter 18B of the Listing Rules.

SEHK also publishes a number of revised guidance letters, including:

- HKEx-GL55-13 on document requirements and administrative matters for new listing applications (equity), adding new requirements such as submission of new e-Form for application for waiver from strict compliance with the Listing Rules, the submission of a final or draft legal opinion on conformity with the Core Shareholder Protection standards as part of the A1 listing application, and information required for an application for transfer of listing from GEM to Main Board before bulk-printing of the listing documents etc.
- HKEx-GL56-13 on disclosure requirements for substantially complete Application Proofs (Aps), and publication of Aps, and Post Hearing Information Packs (PHIPs) on the SEHK's website, adding various new disclosure requirements for overseas issuers.
- HKEx-GL57-13 on the logistical arrangements for the submission, and publication of APs, PHIPs, and related materials on SEHK's website.

- HKEx-GL79-14 on documentary requirements and administrative matters for collective investment schemes applications.
- HKEx-GL86-16 on producing simplified listing documents relating to equity securities for new applicants, adding new disclosure requirements for overseas issuers, such as to demonstrate their constitutional documents provide the Core Shareholder Protection Standards.
- HKEx-GL93-18 on suitability for an applicant (other than Grandfathered Greater China Issuers or Non-Greater China Issuers with a weighted voting rights (WVR) structure) applying for (i) a dual primary listing under Chapter 19 that meet the conditions set out in Rule 8A.46; or (ii) a secondary listing under Chapter 19C to list with a WVR structure in compliance with Chapter 8A
- HKEx-GL94-18 on suitability for Grandfathered Greater China Issuers and Non-Greater China Issuers that meet the conditions set out in Rule 8A.46 to list with WVR structure and the Contractual Arrangements of Grandfathered Greater China Issuers and Non-Greater China Issuers.

Please click [here](#) to view the latest guidance letters for new applicants and [here](#) to view the latest guidance letters for listed issuers.

*HKEx, 5 November, 31 December 2021*

### **SEHK publishes e-Learning materials on (i) trading arrangements for corporate actions and (ii) continuing disclosure obligations and trading halt**

SEHK published two modules of e-Learning materials covering listed issuers' continuing disclosure obligations and specific

suspension requirements, and a module of e-Learning materials covering corporate actions involving trading arrangements including distribution, change in board lot size, share consolidation or sub-division, rights issue, and open offer.

Please click [here](#) to view the e-Learning materials.

*HKEx, 30 December, 28 January 2021*

### **SEHK publishes consultation conclusions on review of corporate governance code**

SEHK published consultation conclusions on its commitment to enhance the corporate governance (CG) practices and reporting by listed companies. Over 210 responses were submitted to SEHK and respondents generally supported the direction to improve boardroom gender diversity, introduce board refreshment and succession planning and elaborate the linkage between CG and Environmental, Social and Governance (ESG) in the CG Code.

We highlight some of the key reforms below:

- For IPO applicants, no single gender board will be accepted for A1 submission filed on or after 1 June 2022; For issuers which have an existing single gender board, they shall appoint a director of a different gender no later than 31 December 2024; For issuers who committed to end single gender board in their listing documents, they shall achieve so as committed.
- Effective from the financial year commencing on or after 1 January 2022, issuers shall include additional disclosures on factors considered, process and the board/nomination committees discussion in arriving at the determination that an INED serving more than nine years (Long

Serving INED) is still independent and should be re-elected.

- Effective from the financial year commencing on or after 1 January 2022, issuers shall make relevant tenure disclosure in the shareholders' circular and starting from financial year commencing on or after 1 January 2023, issuers shall make new INED proposals if all INEDs on board are Long Serving INEDs.
- The new CG Code includes ESG risks in the context of risk management. Effective from the financial year commencing on or after 1 January 2022, issuers shall publish ESG reports at the same time as the publication of annual reports.

The consultation conclusions include amended Listing Rules which took effect from 1 January 2022 and the requirements under the new Corporate Governance Code will apply to CG reports for financial year commencing on or after 1 January 2022, unless otherwise stated in the consultation paper.

SEHK also published the Corporate Governance Guide for Boards and Directors and frequently asked questions (FAQ) series 17 on GC Code and related Listing Rules to provide guidance to issuers to understand and comply with the principles in the CG Code and the relevant Listing Rules.

Please click [here](#) to view the consultation conclusions, [here](#) to view the Corporate Governance Guide for Boards and Directors and [here](#) to view the FAQ series 17.

*HKEx, 10 and 29 December 2021*

### **SEHK publishes consultation conclusions on special purpose acquisition companies (SPACs)**

SEHK published consultation conclusions on its proposals to create a listing regime for SPACs. Over 90 responses were submitted to SEHK and respondents generally supported the introduction of the SPACs listing regime.

We highlight some of the key proposals to be implemented below:

- A SPAC is required to distribute at least 75 percent of its securities issued for its initial listing to a minimum of 20 institutional professional investors and distribute the securities it issues for its initial listing to a minimum of 75 professional investors.
- A SPAC promotor must hold a SFC Type six / nine license and at least 10 percent of the promotor shares. SEHK will consider granting waivers in respect to such SPAC promotor licensing requirement on a case by case basis.
- The board of directors of a SPAC must include a minimum of two Type six/nine SFC licensed individuals.
- A SPAC is required to raise a minimum of 7.5 percent to 25 percent of independent third party investment (namely the PIPE investment, for the purposes of completing a de-SPAC transaction), depending on the size of the value of the de-SPAC targets and such PIPE investment must come from at least three sophisticated investors.

The consultation conclusions include amended Listing Rules and Guidance Letter GL113-22 on SPACs which took effect from 1 January 2022.

Please click [here](#) to view the consultation conclusions and [here](#) to view Guidance Letter HKEX-GL113-22.

