



# 2024-25 **Annual Report**

Process Review Panel for the  
Securities and Futures  
Commission

## Table of Contents

### *Abbreviations used in this Report*

	Page
Message from the Chairman	1 - 2
Executive Summary	3 - 6
Chapter 1    General Information	7 - 11
<i>Background</i>	
<i>Functions</i>	
<i>Modus Operandi</i>	
<i>Case Review Workflow</i>	
<i>Composition</i>	
Chapter 2    Work of PRP in 2024-25	12 - 13
Chapter 3    Observations and Recommendations on Cases Reviewed	14 - 24
<i>Strengthening Case Management</i>	
<i>Deepening Collaboration with Cross-boundary Authorities</i>	
<i>Strategic Planning of Enforcement Action</i>	
<i>Enhancing Technology Application</i>	
Chapter 4    Way Forward	25 - 26
Chapter 5    Acknowledgement	27

*Abbreviations used in this Report*

AI	Artificial intelligence
AFRC	Accounting and Financial Reporting Council
CSRC	China Securities Regulatory Commission
DoJ	Department of Justice
ENF	Enforcement Division
HKPF	Hong Kong Police Force
LC	Licensed corporation
LSD	Legal Services Division
MOU	Memorandum of Understanding
MMT	Market Misconduct Tribunal
NPDA	Notice of Proposed Disciplinary Action
PRP	Process Review Panel for the Securities and Futures Commission
SEHK	Stock Exchange of Hong Kong Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance

## Message from the Chairman

While I was appointed Chairman of PRP in November 2024, I was truly honoured to have the opportunity to lead PRP in supporting the Government's resolve to enhance the transparency of SFC's operations for public interest. I am pleased to share my first message for the Annual Report.

The checks and balances provided by the work of PRP are important in safeguarding and maintaining public confidence and trust in SFC and ensuring that SFC exercises its regulatory powers in a fair and consistent manner. Over the years, PRP has formulated a structured approach in reviewing SFC's work rigorously. Apart from conducting detailed review of cases which straddle across various important regulatory activities of SFC including enforcement, licensing of intermediaries, inspection and complaint handling, PRP also holds full meetings regularly to have in-depth discussions on all cases reviewed. PRP would identify areas where processes could be improved, and offer comprehensive observations and practical recommendations both at individual case level and on the overall operating procedures of different divisions of SFC.

I am pleased to reckon that SFC has been responding positively to various recommendations made by PRP from time to time, and making proactive efforts to further refine and enhance its internal processes. During the year, PRP was delighted to see SFC's efforts in various aspects, such as continued adoption of advanced technologies for process improvement, expansion of the pool of market experts, thorough preparation for the implementation of the new Type 13 regulated activity regime, as well as enhanced efforts in issuing alerts on risks of unregulated trading platforms and suspicious products.

I must take the opportunity to express my heartfelt gratitude to my predecessor, Mr Lawrence Lee for laying a solid foundation for us to carry on the work of PRP and maintain close collaboration with SFC. My earnest appreciation also goes to our former ex-officio members, Mr Tim Lui, the former Chairman of SFC, and Mr Yung Lap-yan, the then

representative of the Secretary for Justice, for their valuable advice and tremendous contributions to PRP in the past few years. I sincerely extend my warm welcome to Dr Kelvin Wong and Dr Boyce Yung, who succeeded Mr Lui and Mr Yung respectively.

My sincere thanks are also owed to seven outgoing members, namely Mr Jeffrey Chan, Ms Dilys Chau, Ms Ivy Chua, Mr Vincent Chui, Ms Margaret Kwan, Mr Henry Lai and Mr Brian David Li, for their unwavering support and contribution to PRP. I would like to welcome our new Members who joined PRP in late-2024, namely Mr Chordio Chan, Ms Lorna Chen, Mr Kenneth Chen, Mr David Lau, Dr Bankee Kwan, Ms Jasmine Lee, Ms Doris Lian and Ms Karen So. I look forward to working closely with all Members and drawing on their wealth of expertise and experience to formulate insightful and constructive advice, enabling SFC to continue improving its operational procedures.

Against the backdrop of the evolving economic situation and financial markets, PRP acknowledges the emerging challenges faced by SFC. Yet, our focus remains sharp. Regardless of market developments and technological changes, the core principle remains ensuring that SFC's regulatory work is conducted in a fair, transparent and accountable manner, catering to the need of market participants for business growth while safeguarding the interests of investors and the public. I firmly believe that the close collaboration between PRP and SFC is crucial to achieving this goal. PRP has been maintaining active dialogues with SFC on ways to facilitate PRP to grasp the facts of the reviewed cases more effectively and comprehensively, with a view to further refining the case review process. Looking ahead, I hope that PRP's recommendations could continue to help streamline SFC's workflow and enable SFC to perform in an ever-improving manner.

Finally, I would like to thank SFC colleagues and PRP Secretariat profoundly for working together to enable PRP to accomplish its functions efficiently!

Kwok Pui-fong, Miranda, JP  
Chairman

## Executive Summary

In 2024-25, PRP reviewed 60 cases selected from the monthly closed cases lists submitted by SFC. Upon acquiring case information from and exchanging views with SFC officers at case review meetings and discussion among PRP members at full meetings, PRP made recommendations pertaining to SFC's policies, processes and procedures for the latter's consideration and response. PRP's recommendations and SFC's responses are summarised below –

### *Strengthening Case Management*

2. PRP highlighted four enforcement cases which revealed issues regarding SFC's case referral mechanism and monitoring of case progress.

