

# Intermediaries

## Licence applications

In the quarter, we received 1,470 licence applications<sup>1</sup> comprising 1,427 individuals and 43 corporations, down 23% from the previous quarter and 16% from the same quarter last year.

As at 31 December, there were 48,678 licensees and registrants, of which 3,253 were licensed corporations and 111 were registered institutions. During the quarter, the number of new licensees and registrants totaled 2,652<sup>2</sup>, amongst which 2,619 were individuals and 33 were licensed corporations and registered institutions. Of the 59 licensed corporation applications approved during the quarter, Type 9 (asset management) regulated activity<sup>3</sup> (RA) accounted for 46% and Type 4 (advising on securities) for 39%. The number of firms licensed for Type 9 regulated activity (asset management) increased by six to 2,069.

## Risk management guidelines for licensed futures brokers

In November, we launched a consultation on proposed risk management guidelines for licensed persons dealing in futures contracts. The consultation set out our expected risk management standards to help futures brokers better manage the risks relating to their business. Before drafting the guidelines, we conducted a fact-finding exercise in late 2021 to collect up-to-date business information from more than 40 futures brokers of different sizes to understand their turnover data, client bases and margining and other risk management practices. In the guidelines, we also made reference to regulations in other jurisdictions and discussed key proposals with a wide spectrum of industry practitioners to gauge the challenges to implementation. The consultation ended in January 2023 and we are analysing the responses.

## Revised Business and Risk Management Questionnaire

To enhance the effectiveness of our risk-based supervision, we issued a revised Business and Risk Management Questionnaire<sup>4</sup> in December to collect additional data and information about a variety of functions and business activities of licensed corporations and associated entities. For example, more granular client and transaction data will be collected to help us identify and analyse money laundering and terrorist financing risk exposures of licensed corporations and associated entities. Licensed corporations and associated entities are required to complete the revised questionnaire for financial years ending on or after 30 November 2023.

## Virtual assets

In November, we granted a licence under the Securities and Futures Ordinance (SFO) to a second virtual asset trading platform operator in Hong Kong. In December, the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 was passed by the Legislative Council, enabling the new licensing regime for virtual asset service providers to take effect on 1 June 2023. During the quarter, we hosted about 15 soft consultation meetings with more than 30 stakeholders in preparation for a public consultation on the proposed regulatory requirements for the new regime.

We issued a statement in December reminding investors of the significant risks associated with virtual asset platforms offering virtual asset “deposits”, “savings”, “earnings” or “staking” services to investors in Hong Kong. The statement also reminded the industry of the potential legal requirements when offering these virtual asset arrangements.

## Restriction notice

In November, we issued a restriction notice to Goldride Securities Limited owing to a managerial vacuum caused by the decease of its sole shareholder. We consider it desirable in the interest of Goldride’s clients and the investing public to subject the company to the prohibitions imposed by the restriction notice.

<sup>1</sup> The figure does not include applications for provisional licences.

<sup>2</sup> Including provisional licensed representatives.

<sup>3</sup> Each licensed corporation may have multiple RA licences.

<sup>4</sup> All licensed corporations and associated entities are required to submit the completed questionnaire to the SFC under section 156 of the Securities and Futures Ordinance.

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### Licensees and registrants

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Licensed corporations	3,253	3,231	0.7	3,210	1.3
Registered institutions	111	111	0	111	0
Licensed individuals	45,314	45,059	0.6	45,336	0
<b>Total</b>	<b>48,678</b>	<b>48,401</b>	<b>0.6</b>	<b>48,657</b>	<b>0</b>

### Licensing applications

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
Applications to conduct new regulated activity	5,059	12,571	19,338	-35
Applications for SFC licences <sup>^</sup>	3,367	3,367	5,502	-38.8

<sup>^</sup> Figures do not include applications for provisional licences. During the quarter, we received 844 provisional licence applications compared with 1,219 in the same quarter last year.

### Inspections of licensed corporations

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
On-site inspections commenced <sup>^</sup>	54	167	198	-15.7

<sup>^</sup> Including inspections conducted remotely in light of the COVID-19 pandemic.