*HKEx, 17 December 2021*

**SEHK publishes revised templates, listing e-Forms, announcement forms**

## and checklists for Main Board, GEM issuers and new applicants

The revised listing e-Forms, announcement forms and checklists are as follows:

Revised materials	Content
CF006	Size Tests For Notifiable Transactions and Connected Transactions
CF093	Trading Arrangement Form
CF011G / CF011M	Checklist relating listing document on to rights issue/ open offer
CF014G / CF014M	Checklist relating to circular on major acquisition (for GEM issuers)  Checklist relating to circular on major acquisition / very substantial acquisition / extreme transaction or listing document on reverse takeover (for Main Board issuers)
CF015G / CF015M	Checklist relating to circular on major realization and very substantial disposal
CF016G/ CF016M	Checklist relating to circular on connected transaction
CF214G / CF214M	Checklist relating to listing document on issue of securities (other than capitalisation issue/ bonus issue of warrants/ exchange or substitution of securities/ rights issue/ open offer)
CN001	Request for Company Case Number
M120	Template – Information Required from Overseas Issuer
M104	Additional Information to be submitted together with the Form A1
M105 / G105	Basic qualifications for new listing



M106 / G106	Basic requirements for contents of listing document
M108 / G108	Accountants' report
M112 / G112	Application for waiver from strict compliance with requirement under the Listing Rules / GEM Listing Rules
M119 / G118	Additional Information to be submitted with Pre-IPO Enquiry / Form A1 / Form 5A
M402 / G402	Notification of Submission of Transaction Levy, Trading Fee and Brokerage
M501	Form C3Z - Formal Application (For Open-ended Investment Companies, Unit Trusts, Mutual Funds and Other Collective Investment Schemes Governed by Chapter 21 of the Listing Rules)***
DU003M	Declaration and Undertaking with regard to Directors***
DU003G	Director's Declaration, Undertaking and Acknowledgement**
DU004M	Declaration and Undertaking with regard to Directors of an Issuer incorporated in the PRC***
DU004G	Director's Declaration, Undertaking and Acknowledgement (PRC Issuer)**
DU005M	Declaration and Undertaking with regard to Supervisors of an Issuer incorporated in the PRC***
DU005G	Supervisor's Declaration, Undertaking and Acknowledgement in respect of an Issuer incorporated in the PRC**
FF005	Blackout Period Notification Form
FF201G	Application Form - Equity Securities*
EF001	Cash Dividend Announcement Form

EF002	Cash Dividend with currency option Announcement Form
EF003	Cash Dividend with scrip option Announcement Form
EF004	Cash Dividend with currency and scrip options Announcement Form
EF005	Bonus issue of shares or warrants Announcement Form
EF006	Interest Payment Announcement Form#
FF304	Next day disclosure return e-Form for equity issuers (for GEM issuers)  Next day disclosure return e-Form for equity issuers and collective investment scheme under Chapter 20 of the exchange Listing Rules (other than listed open-ended collective investment schemes) (for Main Board issuer)
IF001	Meeting Notification e-Form
CF008G	Checklist relating to circular on very substantial acquisition / extreme transaction or listing document on reverse takeover**
CIS002	Form A2 - listing application form (for collective investment scheme) ***

\* For an issuer part of whose share capital is already listed.

\*\* For GEM issuers only.

\*\*\* For Main Board issuers only.

Please click [here](#) to view the latest checklists, forms and templates for Main Board issuers, [here](#) for GEM issuers and [here](#) for new applicants.

*HKEx, 4, 10, 17 December 2021 and 1 January 2022*

**SEHK publishes consultation conclusion on enhancing listing regime for overseas issuers**

SEHK published consultation conclusions on enhancing the listing regime for overseas issuers that are established outside of the People's Republic of China and Hong Kong. Over 40 responses were submitted to the HKEx's proposals to enhance and streamline the listing regime for overseas issuer, published on 31 March 2021.

We highlight some of the key reforms below:

- All issuers shall apply the same set of core shareholder protection standards in order to provide the same degree of protection to all investors.
- The equivalence requirement between Recognised Jurisdictions and Acceptable Jurisdictions under the current Listing Rules will be removed.
- Secondary listing requirements for Greater China Issuers without a weighted voting rights (WVR) structure will be relaxed as issuers no longer has to satisfy the "Innovative Company" condition and the market capitalization requirement will be lowered.
- Non-Greater China issuers and Grandfathered Greater China issuers will be eligible for secondary listing with their existing WVR structure and/or variable interest entity structures.

The consultation conclusions include amended Listing Rules, amended rules governing the listing of securities on GEM (GEM Listing Rules), guidance letter on change of listing status from secondary listing to dual-primary or primary listing on Main Board and guidance letter for overseas issuers, which will take effect from 1 January 2022.

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

*HKEx, 19 November 2021*

## **SEHK publishes (i) analysis of IPO applicants' corporate governance and environment, social and governance (ESG) practice disclosure in 2020/2021 and (ii) guidance on climate disclosures**

(i) Analysis of IPO applicants' corporate governance and ESG practice disclosure in 2020/2021

SEHK emphasizes that IPO applicants shall build in necessary corporate governance, and ESG mechanisms into the listing process, and disclose such information in their prospectuses.

SEHK reviewed over 120 new applicants (the Applicants) seeking a primary listing, focusing on areas such as compliance culture in corporate governance, commitments and policies in board diversity, and governance of ESG matters and disclosure. This review was conducted with the aim to enhance IPO applicants' readiness for compliance with SEHK's corporate governance and ESG requirements.