3. In the first case (*Case A*), LSD took around nine months to refer the case to DoJ for consideration of criminal prosecution. When it was confirmed that no criminal prosecution would be pursued, ENF and LSD spent around eight months seeking approval to commence MMT proceedings.

4. PRP offered recommendations concerning SFC's case referral mechanism. PRP suggested SFC to streamline and minimise the administrative formalities for inter-divisional case referrals and enhance case tracking through implementing benchmark or target timeframe. Besides, PRP recommended SFC to enhance the collaboration with DoJ, aiming to expedite the case referral process and in turn, facilitate early commencement of proceedings.

5. SFC responded that various measures have already been implemented to enhance the efficiency of its internal case referrals. Besides, SFC has been working closely with DoJ to streamline the case referral process and would review the mechanism from time to time.

6. Regarding the remaining three cases, PRP has made observations and recommendations on SFC's monitoring of case progress. In a case reviewed (*Case B*), disciplinary action was taken by ENF more

than one year after the conclusion of investigation. In another case (*Case C*), there seemed to be communication gaps between SFC and HKPF. In the last case (*Case D*), it took approximately 10 months for SFC to receive replies from two parties to the notices issued under section 183 of the SFO and around 3.5 years for the market expert to finalise his report.

7. PRP held the view that SFC needed to tighten its monitoring of case progress and adopt a more proactive approach to case handling, with the goal of shortening case processing time. The time taken to issue NPDA in Case B was long, given that the case was straightforward. For Case C, while acknowledging that criminal investigations conducted by HKPF would take precedence and SFC might be in a passive position in such cases, PRP highlighted the need for SFC to better manage its case and to act more proactively when coordinating with HKPF and escalate issues to senior management at appropriate time. In respect of Case D, PRP commented that SFC should closely monitor the responses to section 183 notices as well as the opinions from market experts engaged.

8. SFC noted the need to further tighten its monitoring of case progress as recommended by PRP, and responded that it has always been mindful of public interest and would endeavor to take disciplinary actions in a timely manner. Regarding the communications between SFC and HKPF, SFC undertook to better coordinate with HKPF.

9. In respect of monitoring responses to section 183 notices, SFC stated that it would keep a closer track of the responses and issue reminders where necessary, and would explore ways to reduce the turnaround time. As for the engagement of market experts, SFC responded that it would continue to expand the pool of market experts, and ensure timely and effective liaison with the experts engaged.

### ***Deepening Collaboration with Cross-boundary Authorities***

10. PRP acknowledged the benefits of collaboration between SFC and CSRC in an enforcement case where SFC had obtained investigatory assistance from CSRC. PRP appreciated SFC's constant efforts in strengthening cooperation with CSRC in recent years, and encouraged SFC

to further deepen collaboration with Mainland authorities including CSRC.

11. SFC responded that it has established a strong and effective enforcement cooperation framework with Mainland authorities. SFC has been committed to the ongoing reinforcement of collaboration with CSRC. While cross-boundary investigations remain challenging, SFC would evaluate the prospects of enforcement outcome and the progress of investigation from time to time to determine the most appropriate actions.

### *Strategic Planning of Enforcement Action*

12. Noting from two enforcement cases concluded with no further action despite SFC's devotion of substantial time and resources, PRP expressed concern about such situation and suggested SFC to draw on lessons learnt from past investigations, with an aim to achieving better enforcement outcomes in the future. PRP also recommended SFC to implement measures more proactively to safeguard the interests of the affected investing public, for instance, applying for an injunction order to freeze any asset held by the suspects prior to conclusion of the investigation or completion of necessary administrative procedures.

13. SFC responded that it would remain vigilant in continuously reviewing and refining the strategies in investigations and pursue other avenues to deliver deterrent messages. Besides, ENF has been implementing various measures to protect the interests of the affected investing public, e.g. issuing restriction notices to LCs and pursuing court orders under section 213 of the SFO.

### *Enhancing Technology Application*

14. PRP observed from two enforcement cases that the lack of suitable computer software or technology presented technical hurdles for SFC. In these cases, SFC spent considerable time and effort to handle voluminous trading data. Noting that SFC has adopted new technologies in recent years, PRP suggested SFC to continue exploring the use of information technology including AI to further enhance investigative efficiency.



15. SFC pointed out that the launch of the investor identification regime in March 2023 and the enhancement of market surveillance tools have resolved the issue of incomplete trading data from brokers. SFC stated that it would continue its effort in utilising new technologies including AI to enhance investigative efficiency and streamline procedural workflows.

## Chapter 1      General Information

### Background

1.1            PRP is an independent panel established by the Chief Executive in November 2000. It is tasked to conduct reviews of operational procedures of SFC and to determine whether SFC has followed its internal procedures and operational guidelines to ensure consistency and fairness in carrying out its work.

### Functions

1.2            PRP reviews completed or discontinued cases handled by SFC and advises SFC on the adequacy of its internal procedures and operational guidelines governing the actions taken and operational decisions made by SFC in performing its regulatory functions. The broad areas of SFC's work cover authorisation of investment products, licensing of intermediaries, inspection of intermediaries, enforcement, corporate finance including processing of listing applications, and complaint handling.

