



Financial Return under the Securities and Futures (Financial Resources) Rules

Johnny Shih
Senior Manager, Intermediaries Supervision

I. Background and summary of changes of the Financial Return



- ❖ To accommodate the Securities and Futures (Financial Resources) Rules under the Securities and Futures Ordinance
- ❖ To facilitate segmental reporting for various types of regulated activities carried on by a licensed corporation
- ❖ More explanatory notes provided as guidance to facilitate licensed corporation in compiling the Financial Return



II. Overview of the Financial Return

❖ Monthly Returns

Form 1: Liquid capital computation

Form 2: Required liquid capital computation #

Form 3: Credit facility summary

Form 4: Margin client analysis

Form 5: Analysis of securities collateral

Form 6: Rolling balance cash client analysis #

Form 7: Profit and loss account

Form 8: Analysis of client assets

Form 9: Foreign currency positions for leveraged foreign exchange trader

4 new forms

❖ Quarterly Returns

Form 10: Report on proprietary derivative positions

Form 11: List of recognized counterparties #

Form 12: Client profile and aggregate net value of assets under management #



III. New forms

Form 2: Required liquid capital computation

- ❖ To provide guidance to licensed corporation in calculating the required liquid capital

Form 6: Rolling balance cash client analysis

- ❖ For reporting the amounts receivable from rolling balance cash clients

Form 11: List of recognized counterparties

- ❖ For leveraged foreign exchange trader to report the recognized counterparties with whom the foreign currency positions are held



III. New forms (cont'd)

Form 12: Client profile and aggregate net value of assets under management

- ❖ For reporting number of active clients
- ❖ For licensed corporation licensed for asset management to report net value of assets under management

IV. Other major changes in the Financial Return

Form 1: Liquid capital computation

- ❖ Reporting of amounts receivable from rolling balance cash clients
- ❖ Disclosures of :
 - amounts receivable arising from different regulated activities;
 - amounts receivable from/payable to group companies; and
 - paid-up share capital, retained profits and other reserves



Form 4: Margin client analysis by unadjusted balance

- ❖ Reporting of adjusted loan balance of the top 20 margin clients

IV. Other major changes in the Financial Return (cont'd)

Form 5: Analysis of securities collateral

- ❖ New section incorporated for reporting illiquid stocks

Form 7: Profit and loss account

- ❖ Disclosures of management fees charged to or by group companies, income arising from underwriting and declaration of dividend
- ❖ Segmental reporting for income and expenses arising from different regulated activities





IV. Other major changes in the Financial Return (cont'd)

Form 8 - Table 1: Analysis of client securities

- ❖ Reporting the types of CCASS sub-accounts and the respective stock balances in the sub-accounts

Form 8 - Table 2: Analysis of client segregated funds

- ❖ New items to reflect Client Money Rules and Financial Resources Rules
- ❖ New column inserted for reporting segregated funds for the segregation requirement



IV. Other major changes in the Financial Return (cont'd)

- ❖ **Form 9: Foreign currency positions for leveraged foreign exchange trader**
 - ❖ Reporting “locked positions” and positions held with recognized counterparties

V. Support from the Commission

- ❖ Methods of submission unchanged and the licensed corporation may adopt appropriate submission channel
- ❖ e-submission encouraged to enjoy benefits of validation rules and auto-computation functions available in the Excel template
- ❖ Welcome to contact our IT Helpdesk at 121-389 for enquiries arising from e-submission
- ❖ Welcome to contact the responsible case officers for enquiries regarding the Financial Return