We highlight some of the key observations of SEHK:

- Over 20 percent of the Applicants disclose a comprehensive statement on compliance culture including details on the board's commitment towards responsible, lawful and ethical operations.
- Five of the INEDs among the Applicants were over-boarded with a total of 41 listed company INED directorships at the time of listing, SEHK has adopted a more stringent approach and not accepted any IPO applicants with an over-boarding INED who holds seven or more listed company directorship.

- Single gender board applicants have dropped from 30 percent in 2019 to 23 percent in the first half of 2021.
- Only 11 percent of the Applicants disclose their materiality assessment in relation to ESG factors and most Applicants identified none to few material ESG risks in their prospectuses.
- Most Applicants made disclosures on environmental and social issues at the time of IPO.

Please click [here](#) to view the analysis and recommendations of SEHK.

#### (ii) Guidance on climate change disclosure

SEHK published a guidance on climate disclosures (the Guide) to provide practical tips to issuers in complying with recommendations set by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

The Guide aims to help issuers in developing and accessing (i) their governance around climate-related risks, (ii) their strategies to address actual and potential impacts of climate-related risks and opportunities, (iii) their management of climate-related risks, and (iv) their metrics and targets to be used to assess climate-related risks and opportunities.

The Guide also sets out sample disclosures of a hypothetical company in its eight chapters for illustrative purposes.

SEHK will review its ESG reporting framework and issue further guidance in due course.

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

## Financial Services Regulation

### Regulatory approaches of the Insurance Authority in relation to virtual assets and virtual asset service providers

The Insurance Authority (IA) has issued a circular to provide guidance on pertinent issues that authorized insurers should take into account in relation to activities related to virtual assets (VA) and virtual asset service providers (VASP).

Authorized insurers should ensure that they fully discharge their obligations under the Guideline on Enterprise Risk Management (GL21) in evaluating and addressing risks associated with VA-related activities. In general, GL21 requires an authorized insurer to have in place robust governance and processes to proactively identify and assess its risk exposures and to develop techniques to monitor, manage and mitigate its risks, taking into account all applicable legal and regulatory requirements. In particular, authorized insurers should take into account the risks in relation to investment, cybersecurity, conducts of insurance, compliance with laws outside Hong Kong etc.

Authorized insurers contemplating to get involved in VA-relative activities are strongly advised to inform and obtain advice from the IA on the adequacy of their risk-management controls before launching any new products or services (including forming any type of relationship with VASPs).

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

*IA, 28 January 2022*

### Joint circular on intermediaries' VA-related activities

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) have reviewed their

existing policies in relation to VA-related products in light of the latest market developments and enquiries from the industry.

The updated guidance is provided for intermediaries which wish to engage in VA-related activities, and supersedes the 1 November 2018 circular to intermediaries on the distribution of VA funds. It sets out requirements and guidance in relation to the distribution of VA-related products, provision of VA dealing services, and provision of VA advisory services. The SFC and the HKMA are of the view that it would be necessary to impose additional investor protection measures on the distribution of VA-related products, including selling restrictions and the VA-knowledge test.

In relation to selling restrictions, except for a limited suite of products, VA-related products which are considered complex products should only be offered to professional investors. For example, an overseas VA non-derivative exchange-traded fund would very likely be considered a complex product and it should only be offered to professional investors.

In relation to the VA-knowledge test, intermediaries should assess whether clients (except for institutional professional investors and qualified corporate professional investors) have knowledge of investing in VA or VA-related products prior to effecting a transaction on their behalf. If a client does not possess such knowledge, the intermediary may only proceed if, by doing so, it would be acting in the client's best interests and it has provided training to the client on the nature and risks of VA. Intermediaries should also ensure that their clients have sufficient net worth to be able to assume the risks, and bear the potential losses of trading VA-related products.

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

*SFC and HKMA, 28 January 2022*

## **Regulatory approaches to authorized institutions' interface with VAs and VASP**

The HKMA has issued a regulatory guidance to authorized institutions (AIs) with regulatory guidance in response to recent enquiries regarding AIs' intentions to engage in certain activities relating to VAs and on matters AIs should pay attention to when dealing with matters relating to VAs and VASPs.

The HKMA adopts a risk-based approach in supervising AIs' VA activities in line with applicable international standards, and based on the principle of "same risk, same regulation". As always when launching new products or services, AIs should undertake risk assessments to identify and understand the associated risks before engaging in any VA activities. AIs should always take appropriate measures to manage and mitigate the identified risks. In light of the risks involved in AIs' conducting VA-related activities, the HKMA will focus on three areas, namely (a) prudential supervision, (b) anti-money laundering and combating the financing of terrorism and financial crime risk, and (c) investor protection.

As market developments regarding VAs and VASPs are evolving rapidly, AIs intending to engage in VA activities should discuss with the HKMA (and other regulators where appropriate), and obtain the HKMA's feedback on the adequacy of the institution's risk-management controls before launching the relevant products or services.

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

*HKMA, 28 January 2022*

## **Circular on ASIC-SFC thematic review of global financial groups' foreign exchange activities**

In view of the growing importance of the Asia-Pacific region's foreign exchange (FX) market and the increasing complexity of regulating a market that involves diverse products and trading channels across different jurisdictions, the Australian Securities and Investments Commission (ASIC) and the SFC launched a collaborative thematic review. The review included onsite inspections of and a prudential visit to selected firms of global financial groups licensed by ASIC in Australia and the SFC in Hong Kong. The main aim was to assess their compliance with local regulatory requirements in their respective jurisdiction and their adoption of other industry guidelines (e.g. the FX Global Code).

The regulators made observations of the selected firms' governance arrangements (in relation to supervision and risk management) and internal controls, and set out good industry practices, such as clearly defining the roles and responsibilities in the three lines of defense, establishing control functions to monitor the front office's risk-taking activities and promoting a strong risk culture which encourages staff at all levels to identify and escalate issues of concern to appropriate parties.