1.3            PRP does not judge the merits of SFC's decisions and actions. It focuses on the process.

1.4            The Terms of Reference of PRP are –

- (a)      To review and advise SFC upon the adequacy of SFC's internal procedures and operational guidelines governing the actions taken and operational decisions made by SFC and its staff in the performance of SFC's regulatory functions in relation to the following areas -
- (i)      receipt and handling of complaints;
  - (ii)     licensing of intermediaries and associated matters;
  - (iii)    inspection of licensed intermediaries;
  - (iv)    taking of disciplinary action;
  - (v)    authorisation of unit trusts and mutual funds and advertisements relating to investment arrangements and agreements;
  - (vi)    exercise of statutory powers of investigation, inquiry and prosecution;

- (vii) suspension of dealings in listed securities;
  - (viii) administration of the Codes on Takeovers and Mergers and Shares Buy-back (formerly known as the Codes on Takeovers and Mergers and Share Repurchases);
  - (ix) administration of non-statutory listing rules;
  - (x) authorisation of prospectuses for registration and associated matters; and
  - (xi) granting of exemption from statutory disclosure requirements in respect of interests in listed securities.
- (b) To receive and consider periodic reports from SFC on all completed or discontinued cases in the above-mentioned areas, including reports on the results of prosecutions of offences within SFC's jurisdiction and of any subsequent appeals.
  - (c) To receive and consider periodic reports from SFC in respect of the way complaints against SFC or its staff have been considered and dealt with.
  - (d) To call for and review SFC's files relating to any case or complaint referred to in the periodic reports mentioned in paragraphs (b) and (c) above for the purpose of verifying that the actions taken and decisions made in relation to that case or complaint adhered to and are consistent with the relevant internal procedures and operational guidelines and to advise SFC accordingly.
  - (e) To receive and consider periodic reports from SFC on all investigations and inquiries lasting more than one year.
  - (f) To advise SFC on such other matters as SFC may refer to the Panel or on which the Panel may wish to advise.
  - (g) To submit annual reports and, if appropriate, special reports (including reports on problems encountered by the Panel) to the Financial Secretary which, subject to applicable statutory secrecy provisions and other confidentiality requirements, should be published.
  - (h) The above terms of reference do not apply to committees, panels or other bodies set up under SFC the majority of which members are independent of SFC.

1.5 PRP submits its annual reports to the Financial Secretary who may cause them to be published as far as permitted under the law.

1.6 The establishment of PRP demonstrates the Government's resolve to enhance the transparency of SFC's operations, and SFC's determination to boost public confidence and trust. PRP's work contributes to ensuring that SFC exercises its regulatory powers in a fair and consistent manner.

### **Modus Operandi**

1.7 SFC provides PRP with monthly lists of completed and discontinued cases from which members of PRP select cases for review. Members pay due regard to areas such as processing time of completed cases, procedural steps taken by SFC in arriving at its decisions and relevant checks and balances.

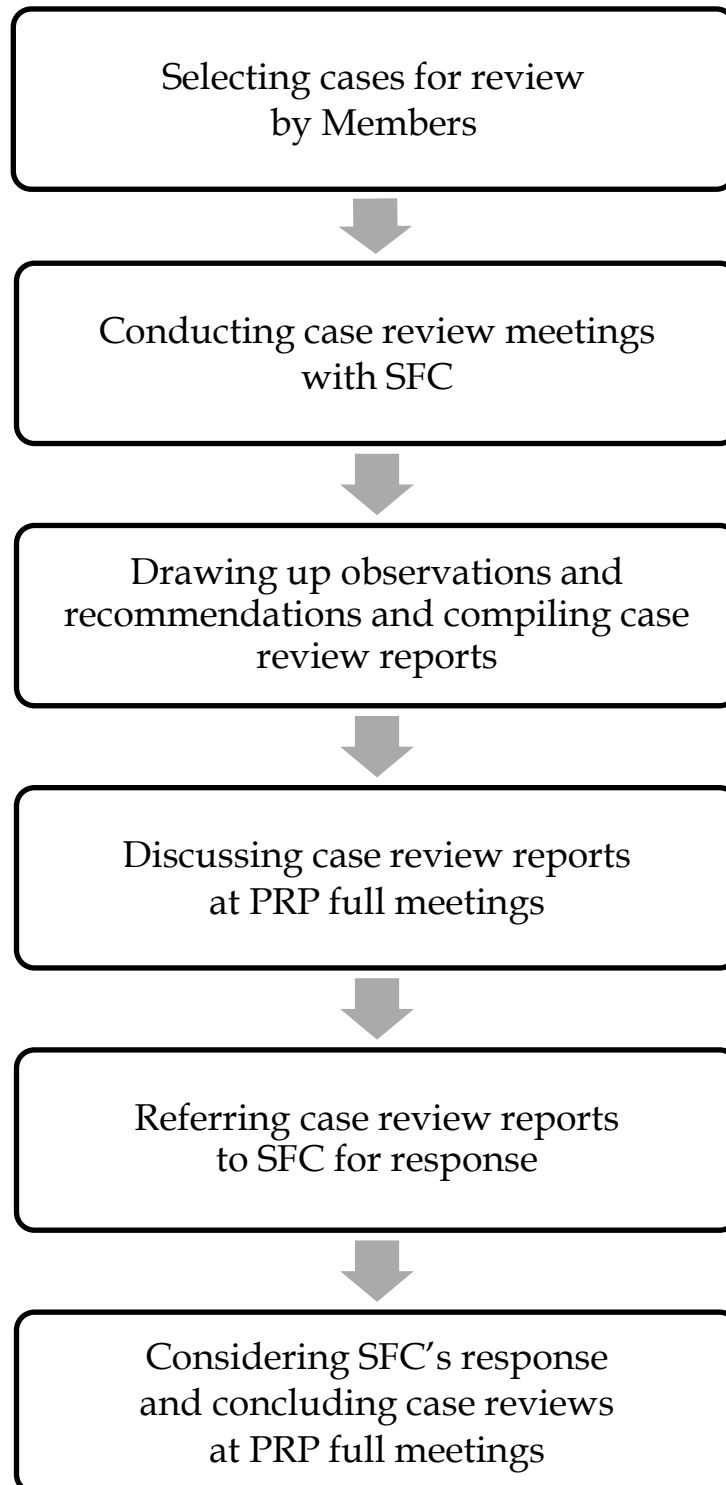
1.8 SFC also provides PRP with lists of on-going investigations and inquiry cases that have lasted for more than one year regularly for PRP to take note of and consider for review upon completion of the cases.

