



# **SECURITIES AND FUTURES (KEEPING OF RECORDS) RULES**

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# Introduction

- The rules are made under section 151 of the Securities and Futures Ordinance (SFO)
- The requirements are mainly prepared with reference to the existing:
  - Section 83 and Division 5 of Part XA of the Securities Ordinance
  - Section 45 of the Commodities Trading Ordinance
  - Section 3 of the Leveraged Foreign Exchange Trading (Books, Contract Notes and Conduct of Business) Rules



# Overview

- To ensure that an intermediary and its associated entity maintain comprehensive records in sufficient detail relating to their businesses and client transactions for proper accounting of
  - their business operations
  - clients' assets
- Record –
  - Includes contracts, agreements, registers, order forms, confirmations and documents evidencing any authority given by clients
  - Does not include records of telephone conversations

# Overview (Con't)

- Apart from the general record keeping requirements applicable to all intermediaries and their associated entities, the Rules also prescribe particular record keeping requirements for selected types of regulated activities:
  - Dealing in securities (section 5)
  - Leveraged foreign exchange trading (section 6)
  - Providing securities margin financing or other financial accommodation and effecting margined transactions (section 7)
  - Asset management (section 8)



# New Policy Initiatives

- The Rules shall apply to
  - all intermediaries (including registered institutions not currently covered by the existing regulations)
  - Associated entities of intermediaries
  
- To make entries in those records in accordance with generally accepted accounting principles



# New Policy Initiatives (Con't)

- Expressly require an intermediary and an associated entity of an intermediary to keep records as are sufficient to –
  - reconcile balances and positions at least monthly with statements provided by external parties, such as exchanges, clearing houses, other intermediaries and banks
  - demonstrate compliance with specified provisions in the Securities & Futures (Client Money) Rules and Securities & Futures (Client Securities) Rules

## New Policy Initiatives (Con't)

- demonstrate compliance with their systems of control for ensuring compliance with relevant provisions in the Client Money Rules and Client Securities Rules
- enable all clients' transactions and movements of client assets to be traced through its accounting, trading, settlement and where applicable, stock holding systems

# New Policy Initiatives (Con't)

## Record retention period

- Expect as otherwise provided in the SFO (including any subsidiary legislation made thereunder)
  - Not less than 7 years – in general
  - Not less than 2 years for records showing particulars of orders

## Reporting of non-compliance

- Notify the Commission in writing within 1 business day