Licensed corporations carrying out FX activities should review and consider how the observations and good industry practices can be implemented to enhance their supervision, risk management and internal controls, and ensure compliance with the rules, regulations and industry guidelines.

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

*SFC, 27 January 2022*

## **Regtech Adoption Practice Guide**

The HKMA has issued the fifth issue of the Regtech Adoption Practice Guide: Cyber Risk Management.

This issue focuses on Regtech solutions that help banks manage their cyber risk.

As banks become increasingly digital, it is crucial for banks to enhance their controls and technical capabilities to protect their data, systems and broader business activities from cyber-attacks.

The practice guide provides implementation guidance to help banks apply Regtech solutions for cyber risk management. It offers advice on how banks can use these Regtech solutions to address the latest cyber risk emerging from container technology and remote working arrangement.

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

*HKMA, 25 January 2022*

### **Revised SPM Module TA-2: Foreign Exchange Risk Management**

The HKMA has issued a revised version of Supervisory Policy Manual (SPM) module TA-2: Foreign Exchange Risk Management. The changes in the revised SPM module are mainly to incorporate the Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions issued by the Basel Committee on Banking Supervision (BCBS) (BCBS guidance).

The HKMA's current regulatory and supervisory frameworks have already broadly covered the major requirements set out in the BCBS guidance, though at a slightly less granular level. This update aims to more specifically state the requirements in the SPM in order to better align it with the BCBS guidance.

The start of full compliance should be commensurate with exposures of AIs to foreign exchange settlement-related risks but

not be reached later than one year from the date of the circular. The HKMA encourages AIs to settle foreign exchange transactions through available payment-versus-payment arrangements in an effort to reduce their foreign exchange settlement-related risks.

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

*HKMA, 18 January 2022*

### **Repayment of Trade Facilities Deferred by the Banking Sector for Another 90-day Period**

The HKMA, together with the Banking Sector SME ending Coordination Mechanism (Mechanism), announced a further 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme) until the end of April 2022.

The HKMA and the Mechanism are considering ways to strike a balance between banks' need for prudent risk management and supporting corporates that are still hard-pressed by the pandemic.

Corporate customers participating in the repayment deferment for trade facilities under the Scheme can, if in need, extend trade facilities falling due between February and April 2022 for a further 90 days. Eligible corporate customers can also apply for a 90-day extension of trade facilities drawn down from November 2021 to the end of January this year. For facilities which are self-liquidating in nature, banks may require the loan to be settled when the customer has received the underlying payment. For trade loans which have been successively extended for 270 days or more since first being drawn down, banks may adopt a flexible approach and consider whether other forms of relief are more suitable to help the customers ride out the current difficulties on a case-by-case basis, subject to prudent risk management principles.

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

*HKMA, 11 January 2022*

### **Self-assessment of compliance with the Code of Banking Practice 2021**

The annual self-assessment of compliance with the Code of Banking Practice (the Code), covering the period from 1 January 2021 to 30 November 2021, will be due for submission electronically by 29 April 2022.

AIs are reminded that the Code requires compliance by certain subsidiaries and affiliated companies of AIs, which should also be covered by this self-assessment accordingly.

AIs are required to commission their internal audit department, compliance department or other equivalent unit to conduct the self-assessment. The Chief Executive of the AI should co-sign the self-assessment report. Where an instance of non-compliance is identified which is a recurrence of similar instances identified in previous exercises, a full account should be provided.

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

*HKMA, 7 January 2022*

### **Early adoption of risk-based capital (RBC) regime for long term insurance business**

In developing a RBC regime for Hong Kong, the Insurance Authority (IA) has conducted three rounds of industry-wide quantitative impact studies since 2016 and two additional impact studies relating to long term business in 2020.

The proposed RBC regime aims at strengthening policy holder protection by ensuring that the regulatory capital requirements of insurers reflect their actual risk exposures, and incentivizing improved

risk management. Given these evident benefits, the IA considers there is merit in enabling those authorized insurers which can demonstrate that they are sufficiently advanced in their preparations in adopting RBC at an early stage, in advance of the promulgation of the necessary legislation and to the extent the provisions under the existing legislation permits this.

Authorities have commenced the process for preparing the enabling legislation to implement the RBC regime. Accordingly, if an authorized insurer carrying on long term insurance business wishes to adopt the RBC regime in advance of the regime being promulgated through legislation, it may submit a request in writing in the form of an application under the Insurance Ordinance for the IA's consideration.

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

*IA, 28 December 2021*

### **IA formalizes green light process for assessment of ILAS products and ushers in Protection Linked Plans**

The IA issued the Note on the Green Light Process for Assessment of Investment-linked Assurance Scheme (ILAS) Products against Standards in Guideline on Underwriting Class C Business (GL15) (Note) to formalize the green light process for assessment on ILAS products, whilst ushering in Protection Linked Plans (PLP), a new category of ILAS.

The Note builds on GL15 and provides further information on the requirements relating to product design and information disclosure, etc. with particular attention to ILAS with high level of insurance protection, whilst complementing the guidance and enhanced authorization process in relation to ILAS products introduced by the Securities and Futures Commission (SFC) in November 2021. Under the enhanced mechanism, once an insurer has obtained the green light from the IA, it may then

submit its application to SFC for authorization.

The IA has also updated the Interpretation Notes of the Guideline on Sale of Investment-Linked Assurance Scheme Products (GL26) to set out the features of PLP in greater details. PLP is a product with higher mortality protection element, simple and transparent fee structure and confined fund choices so as to narrow the protection gap and facilitate financial inclusion. The launch of PLP is aimed at encouraging early retirement planning of the underserved younger generation, and to extend the product choices available in the market for satisfying the retirement planning needs of an individual throughout the life cycle.