1.9 Based on PRP's selection, SFC provides case summaries, together with relevant internal manuals and operational guidelines, for PRP members' perusal.

1.10 PRP members are obliged to keep confidential the information provided to them in the course of PRP's work. To maintain the independence and impartiality of PRP, all PRP members are required to make declaration of interest upon commencement of their terms of appointment and declare their interest in the relevant matters before they engage in each case review and relevant discussions, as appropriate.

## Case Review Workflow

1.11 The workflow of a PRP case review is set out below –



## Composition

1.12 PRP comprises a Chairman and Members from the various sectors, including academic, financial, legal and accounting. The Chairman of SFC and the Secretary for Justice (or his representative) are ex-officio members of the PRP.

1.13 The membership of PRP from 1 November 2024 to 31 October 2026 is as follows -

### Chairman:

Ms KWOK Pui-fong, Miranda, JP	since 1 November 2024
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### Members:

Professor CHAN Ka-lok, MH	since 1 November 2022
Mr CHAN Siu-ping, Chordio	since 1 November 2024
Ms CHEN Xin, Lorna	since 1 November 2024
Mr CHEN Yung-ngai, Kenneth	since 1 November 2024
Ms CHING Kim-wai, Kerry	since 1 November 2020
Dr KWAN Pak-hoo, Bankee, BBS, JP	since 1 November 2024
Mr LAU Pak-wai, David	since 1 November 2024
Ms LEE Shun-yi, Jasmine	since 1 November 2024
Ms LIAN Shaodong, Doris, MH	since 1 November 2024
Mr LIN Xiaodong, Charles	since 1 November 2022
Ms SO Kwok-yan, Karen	since 1 November 2024
Dr WANG Lei, Levin, JP	since 1 November 2022

