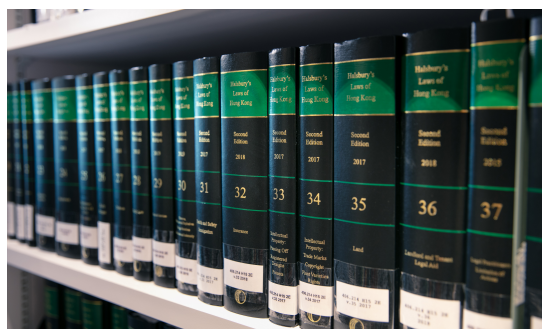


Enforcement

Court proceeding

In the Court of First Instance, we obtained a disqualification order under section 214¹ of the Securities and Futures Ordinance (SFO) against Lin Supeng, former executive director of Anxin-China Holdings Limited, from serving as a director or taking part in the management of any corporation in Hong Kong for eight years for failing to discharge his duties to ascertain the company's financial position.



Disciplinary actions

We disciplined two licensed corporations and five individuals during the quarter, resulting in total fines² of \$11.95 million.

Anti-money laundering regulatory breaches

Name	Breaches	Action
Budihardjo Wilhelm Soeharsono and Shing Yan	Failed to discharge their duties as members of senior management and responsible officers of Sino-Rich Securities & Futures Limited, which contributed to the firm's breaches of anti-money laundering and counter-terrorist financing (AML/CFT) regulatory requirements when handling cash deposits and third-party fund transfers	Suspended for 10 months and seven months, respectively
Leung Tak Shing, Raymond	Failed to discharge his duties as a member of the senior management of Yardley Securities Limited, which contributed to the firm's breaches of AML/CFT regulatory requirements when handling third-party fund transfers	Reprimanded and fined \$400,000

Internal control deficiencies

Company/Name	Breaches	Action
UBS AG and UBS Securities Asia Limited	Internal control failures concerning disclosures of interests in listed securities covered in UBS' research reports, telephone recordings of client instructions, know-your-client requirements in assessing clients' derivatives knowledge and product risk disclosures in the sale of a structured note to clients	Reprimanded and fined \$9.8 million and \$1.75 million, respectively

¹ Under section 214 of the SFO, the SFC may seek disqualification, compensation and other orders for breaches of duty by current and former directors of listed corporations.

² Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

Enforcement

Other regulatory breaches

Company/Name	Breaches	Action
Lau Kwo	Made false representations in client account opening documents and conducted trades in client accounts without his employer's knowledge	Banned from re-entering the industry for 12 months
Cheung Man Chit	Submitted false client documents and information to his employers, transferred client money through his related bank accounts and conducted trades in a client's account without his employers' knowledge	Suspended for two years

Joint operations with the Police and ICAC

During the quarter, we conducted a joint search operation with the Commercial Crime Bureau (CCB) of the Hong Kong Police Force at the office of a listed company and the residences of its former senior executives in a case of suspected corporate fraud involving a total of \$450 million. Two persons were arrested by the Police during the operation for the alleged offences of conspiracy to defraud, theft and money-laundering.

We also conducted joint operations with the Independent Commission Against Corruption (ICAC) in two separate investigations where we searched the offices of listed companies and the premises of their related parties. One case involved a suspected ramp-and-dump market manipulation scheme and the other was related to suspicious money lending activities and possible misconduct by the company's management. The ICAC arrested six persons for suspected corruption offences under the Prevention of Bribery Ordinance during these operations.

Following a joint SFC-ICAC operation in 2017, four individuals, including two former senior executives of Convoy Global Holdings Limited, were charged by the ICAC and convicted at the District Court of conspiracy to defraud the company and its board of directors and shareholders as well as the Stock Exchange of Hong Kong Limited over the placement of bonds issued by Convoy Global.

Unregulated virtual asset platforms

In July, we issued a statement to clarify that no entity in the Binance group is licensed or registered to conduct regulated activities in Hong Kong. Binance has offered trading services in stock tokens³ in a number

of jurisdictions. Where stock tokens are "securities", it may be an offence to offer them to the Hong Kong public without the SFC's authorisation or registration. We warned investors to exercise extreme caution if they plan to invest in stock tokens offered on unregulated platforms.

Enforcement cooperation with the CSRC

Despite travel restrictions amidst the COVID-19 pandemic, the China Securities Regulatory Commission (CSRC) continued to provide efficient and effective investigatory assistance in high-impact cases during the quarter.

Together with the Enforcement Bureau of the CSRC, the CCB of the Hong Kong Police Force and the Securities Crime Investigation Department of the Ministry of Public Security of the People's Republic of China, we are exploring ways to facilitate cross-boundary enforcement collaboration on top priority cases on the basis of the consensus reached at our four-party meeting held in December 2020.

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,733 requests for trading and account records from intermediaries in the quarter.

We published three high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

³ Stock tokens are virtual assets which are represented to be backed by depository portfolios of overseas listed stocks. The prices of the tokens closely track the performance of the stocks. In Hong Kong, stock tokens are likely to be "securities" under the SFO and if so, they are subject to the regulatory remit of the SFC.

Enforcement

Enforcement activities

	Quarter ended 30.9.2021	Six months ended 30.9.2021	Six months ended 30.9.2020	YoY change (%)
S179 ^a inquiries commenced	17	32	16	100
S181 ^b inquiries commenced (number of letters sent)	66 (2,733)	129 (5,052)	133 (4,783)	5.6
S182 ^c directions issued	97	126	86	46.5
Investigations started	68	130	90	44.4
Investigations completed	34	65	115	-43.5
Individuals and corporations charged in criminal proceedings	0	2	8	-75
Criminal charges laid	0	18	11	63.6
Notices of Proposed Disciplinary Action ^d issued	15	25	13	92.3
Notices of Decision ^e issued	8	15	19	-21.1
Individuals and corporations subject to ongoing civil proceedings ^f	178	178	155	14.8
Compliance advice letters issued	57	93	109	-14.7
Cases with search warrants executed	5	25	4	525

a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

e A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

f As of the last day of the period.