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

*IA, 28 December 2021*

### **Facilitating Mandatory Provident Fund (MPF) investment into bonds issued by Central People's Government and Mainland policy banks**

The Secretary for Financial Services and the Treasury announced details of facilitating MPF investment into bonds issued by the Central People's Government and Mainland policy banks.

The MPF industry has suggested the Mandatory Provident Fund Scheme Authority (MPFA) take appropriate action to let MPF funds seize the related investment opportunities. This initiative will further diversify the products for MPF investment, which is not only responding to the MPF industry but also helping MPF scheme members seize the opportunities in the Mainland bond market to strive for better returns. The MPFA will provide full support to the Government in pursuing legislative

amendments in order to implement the relevant measure.

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

*MPFA, 22 December 2021*

### **Enhanced measures on real-time fund transfers made by customer**

As an enhanced measure, authorized institutions (AIs) acting as payee institutions are required to conduct mandatory name matching in respect of fund transfers effected on a real-time basis through Type C1 credit transfers of FPS and intra-bank fund transfers of similar nature of HK\$10,000 or above. Transfer instructions that cannot pass the mandatory name matching process will be rejected by the payee institutions, and the payer institutions should inform the payer that the transfer instruction is unsuccessful or rejected.

For intra-bank fund transfers, AIs may choose to adopt similarly effective measures instead, such as displaying partially-masked payee name of the inputted bank account to the payer before the fund transfer is confirmed, to achieve the same purpose.

After payers have inputted the payment instructions in Internet banking platforms or mobile applications, AIs acting as the payer institutions should display the reminder "Name checking may not be conducted in the fund transfer. Please carefully verify the payee's account number and other payment details."

The Hong Kong Monetary Authority (HKMA) requests that AIs should implement the above measures by end-December 2022.

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

*HKMA, 21 December 2021*

### **Global Code of Conduct Standards and Practices for the Wholesale**



## Foreign Exchange Market (FX Global Code)

The Global Foreign Exchange Committee published an updated version of the FX Global Code on 15 July 2021.

In accordance with HKMA Supervisory Policy Manual (SPM) module CG-6 Competence and Ethical Behaviour, AIs should, among other things, maintain adequate systems of control to ensure that their staff members observe any codes of conduct or standards issued by professional bodies of which they are members or associates, including the Treasury Markets Association (TMA) Code of Conduct and Practice (TMA Code). Since the FX Global Code has been incorporated (including its latest update) as part of the TMA Code since 2017, the HKMA expects all AIs to take appropriate steps to:

- (i) Review their practices in light of the updated FX Global Code and ensure that they maintain adequate systems of control to support their observance of the FX Global Code.
- (ii) Demonstrate such status by issuing or renewing the Statement of Commitment as provided in Annex 3 of the FX Global Code and providing it to the TMA on or before 15 July 2022.

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

*HKMA, 17 December 2021*

## Corporate Governance

In the light of a Financial System Stability Assessment report published by the International Monetary Fund (IMF) in 2021, the HKMA issued further guidance on corporate governance standards expected of locally incorporated AIs to address potential issues around conflicts of interest, time

commitment of directors and senior management of AIs.

The HKMA will take into consideration the robustness of an AI's performance evaluation process for directors and CEs in assessing its corporate governance. To facilitate the HKMA's assessment, locally-incorporated AIs are required to submit the following information to their usual supervisory contacts in the Banking Supervision Department on an annual basis:

- (i) A current list of outside mandates held by each director and the Chief Executive of the AI.
- (ii) An affirmation signed by the chair of the board (or its nomination committee) that the annual performance evaluation of each director and the Chief Executive has been duly completed.
- (iii) Details of any findings for which remedial actions have been taken or will be taken in relation to time commitment and potential conflicts of interest identified in the performance evaluation process, and the time frame for completing the remedial actions to address such findings.

The first submission should be made by 30 June 2022.

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

*HKMA, 15 December 2021*

## MPFA signs a Memorandum of Understanding (MoU) with the Monetary Authority of Macao (AMCM) to strengthen cooperation

The MPFA and the AMCM signed a MoU on information exchange, professional training and technical sharing to strengthen

cooperation between the two regulatory bodies.

According to the MoU, the MPFA and AMCM may exchange non-confidential information related to research on retirement protection, and supervision of retirement schemes and regulated activities; conduct professional training related to the regulation of retirement schemes and intermediaries; arrange internships and secondments; and share their experience on regulatory policy.

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

*HKMA, 14 December 2021*

### **Guideline on Banking Services for Persons with Dementia (Guideline) of Hong Kong Association of Banks (HKAB)**

The HKMA has been encouraging the banking industry to continue enhancing access to basic banking services in Hong Kong and to manifest the commitment to financial inclusion. Further to the issuance of the Practical Guideline on Barrier-free Banking Services in March 2018 and the Guideline on Banking Services for Persons with Intellectual Disabilities in December 2020, the HKAB has worked with the HKMA in engaging the relevant stakeholders to develop the Guideline, which sets out the principles and good practices recommended for the industry in the provision of banking services to persons with dementia and customers in need.

The HKMA expects all banks providing retail banking services to observe the recommended practices in the Guideline. Other AIs are also encouraged to observe the same to enhance their services to customers in need as appropriate. AIs should provide proper guidance and adequate training to frontline staff, being the main point of

contact for customers, to ensure that they can explain clearly to customers the related services and arrangements, and provide appropriate services to address the needs of customers.

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

*HKMA, 10 December 2021*

### **Enhancements to the Code of Banking Practice (Code)**

The HKMA welcomes the launch of the revised Code by HKAB and the DTC Association (DTCA).

In light of the digitization of banking services and the pandemic, the Code of Banking Practice Committee has reviewed the Code and formulated enhancement measures such that protection to customers would not be affected during provision of digital services through new digital channels and modes of services by banks, and that services would be more tailored to customer needs with enhanced protection.