### Ex-officio Members:

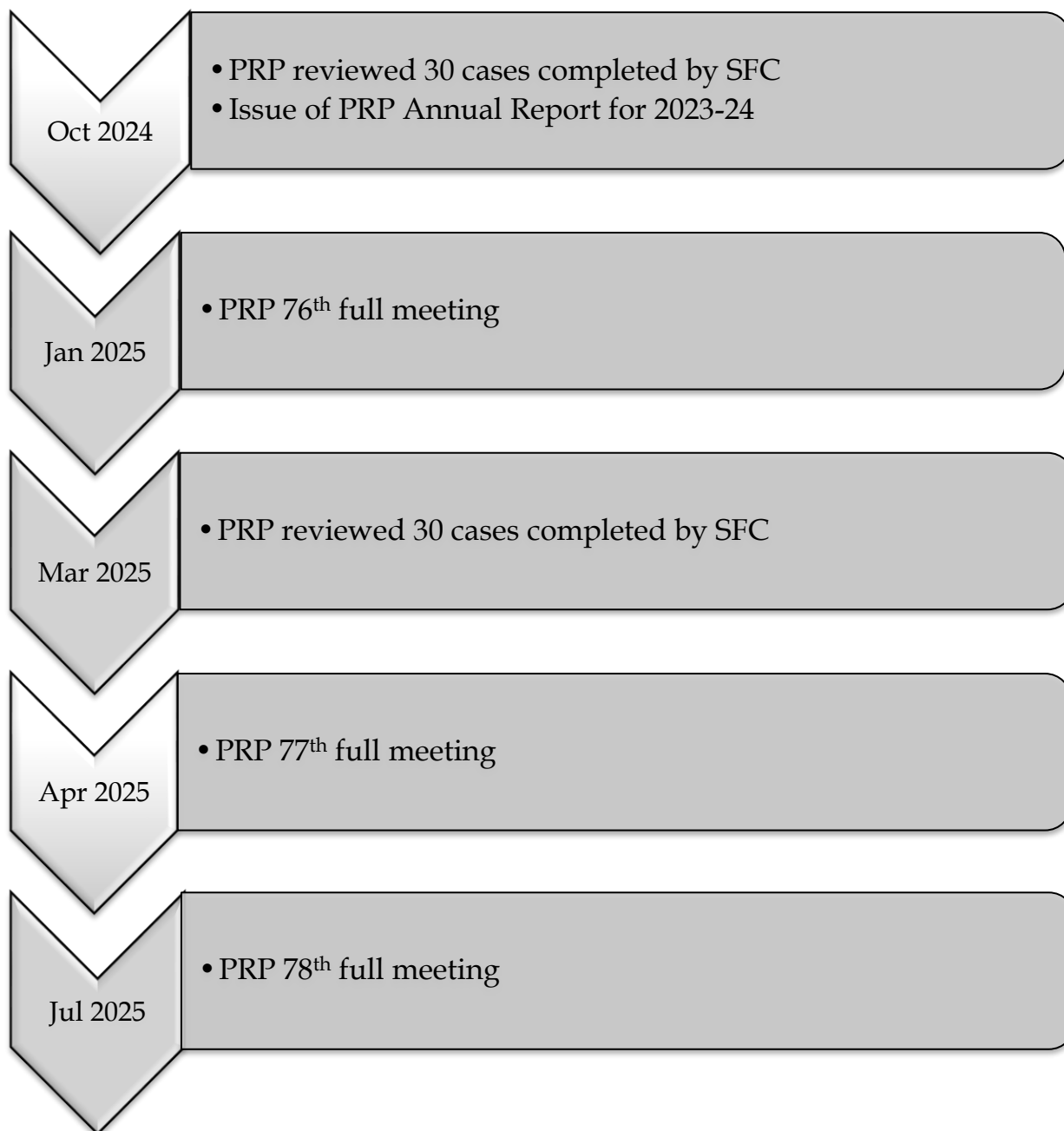
Chairman, the Securities and Futures Commission	
Mr WONG Tin-yau, Kelvin, SBS, JP	since 20 October 2024
Secretary for Justice's Representative	
Mr YUNG Lap-yan	until 2 February 2025
Dr YUNG Kin-chung, Boyce	since 3 February 2025

### Secretariat:

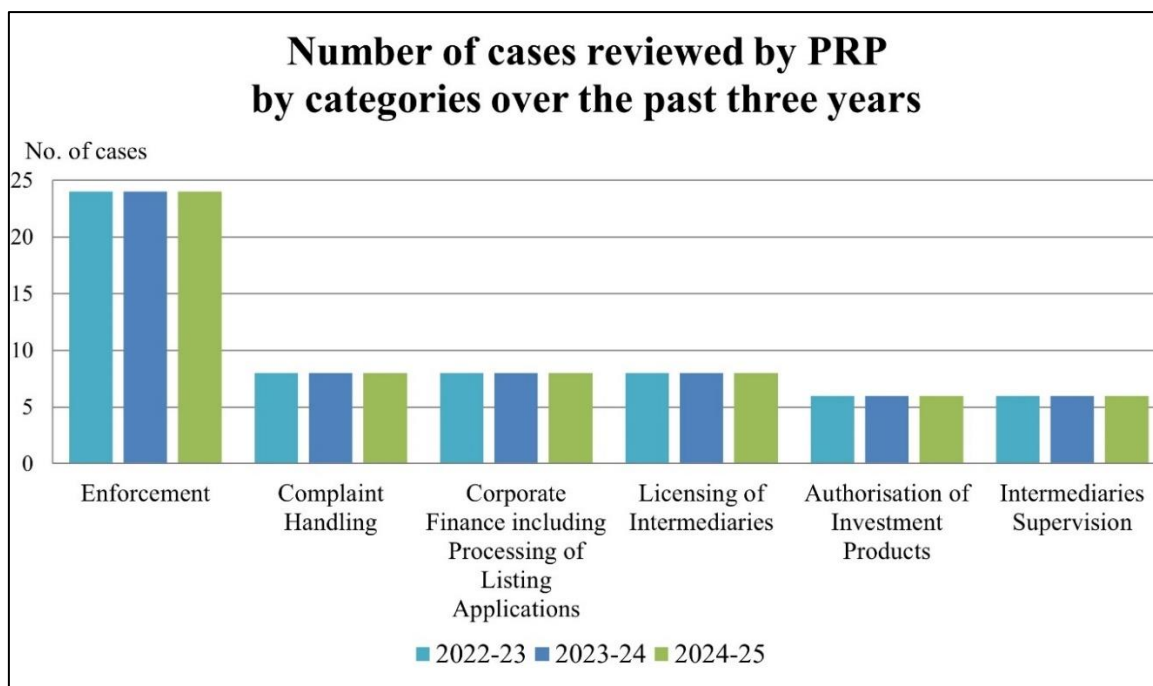
The Financial Services Branch of  
the Financial Services and the Treasury Bureau

## Chapter 2      Work of PRP in 2024-25

2.1                      Major events in 2024-25 are set out below –



2.2 Distribution of the cases reviewed by PRP in the past three years is as follows –



2.3 Distribution of the 60 cases reviewed by PRP in 2024-25 is as follows –

	No. of Cases
Enforcement	24
Complaint Handling	8
Corporate Finance including Processing of Listing Applications	8
Licensing of Intermediaries	8
Authorisation of Investment Products	6
Intermediaries Supervision	6
<b>Total</b>	<b>60</b>

2.4 Highlight of PRP's observations and recommendations is set out in Chapter 3.



## **Chapter 3      Observations and Recommendations on Cases Reviewed**

3.1            In 2024-25, PRP reviewed 60 cases which were concluded by SFC during the period from December 2023 to November 2024. The processing time of these cases, which were of different nature and complexity, ranged from around one week to several years. SFC presented case summaries and made available relevant case files to PRP for review. PRP observed that SFC had generally followed its operational guidelines and procedures in processing the cases.

