Maintaining market resilience and mitigating serious harm to our markets



Resilience is crucial to fortifying our financial markets against volatilities and driving sustainable growth. We are committed to upholding the markets' integrity, resilience and investor protection to maintain Hong Kong's status as a premier international financial centre and risk management hub.

Managing systemic risks to ensure market stability

Ensuring market resilience amid volatility

We actively monitor the markets to ensure smooth trading, clearing and settlement. We maintained close oversight on 7 April when the Hang Seng Index plummeted 3,021 points (13.2%) – its largest single-day drop in history in terms of index points – following heightened global trade tensions. Under the highly volatile markets, the exchanges maintained normal operations, with all exchange participants meeting settlement obligations, including ad-hoc margin calls. No systemic risks, excessive leverage, position concentration, or irregularities were observed. Selling pressure was offset by active buying, and trading spreads remained tight. The market showed strong resilience and rebounded significantly when trade tensions eased subsequently, outperforming other major markets.

Enhancing HKEX oversight and risk management

In the quarter, the SFC continued to engage in discussions with Hong Kong Exchanges and Clearing Limited (HKEX) on various initiatives to enhance its risk management capabilities. Following our approval, HKEX implemented scheduled intra-day margin calls for the derivatives market in June to improve the predictability of intra-day margin calls and hence enable clearing participants to effectively plan their funding arrangement.

Strengthening intermediaries' resilience and internal controls

To ensure the regulatory compliance and operational resilience of licensed intermediaries, we commenced 62 on-site inspections in the quarter.

We commenced a thematic inspection in April to assess securities brokers' compliance with applicable regulatory requirements when engaging financial influencers (finfluencers) and digital platforms to market financial products and services. The inspection included reviewing selected securities brokers' due diligence and evaluating their monitoring of finfluencers and digital platforms.

Inspections of licensed corporations

	Quarter ended 30.6.2025	Quarter ended 31.3.2025	QoQ change (%)	Quarter ended 30.6.2024	YoY change (%)
On-site inspections commenced	62	65	-4.6	65	-4.6

We issued a circular to highlight observations from our review of securities brokers' control measures for protecting client assets. It also set out the regulatory standards in areas such as amendments to client particulars, handling of email requests and transactions involving third parties, operation of bank accounts, as well as identification and monitoring of dormant accounts.

Combatting suspicious activities and investment scams

Supporting global call to combat online scams

We supported the International Organization of Securities Commissions' (IOSCO[1]) call on online platform providers to collaborate with regulators in curbing sophisticated online scams targeting retail investors. These scams, particularly impersonation scams, have surged globally and in Hong Kong. We also encouraged these platform providers to utilise alerts posted on our website and IOSCO's revamped I-SCAN network[2] to more effectively block illegal investment offerings, issue warnings, and prevent flagged firms from advertising.

This echoed the IOSCO's statement issued in May, which urged online platform providers to promptly remove fraudulent content and adopt robust anti-scam measures, such as user verification and pre-vetting mechanisms.

Joining global efforts to curb illegal finfluencer practices

Recognising the global phenomenon of unlawful activities of finfluencers and the need for international cooperation to counter this problem, we joined regulators from around the globe to participate in IOSCO's campaign "Global Week of Action Against Unlawful Finfluencers" in June.

This initiative brought together regulators worldwide to use supervisory and enforcement powers to disrupt illegal activities of finfluencers. It was combined with education and consumer awareness programmes to remind investors of the risk of acting on misleading content from finfluencers.

Strengthening prevention of phishing and unauthorised trading

Noting an increase in unauthorised trading incidents at licensed corporations (LCs), we provided guidance to them on preventing and handling these incidents in critical areas. We urged LCs to sign up for the SMS Sender Registration Scheme to help their clients verify the identity of text message senders and prevent impersonation fraud. We also asked them to raise client awareness by stepping up client engagement, and to enhance procedures and controls for identifying unauthorised access and transactions in client accounts.

Prior to that, we also guided LCs on our expected standards for phishing detection and prevention, in light of reports about phishing attacks that led to unauthorised transactions in their clients' accounts and financial losses for clients. We urged LCs to refrain from sending electronic messages with embedded hyperlinks or requesting sensitive client information via such links, in addition to sending clients regular security alerts and implementing an effective surveillance mechanism.