The revised Code is effective from 10 December 2021, AIs are expected to achieve full compliance with the new provisions as quickly as possible within 6 months of the effective date, with an extension of up to 12 months for provisions requiring more extensive system enhancements.

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

*HKMA, 10 December 2021*

### **Sound practices supporting the transition to carbon neutrality**

The HKMA has recently consulted the banking industry on a draft SPM module which sets out the key elements of effective climate risk management.

The HKMA considers that sound practices supporting the transition to carbon neutrality would be of reference value to AIs in formulating their own climate strategies. Sound practices are grouped into four areas and summarized below:

- Reducing greenhouse gas emissions of own operations.
- Reducing financed emissions through portfolio alignment.
- Assisting clients to transition.
- Promoting collective efforts to assist the economy to net zero transition.

AIs are strongly encouraged to enhance their own overall green and sustainability programs to encompass both the management of climate risk and the above supporting measures to contribute to carbon neutrality. They should consider developing metrics to monitor the progress of adopting these sound practices as part of their business strategy. The progress made should be regularly reported to the board to keep it abreast of the institution's efforts towards green and sustainable banking.

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

*HKMA, 8 December 2021*

### **Online tools for assessing and addressing individual protection needs in different life stages**

The IA launched the Public Education Campaign on Lifetime Risk Profiling and introduced an online assessment tool complemented by a thematic sitelet developed in-house.

The online assessment tool provides users with a convenient way to evaluate their mortality protection gap by filling in some basic information, and is targeted at

encouraging and empowering people to understand and manage their risk exposures, thereby helping to narrow the protection gap and deepen financial inclusiveness

Meanwhile, IA also introduces the thematic sitelet as a ready source of impartial and reliable information on insurance, which serves as an effective risk management tool.

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

*IA, 3 December 2021*

### **Enhanced Competency Framework on Fintech**

The HKMA launched the Enhanced Competency Framework on Fintech (ECF-Fintech), which is a collaborative effort of the HKMA, the Hong Kong Institute of Bankers (HKIB) and the banking sector in establishing a set of common and transparent competency standards for developing a strong Fintech talent pipeline and enhancing the professional competence of existing banking practitioners who are performing functions that involve technological innovation for financial services in Hong Kong's banking industry.

As the SPM module CG-6 Competence and Ethical Behaviour emphasizes the importance of ensuring continuing competence of staff members, AIs are strongly encouraged to adopt the ECF-Fintech as part of their overall efforts in supporting relevant employees' on-going professional development. The HKMA expects AIs to adopt appropriate measures to monitor and maintain the competence levels of their staff.

AIs are also advised to keep proper records of the relevant training and qualification of their staff and to provide them with necessary assistance in their applications for grandfathering and certification, and

fulfilment of CPD training under the ECF-Fintech.

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

*HKMA, 3 December 2021*

### **Regtech Adoption Practice Guide**

The HKMA shared the Regtech Adoption Practice Guide Issue #4: Regulatory Reporting and Stress Testing (Practice Guide).

The Practice Guide provides practical guidance to help banks plan the implementation of Regtech solutions that could alleviate some of the pain points encountered in Regulatory Reporting and Stress Testing. It offers advice on how banks can establish a sustainable, and robust governance framework powered by technology to fulfil evolving reporting and stress testing requirements.

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

*HKMA, 26 November 2021*

### **Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules**

The IA reminded all licensed insurance broker companies of the requirements under the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Broker Rules) which set out the requirements for minimum share capital, net assets, professional indemnity insurance, the keeping of proper books and records, and contents for audited financial statements and auditor's report.

The Broker Rules include Savings and Transitional Arrangements (Transitional Arrangements), which gradually step-up the new requirements for "specified broker insurance companies", being licensed

insurance broker companies which were previously registered under the self-regulatory regime (and which continue to be licensed under the new regulatory regime). This stepping-up takes place in phases until 31 December 2023.

Specified insurance broker companies must satisfy the following requirements:

- Increase paid-up share capital and net assets to an amount of not less than HK\$300,000 by 31 December 2021.
- Ensure books and records have captured relevant information since 1 January 2021 (including (i) insurance brokerage income for the financial year distinguishing between general business and long term business, (ii) aggregate balances of cash held in its client accounts as at the end of the financial year, and (iii) insurance premiums payable as at the end of the financial year), so that it can be included accurately in the financial statements for each financial year commencing on and after 1 January 2021.

Any failure to comply with the Broker Rules may jeopardize a licensed insurance broker company's fitness and properness and give rise to disciplinary action under section 81 of the Insurance Ordinance. The penalties include reprimand, pecuniary fine, suspension of licence or revocation of licence. Specified insurance broker companies must therefore ensure they comply with the new requirements by the above effective dates.

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

*IA, 23 November 2021*

### **Guidance on Sharing Customer Data by Authorized Institutions for Direct Marketing by Third Parties (Guidance)**

While AIs collect personal data of customers through online channels including mobile apps for their own operational and direct marketing purposes, there are increasing occasions that AIs may also provide such personal data collected to third parties such that the third parties may use such personal data for their own direct marketing purpose.

The HKMA considers that the banking industry should aspire to a higher standard. Under the Guidance, there are two general approaches that AIs may adopt for sharing customers' personal data for direct marketing by third parties: (i) by asking customers to directly approach the third parties such that the customers may provide their personal data directly to the third parties; or (ii) redirecting the customers from AIs' website / mobile apps to the websites / mobile apps of the third parties (Redirection) for provision of their personal data and/or consent for direct marketing by such third parties. The Guidance also stipulates how Redirection should be made, the types of customers' personal data that may be shared with third parties in different circumstances under the Redirection approach, and other guiding principles on the sharing of customers' personal data to third parties.