3.2            Detailed observations and recommendations made by PRP on the following four key areas identified in case reviews are set out in the ensuing paragraphs –

- (a) strengthening case management;
- (b) deepening collaboration with cross-boundary authorities;
- (c) strategic planning of enforcement action; and
- (d) enhancing technology application.



## A. Strengthening Case Management

3.3 Of the 24 enforcement cases reviewed, PRP noted that the processing time ranged from three months to 16 years, and that it was sometimes lengthened by factors beyond SFC's control, such as the time required for legal proceedings<sup>1</sup>. Since efficient case handling is crucial to the effective discharge of SFC's regulatory functions, it would be highly beneficial for SFC to explore ways to speed up the processes which are under its control.

### *§ PRP's observations and suggestions*

3.4 In the following four enforcement cases reviewed, PRP made comments on SFC's case referral mechanism and monitoring of case progress –

*Case A:* This case concerned suspected market misconduct. The case handling process not only involved various divisions of SFC, but also external market expert, external counsel and DoJ. After LSD provided legal advice, it took around nine months to refer the case to DoJ for consideration of criminal prosecution. Upon obtaining DoJ's advice that there was insufficient evidence for criminal prosecution, around eight months were spent by ENF and LSD, in consultation with external counsel, to seek approval for commencing MMT proceedings. The case was concluded, with one person determined by MMT to have committed market misconduct, in around 9.5 years.

*Case B:* A former licensed representative of a company was found to have committed misconduct. After ENF completed

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<sup>1</sup> For an enforcement case, the processing time counts from commencement of investigation until the case is concluded, and hence it includes the time taken for legal proceedings involved. As regards the case which took 16 years to complete, PRP noted that the case was prolonged due to the lengthy judicial appeal processes initiated by both the SFC and the defendants, and did not raise adverse comments on the SFC's processing of the case.

the investigation, more than a year was spent to review the evidence and issue NPDA. The processing time of the case was around 3 years.

*Case C:* This case involved internal control deficiencies of a former LC. Referral was made to HKPF as the case also concerned suspected fraud. There seemed to be communication gaps between SFC and HKPF as the case was concluded with no further action in around 2.5 years.

*Case D:* In this market manipulation case, SFC issued a total of 62 notices under section 183 of the SFO to banks, brokers, telecommunication companies and internet service providers. Replies from two parties were only received after around 10 months. On the other hand, the external market expert engaged in this case took around 3.5 years to finalise his report. The case was concluded, with conviction of two people in the Court, in nearly 8 years.

#### *(a) Improving Case Referral Mechanism*

3.5 For Case A, PRP observed that both inter-divisional referral within SFC and SFC's referral of case to DoJ had taken considerable time. PRP suggested SFC to further streamline and minimise the administrative formalities for making inter-divisional referrals, and enhance case tracking by implementing benchmark or target timeframe for such referral.

3.6 Pursuant to the MOU between DoJ and SFC, SFC is required to, inter alia, seek DoJ's advice before initiating proceedings in MMT. PRP observed the need to speed up the process by referring cases to DoJ as early as possible. PRP recommended SFC to work out a practical approach with DoJ, with a view to expediting the initiation of legal proceedings.

#### *§ SFC's response*

3.7 SFC acknowledged the importance of improving the case referral mechanism. Internally, SFC has implemented a series of

measures to enhance the overall efficiency of the referral process between ENF and LSD. Regarding the case referral to DoJ, SFC has discussed with DoJ to streamline the process under the MOU. SFC would maintain close liaison with DoJ and evaluate the effectiveness of the current mechanism, with the goal of improving efficiency of the referral process.

***(b) Tightening the Monitoring of Case Progress***

3.8 PRP commented that the lapse of more than a year between the conclusion of investigation and issuance of NPDA was excessive in Case B, as this case was straightforward. PRP noted the need for ENF to review the evidence and precedent cases thoroughly to ensure fair disciplinary measures amid ENF's heavy caseload. However, given that timeliness is crucial to investor protection, PRP considered that there was room for SFC to speed up the disciplinary action.

3.9 For Case C, PRP recognised that criminal investigations conducted by HKPF would take precedence and SFC might be in a passive position in cases involving criminal elements. PRP viewed that SFC should strengthen its overall cooperation and coordination with HKPF to ensure the efficiency of SFC's investigatory work, and adopt a more proactive stance when liaising with HKPF. Where circumstances warrant, cases should be escalated to the senior management timely.

