

Intermediaries

Licence applications

In the quarter, we received 1,517 licence applications¹ (including 43 corporate applications), down 2.9% year-on-year but up 17% from the last quarter.

As at 30 June, the number of licensees and registrants remained stable at 48,533, of which 3,261 were licensed corporations.

Mandatory e-submissions via WINGS

To move to a paperless licensing process, online submissions of corporate licence applications, notifications and regulatory filings via WINGS² became mandatory on 1 April. This followed a three-month transition period after the launch of the fully digitalised licensing platform on 3 January. As of the end of June, more than 70,000 applications and other submissions were filed through WINGS. We noted that industry participants have become familiar with the use of the platform and efficiency gains have been realised.

Virtual assets

In April, we granted approval-in-principle to Hash Blockchain Limited — the second virtual asset trading platform operator in Hong Kong. Formal licence will be granted subject to the company's completion and submission of outstanding required items.

In June, the Government gazetted the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022, which seeks to introduce a new licensing regime for centralised virtual asset exchanges trading non-security tokens in Hong Kong to be regulated by the SFC.

In a June statement, we warned investors of the risks associated with non-fungible tokens (NFTs) and reminded the industry that where NFTs cross the boundary between a collectible and a financial asset, they may be subject to our regulation.

Supervision

During the quarter, we conducted 60 on-site inspections of licensed corporations to review their compliance with regulatory requirements. We held a supervisory memorandum of understanding meeting with the China Securities Regulatory Commission to discuss cross-boundary cooperation and supervision of Hong Kong subsidiaries of Mainland securities firms.

Conduct standards in capital market transactions

In May, we published a set of frequently asked questions to provide further guidance for intermediaries to comply with the new conduct requirements for bookbuilding and placing activities under paragraphs 17.1A and 21 of the Code of Conduct³, including transitional arrangements related to the "Sponsor Coupling" requirement and clarifications of our conduct expectations for debt offerings. The new requirements came into effect on 5 August.

Licence holders insurance scheme

An industry working group, which operates with secretariat support from the SFC and comprises representatives from broker associations and brokerages, agreed to appoint a scheme administrator to arrange two master policies⁴ of insurance covering licensed corporations which are SEHK⁵ or HKFE⁶ participants for the year from 1 April 2022 to 31 March 2023. In May, we issued a circular regarding the arrangements for the insurance scheme.

¹ The figure does not include applications for provisional licences. See the table on licensing applications on page 6 for details.

² Web-based INteGrated Service.

³ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

⁴ Under each master policy of insurance, an insured participant will be indemnified for financial losses owing to fidelity risks relating to its activities of dealing in securities, futures contracts or both, subject to an indemnity limit of \$15 million per regulated activity per year and a deductible amount of \$3 million per claim or loss.

⁵ The Stock Exchange of Hong Kong Limited.

⁶ Hong Kong Futures Exchange Limited.

Intermediaries

Licencees and registrants

	As at 30.6.2022	As at 31.3.2022	Change (%)	As at 30.6.2021	YoY change (%)
Licensed corporations	3,261	3,231	0.9	3,174	2.7
Registered institutions	111	111	0	114	-2.6
Licensed individuals	45,161	45,059	0.2	44,239	2.1
Total	48,533	48,401	0.3	47,527	2.1

Licensing applications

	Quarter ended 30.6.2022	Quarter ended 31.3.2022	Change (%)	Quarter ended 30.6.2021	YoY change (%)
Applications to conduct new regulated activity	5,927	4,997	18.6	5,570	6.4
Applications for SFC licences [^]	1,517	1,294	17.2	1,563	-2.9

[^] Figures do not include applications for provisional licences. During the quarter, we received 1,025 provisional licence applications compared with 1,132 in the same quarter last year.

Intermediary inspections

	Quarter ended 30.6.2022	Quarter ended 31.3.2022	Change (%)	Quarter ended 30.6.2021	YoY change (%)
On-site inspections conducted [^]	60	64	-6.3	71	-15.5

[^] Including inspections conducted remotely in light of the COVID-19 pandemic.