The Guidance will take effect on 1 January 2022 such that any new applicable initiatives to be launched by AIs from that date should comply with the Guidance. For AIs' existing applicable arrangements, AIs are expected to comply with the Guidance as soon as practicable and in any case not later than six months from the effective date (i.e. by 30 June 2022).

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

*HKMA, 19 November 2021*

## Translation and certification of documents under the Companies Ordinance (CO)

Sections 4 and 775 of the CO set out respectively the requirements for certifying translated documents and for certifying documents of registered non-Hong Kong companies for the purposes of the CO. In general, persons who can certify the competence of a translator and certify documents include notaries public, practicing lawyers, professional accountants and professional company secretaries.

The Companies Registry (CR) issued the External Circular No. 3/2020 (Circular) on 28 August 2020 to clarify the definition of "professional accountants" and "professional company secretary" referred to in the above two provisions.

In view of the change of name of "The Hong Kong Institute of Chartered Secretaries", which is mentioned in paragraph 5 of the Circular, to "The Hong Kong Chartered Governance Institute", the CR has issued an External Circular No. 3/2021 to supersede the Circular so as to update the definition of "professional company secretary" referred to in the above two provisions.

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

*HKMA, 18 November 2021*

## Revisions to market risk disclosure requirements and Voluntary disclosure of sovereign exposures

The Basel Committee on Banking Supervision (BCBS) issued two documents, respectively Revisions to market risk disclosure requirements and Voluntary disclosure of sovereign exposures on 11 November 2021.

The adjustments to the market risk disclosure requirements mainly reflect the revised market risk framework published by the BCBS in January 2019 (covering, for instance, the "traffic light" approach for capital requirements as a consequence of the outcome of the profit and loss attribution test for banks using the internal models approach, and the simplified standardized approach as an alternative way of calculating market risk capital requirements, etc.).

The voluntary disclosure requirements on sovereign exposures comprise three templates for banks to disclose such exposures respectively by jurisdictional breakdown, by currency breakdown, and according to the accounting classification of the exposures. Voluntary in nature, supervisors are free to decide whether to implement the requirements in their jurisdictions.

The BCBS proposes 1 January 2023 as the effective date for both sets of disclosure requirements. HKMA plans to implement the revised market risk disclosure requirements when the revised market risk framework comes into effect.

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

*HKMA, 17 November 2021*

### **Circular to management companies of SFC-authorized unit trusts and mutual funds - enhanced fund data reporting**

In view of the international regulatory developments on fund data reporting, the existing requirements on SFC-authorized funds for enhanced fund data reporting will be refined to enhance the SFC's ability to perform its supervisory and regulatory responsibilities.

The refined requirements on enhanced fund data reporting are as follows:

- Quarterly reporting for liquidity profile, subscription and redemption, and asset allocation and leverage exposure.
- Annual reporting for securities financing transactions and securities borrowing transactions.

Fund data required to be submitted under the refined requirements is set out in full in the reporting forms. The first report date for the refined requirements will be 31 December 2021.

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

*SFC, 11 November 2021*

### **Implementation of enhanced competency framework**

The enhanced entry requirements for licence applicants and the ongoing competency standards for intermediaries and individual licensees (which include responsible officers, licensed representatives, executive officers under section 71C of the Banking Ordinance and relevant individuals whose names are entered in the register maintained by the HKMA under section 20 of the Banking Ordinance) will come into effect on 1 January 2022.

The enhanced measures include requiring individual licensees advising on corporate finance (Type 6 regulated activity) who intend to advise on matters or transactions falling within the ambit of the Codes on Takeovers and Mergers and Shares Buy-backs to pass the new Licensing Examination Paper 17 (LE Paper 17) not more than three years prior to and not later than six months after the date of their first engagement in such work, unless otherwise exempted.

The Hong Kong Securities and Investment Institute has recently announced that LE Paper 17 will be offered for the first time on 30 December 2021.

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

*SFC, 9 November 2021*

### **Code of Practice Chapter OCIR-1 on Operational Continuity in Resolution**

The HKMA issued the OCIR-1 "Resolution Planning - Operational Continuity in Resolution", a new chapter of the code of practice issued by the HKMA under section 196 of the Financial Institutions (Resolution) Ordinance.

The chapter explains the HKMA's policy in relation to operational continuity in resolution, and sets out the HKMA's expectations regarding the ex-ante arrangements authorized institutions should put in place to secure the continuity in resolution of services that are essential to the continued performance of critical financial functions as well as to support post-stabilization restructuring in a timely manner. Comments received during consultation have been addressed as appropriate.

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

*HKMA, 5 November 2021*

### **IA enters into MoU with Insurance Complaints Bureau (ICB) to expedite the handling of claim-related disputes**

The IA and the ICB announced that they have entered into the MoU to expedite the handling of claim-related dispute, which is a complaint of monetary nature involving disputes on the decision made by an authorized insurer relating to a claim made under a personal insurance policy.

The MoU sets out a framework between the IA and the ICB: to enable the IA to transfer complaints submitted to the IA disputing the non-payment of a claim under an insurance policy to the ICB for adjudication.

The MoU takes effect from 1 November 2021.

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

*SFC, 1 November 2021*

## Data Protection

### To protect oneself and others, PCPD to introduce "vaccine bubble" arrangement

The PCPD will introduce the "vaccine bubble" arrangement from 16 February 2022 onwards and will require all staff members to receive at least one dose of COVID-19 vaccine before they may enter the PCPD's premises for work-related purposes.

The PCPD also urges all staff members to get vaccinated. All those who are unfit for vaccination due to valid medical reasons and are supported by a medical certificate would instead be subject to regular testing requirements.