3.10 PRP had two recommendations regarding Case D. First, PRP suggested SFC to act more proactively in monitoring the time taken by relevant parties to respond to the notices issued under section 183 of the SFO. Second, the external market expert required additional time to finalise his report, which was mainly attributed to the volume of trading data and the numerous correspondences between SFC and the expert on re-calculation, data verification and further elaboration in the report. PRP also noted that this expert was engaged in two other cases of high priority at the same time. While acknowledging the importance and necessity of obtaining opinion from market expert, PRP suggested SFC to expand the pool of experts and closely monitor the responsiveness of the experts engaged.

## § *SFC's response*

3.11 For Case B, SFC responded that ENF has been exploring ways to enhance the process of taking disciplinary action, including actively identifying opportunities for early resolution as appropriate. ENF is mindful of the public interest and would take disciplinary action in a timely manner.

3.12 SFC noted PRP's comments on Case C. SFC recognised the importance of close cooperation and coordination with HKPF, particularly in cases involving criminal elements. SFC has maintained close collaboration with HKPF in combating crime and misconduct; and would build on this partnership, and further enhance the coordination on communications.

3.13 For Case D, SFC explained that the delayed responses to section 183 notices in this case constituted only a small fraction of all responses and did not hinder the overall investigation process. SFC stated that it would monitor the responses to section 183 notices and issue reminders where necessary. Moreover, SFC has been exploring ways to engage actively with various counterparties, such as banks and telecommunications companies, to streamline the issuance and response workflow for section 183 notices, with the aim of further reducing the turnaround time.

3.14 SFC noted PRP's comments on engagement of market experts. SFC pointed out that the long turnaround time in Case D was mainly due to the expert being occupied with other high-priority cases at the material time. Over the years, SFC has taken proactive measures to expand the pool of market experts. SFC would continue to engage actively with industry practitioners, academia, market professionals, etc. to expand the pool, and remain committed to ensuring timely and effective collaboration with the experts engaged.



## **B. Deepening Collaboration with Cross-boundary Authorities**

3.15 Several enforcement cases reviewed by PRP involved suspects or witnesses residing in or absconded to the Mainland. In one of these cases, ENF identified targets involved in suspected market manipulation, some of whom were on the Mainland. ENF did not request for investigatory assistance from CSRC as key evidence was not available. In another case of suspected market manipulation, all key suspects were based in the Mainland. SFC had obtained CSRC's assistance to locate and contact the major suspects. Both cases were concluded with no further action.

### **§ *PRP's comments and suggestions***

3.16 PRP noted that under the current enforcement cooperation mechanism between SFC and CSRC, priority would be given to cross-boundary cases with more promising enforcement outcome due to resource constraints. That was why ENF did not request for CSRC's assistance in the first case.

3.17 In another case reviewed, with CSRC's assistance, SFC was able to obtain written reply and supporting documents from and conduct interview with a suspect in the Mainland. PRP highlighted the benefits of cross-boundary collaboration between SFC and CSRC in enhancing investigative efficiency and combating market misconduct behaviour.

3.18 PRP appreciated SFC's effort in strengthening cooperation with CSRC in recent years, and encouraged SFC to foster closer working relations and further deepen collaboration with Mainland authorities including CSRC.

## § *SFC's response*

3.19 SFC has established a strong and effective cross-boundary enforcement cooperation framework with Mainland authorities through a series of MOU, including the tri-partite MOU on audit working papers signed by the Ministry of Finance, CSRC and SFC in 2019 and the bilateral MOU signed by CSRC and SFC in 2023 which further strengthened cross-boundary regulatory cooperation.

3.20 The cooperation framework has been evolving positively. Going forward, SFC would reinforce and deepen the collaboration with Mainland authorities. SFC would continue to conduct high-level regular meetings, frequent discussions on investigatory requests, mutual secondment programmes and joint training events with CSRC.

3.21 As a related point, SFC stated that ENF would remain proactive in assessing whether investigations should continue, particularly in cases where Mainland suspects have been uncontactable for an extended period of time. SFC would regularly evaluate the prospects of enforcement outcome and progress of investigation, with each case carefully assessed on its individual merits.



## C. Strategic Planning of Enforcement Action

3.22 In two enforcement cases reviewed, despite the substantial time and resources devoted by SFC in the investigation process, no legal or disciplinary action was ultimately taken.

3.23 In the first case, though ENF's findings substantiated a company's false or misleading disclosures and fictitious transactions, the case was concluded with no further action, mainly attributed to the limited prospect of successful enforcement outcome. In this case, the main culprit was arrested by the Mainland police while the remaining suspects could not be located.

3.24 When reviewing another case which involved suspected false trading and price rigging, LSD advised that no criminal prosecution would be instituted but there was sufficient evidence to refer the case to MMT. However, after nine months spent on preparation of documents for the proceedings, the effort ended up futile as ENF could not locate the key suspects who were based in the Mainland.

### *§ PRP's comments and recommendations*

3.25 PRP considered the result of the first case highly undesirable as the concerned company's breaches and eventual delisting were detrimental to the interests of investors. PRP suggested SFC to review and consolidate its experience from past investigations with a view to achieving more successful enforcement outcomes in future. Besides, PRP commented that SFC might refer cases related to misconduct by auditors to AFRC at an earlier stage such that AFRC could take timely regulatory action within its remit.