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

*PCPD, 24 January 2022*

### Working from home: Privacy Commissioner recommends tips to safeguard personal data

The Privacy Commissioner for Personal Data (Privacy Commissioner) appeals to organizations to be vigilant and to pay special attention and ensure data security when implementing work from home arrangements. Employees should also be provided with adequate guidance and support in this respect.

For organizations, they are recommended to assess the data security and privacy risks related to work from home arrangements and to devise appropriate protection measures, including the adoption of appropriate security settings for the electronic devices given to employees. Employees should be given adequate data security training and support.

For employees, they should comply with data handling policies of the company and to ensure the network security at home by updating Wi-Fi routers when necessary, and to avoid using public Wi-Fi for work.

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

*PCPD, 13 January 2022*

### PCPD implements special work arrangements since 11 January 2022

Starting from 11 January 2022 until further notice, the Office of the Privacy Commissioner for Personal Data (PCPD) will implement special working arrangements.

The arrangements include employees being on duty roster taking turns to work from home. All services will continue to be provided as usual. However, public talks, professional workshops and seminars will now be held online instead.

The PCPD appeals to all members of the public to make enquiries or complaints by telephone, post or online channels as far as practicable.

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

*PCPD, 11 January 2022*

### The PCPD made the first arrest for a suspected doxxing offence

The Amendment Ordinance came into effect on 8 October 2021 to combat doxxing acts that are intrusive to personal data privacy. The Privacy Commissioner is also empowered under the Amendment Ordinance to carry out criminal investigations and institute prosecutions.

On 13 December 2021, the PCPD arrested a 31 year old Chinese male for a suspected contravention of section 64(3A) of the Personal Data (Privacy) Ordinance (PDPO), which relates to the disclosure of personal data without consent.

This is the first arrest made by the PCPD under the Amendment Ordinance and the PCPD reminded members of the public that



such contravention of the PDPO is a serious crime. The PCPD also reiterated the fact that the Amendment Ordinance also applies to the online world, as such, members of the public should think carefully before publishing or re-posting any message that appears to be a doxxing message on social media or the internet.

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

*PCPD, 13 December 2021*

### **Privacy Commissioner advocated ethical development and use of artificial intelligence at the 56<sup>th</sup> Asia Pacific Privacy Authorities Forum**

The Privacy Commissioner for Personal Data (Privacy Commissioner) attended the 56<sup>th</sup> Asia Pacific Privacy Authorities (APPA) Forum held virtually in December 2021.

The major themes discussed at the APPA Forum included the development and use of artificial intelligence (AI), privacy protection legislative developments, cross-border data flows, privacy issues arising from the COVID-19 pandemic and enforcement actions.

The Privacy Commissioner presented on the principles and good practices recommended in the "Guidance on the Ethical Development and Use of AI" issued by the Office of the Privacy Commissioner for Personal Data (PCPD).

The Privacy Commissioner expressed the view that AI has enabled improvements in efficiency and economic growth but also brought about privacy and ethical risks. She then appealed for the accountable and ethical development and use of AI.

The Privacy Commissioner also explained the scope of the Personal Data (Amendment) Ordinance 2021 (Amendment Ordinance) to the APPA members, including the newly-

introduced doxxing offences, the new criminal investigation and prosecution powers of the Privacy Commissioner and the Privacy Commissioner's power to issue cessation notices to request the removal of doxxing messages.

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

*PCPD, 3 December 2021*

### **Privacy Commissioner received nearly 50 complaint cases about the handling of registration data of visitors**

The Government had announced that starting from 9 December, the requirement to use the "LeaveHomeSafe" mobile application (LeaveHomeSafe) will be extended to all premises regulated under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F) which includes restaurants and fitness centers.

Upon receiving complaints, the PCPD has issued Enforcement Notices to 15 restaurants to request them to implement appropriate and practicable measures to protect the registration data of customers.

Moreover, complainants were concerned about whether the LeaveHomeSafe application has a location tracking function. The PCPD found such complaints to be unsubstantiated as there was no evidence to show that the application has a location tracking function. The access permissions relating to the application are all operationally required for the functioning of the app.

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

*PCPD, 24 November 2021*

## Privacy Commissioner publishes booklet on the Personal Information Protection Law of the Mainland

The Personal Information Protection Law (PIPL) was passed by the Standing Committee of the National People's Congress on 20 August 2021 and has come into operation in the Mainland since 1 November 2021. The PCPD has published a booklet entitled the "Introduction to the Personal Information Protection Law of the Mainland" (the Introduction) to help the general public and businesses in Hong Kong to gain better understanding of the personal information protection regime in the Mainland.

The Introduction consists of the background and major requirements of the PIPL. Relevant requirements under other regulations and relevant cases were added to assist readers to better grasp the PIPL requirements. There is also an overview of the similarities and differences between the PIPL and the Personal Data (Privacy) Ordinance (Cap. 486).

The Commissioner envisages that there will be more commercial and social interactions as well as data flows between Hong Kong and the Mainland. She believes that the Introduction will aid the public and businesses in Hong Kong to seize, and prosper from, the opportunities arising from developments in the Mainland.

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

*PCPD, 18 November 2021*

## Two PCPD officers receive the Ombudsman's Awards

Two officers of the Complaints Division of the Privacy Commissioner for Personal Data (PCPD) received the Awards for Officers of Public Organizations of The Ombudsman's Awards 2021 for their professionalism and

exemplary performance in the handling of complaints.

The Privacy Commissioner for Personal Data (Commissioner) attended the award presentation ceremony and congratulated the award-winning staff. The Commissioner expressed her wish to strive continuously in enhancing the protection of privacy in relation to personal data.

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

*PCPD, 4 November 2021*

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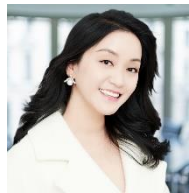
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