3.26 In the second case, while PRP recognised the need for SFC to consider multiple factors including legal standpoint and availability of realisable assets when seeking remedies from suspects, PRP considered that SFC should take a more proactive approach to implement measures to safeguard the interests of the affected investing public, for instance,



applying for an injunction order to freeze any available asset held by the suspects prior to conclusion of investigation or completion of relevant administrative procedures.

### *§ SFC's response*

3.27 SFC responded that it would review and refine the strategies for cross-boundary investigations continuously, and pursue other avenues to deliver deterrent messages regularly. For example, SFC has stepped up its collaboration with SEHK in sanctioning listed company directors. Under the enhanced disciplinary regime implemented by SEHK in July 2021, wrongdoers could be effectively prevented from serving as directors of listed companies in Hong Kong. Since the enhanced collaboration with SEHK from 2022 onwards, SFC has been proactively sharing its findings with SEHK for it to consider taking disciplinary sanctions, which allowed SFC to tackle misconduct of non-Hong Kong residing senior management of listed companies more effectively and efficiently.

3.28 As regards PRP's suggestion on safeguarding the interests of SFC and the public, SFC responded that ENF has been implementing various measures proactively, including the preservation and recovery of available assets for the benefit of the affected investing public. Actions taken included the issuance of restriction notices to LCs and the pursuit of court orders under section 213 of the SFO. SFC would carefully assess each measure on its individual merits before making decisions, including the timing of implementation.



## D. Enhancing Technology Application

3.29 In two enforcement cases involving suspected matched trades, SFC had dedicated substantial amount of time and effort to handle trading data.

3.30 In a case reviewed, SFC took more than one year to analyse and compute relevant figures for gathering important evidence across over 1.8 million futures contracts. In another case which involved the consideration of a large volume of transactions and trading data in the seized electronic devices, SFC spent a significant amount of time to communicate with brokers to verify data, largely due to the incompleteness of the trading data they provided.

3.31 The lack of suitable computer software or technology during the then investigation presented technical hurdles for SFC, inevitably prolonged the case processing time.

### *§ PRP's comments and suggestions*

3.32 PRP noted the obstacles SFC encountered when handling trading data and preparing evidence in the aforementioned two cases. PRP appreciated SFC's introduction of new technologies in recent years, which facilitated and expedited the investigation and referral processes. Going forward, PRP suggested SFC to continue exploring the adoption of information technology including AI to enhance the efficiency in investigation process.

### *§ SFC's response*

3.33 With the launch of the investor identification regime for the securities market in Hong Kong in March 2023 and the enhancement of market surveillance tools, the issue of incomplete trading data from brokers was resolved and the visibility of trading data has improved.

3.34 SFC noted PRP's suggestion and responded that it has been adopting technology as far as practicable and would continue its effort in utilising new technologies including AI. In particular, various solutions would be deployed by ENF to enhance investigative efficiency and streamline procedural workflows. Besides, LSD would consider adopting a suitable AI solution to accelerate the completion of time-consuming tasks, such as document analysis, and to streamline legal workflows. SFC supplemented that data security would be a prerequisite for adoption of any technological tool by SFC.



## Chapter 4      Way Forward

4.1            Since its inception in November 2000, PRP has reviewed over a thousand cases processed by SFC. Over the years, PRP provided SFC with constructive recommendations across various areas. PRP is delighted to note that SFC has taken on board many of our suggestions and has continuously enhanced the efficiency and effectiveness of its internal procedures and guidelines.

4.2            PRP put forth several areas for improvement on SFC's case handling processes during the year. PRP hopes that SFC could adopt a more proactive stance at various stages of case handling, with the aim of streamlining workflows, shortening case processing time and achieving better enforcement outcomes.

4.3            Amidst the rapid technological advancement, increasingly complex forms of local and cross-boundary misconduct and launch of new investment products and trading platforms, PRP is fully aware of the challenges faced by SFC. PRP appreciates SFC's persistent efforts in recent years to strengthen the cooperation with Mainland authorities and increase the adoption of technology to streamline workflows. PRP looks forward to seeing SFC put greater efforts in deepening collaboration with cross-boundary authorities and enhancing the use of technology.

4.4            Stepping into its 25<sup>th</sup> anniversary, PRP remains dedicated to its goal of reviewing the fairness and reasonableness of SFC's operational procedures and monitoring whether SFC's procedures are consistently followed. PRP will continue to carry out its functions impartially and independently and work towards closer collaboration with SFC.

4.5 PRP welcomes and attaches great importance to the views of stakeholders and the public. Comments on the work of PRP can be referred to the Secretariat of the PRP through the following channels<sup>2</sup> –

By post: Secretariat of the Process Review Panel  
for the Securities and Futures Commission  
24<sup>th</sup> Floor, Central Government Offices  
2 Tim Mei Avenue  
Tamar  
Hong Kong

By email: [prp@fstb.gov.hk](mailto:prp@fstb.gov.hk)

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<sup>2</sup> Enquiries or comments on the work of SFC, not relating to process review, should be made to SFC directly -

By post : Securities and Futures Commission,  
54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong  
By telephone : (852) 2231 1222  
By fax : (852) 2521 7836  
By email : [enquiry@sfc.hk](mailto:enquiry@sfc.hk)

## **Chapter 5      Acknowledgement**

5.1            PRP would like to express its gratitude to SFC for its unwavering support and collaboration in the review work.

**Process Review Panel for the Securities and Futures Commission  
December 2025**