1 IOSCO is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation. Its membership regulates more than 95% of the world's securities markets in 130 jurisdictions.
2 In March 2025, IOSCO launched the I-SCAN which is a global repository of alerts and warnings about unlicensed firms providing investment services or engaging in illegal financial activities.



Our Commission Secretary and Chief Governance Officer, Mr Paul Yeung, warned against common scam tactics and provided tips to avoid them on TVB's infotainment programme "Scoop"

Investor alerts against suspicious entities

We continued to monitor and investigate illegal activities involving or purporting to involve virtual asset trading platforms (VATPs) through our joint working group with the Hong Kong Police Force (Police). Our concerted efforts resulted in the Police swiftly blocking access to the websites of entities involved in suspected virtual asset (VA)-related fraud.

During the quarter, we added 14 entities onto our Alert List on our website to warn the public of suspicious websites and unlicensed entities.

Stepping up anti-scam investor education

To further raise anti-scam awareness, we extended the publicity of our "Don't Be Sucker" campaign through MTR station commercials and a TV infotainment programme, which had garnered more than 1.6 million views up to end-June by estimation. During the quarter, the campaign's dedicated Instagram account published 26 posts with views by over 480,000 unique Instagram users.

Combatting misconduct of all forms

During the quarter, we fined[3] two licensed corporations for a total of $6.2 million. We disciplined eight individuals by suspending their licences or prohibiting them from re-entering the industry for periods of five months to three years.

Additionally, we initiated 14 new enquiries into listed company affairs under section 179[4] of the Securities and Futures Ordinance (SFO), and 62 new investigations into different forms of misconduct under section 182[5] of the SFO.

As part of our front-loaded approach in combatting corporate misconduct, we monitor the announcements and disclosures of listed companies to identify potential misconduct and irregularities, including behaviour that appeared to be unfairly prejudicial to interests of the shareholders and possible false or misleading disclosure. In nine cases, we issued section 179 directions to gather additional information during the quarter.



Eye-catching anti-scam advertisements in MTR stations remind the public to stay vigilant against investment traps

3 Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.
4 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.
5 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.



Counteracting insider dealing and market manipulation

- The Eastern Magistrates' Court has fixed, on a preliminary basis, trial dates beginning on 24 November 2025 for our prosecution against Wong Pak Ming, who has been charged with insider dealing involving the shares of Transmit Entertainment Limited (formerly Pegasus Entertainment Holdings Limited). Wong allegedly counselled or procured another person to trade Pegasus's shares in 2017 when possessing inside information as the firm's controlling shareholder.

- The Eastern Magistrates' Court sentenced Lin Tai Fung and his brother-in-law, Or Chun Nin to 240 hours and 160 hours of community service respectively after they pleaded guilty to the offences of conspiracy to commit false trading in the shares of Pa Shun International Holdings Limited between 2017 and 2018. Lin was also convicted for failing to notify the Stock Exchange of Hong Kong Limited about changes in his interest in Pa Shun.

- We obtained an arrest warrant from the Eastern Magistrates' Court for Liu Shaolin in connection with four charges of false trading in the shares of Pak Wing Group Holdings Limited. Under section 213 of the SFO, we are also seeking an order against Liu in the Court of First Instance (CFI) to restore affected counterparties to their pre-transaction positions.

- The District Court has set the trial date to 14 September 2026 for Stevens Yip Chi Fai, So Lung Ying, Lau Ka Wing and Chan Sin Ying. They are key members of an alleged sophisticated ramp-and-dump syndicate.

Tackling corporate misconduct

We obtained orders in the CFI for a record compensation via special dividends for the public shareholders of Combest Holdings Limited, and to disqualify a shadow director, Ng Kwok Fai, and two former executive directors, Liu Tin Lap and Lee Man To, of the now delisted company for eight to 12 years. The court order was granted following a first-of-its-kind settlement we secured, requiring the trio to pay about $192 million to independent public shareholders as special dividends.

Our investigation found that the trio orchestrated the acquisition of two subsidiaries that were substantially overvalued in 2016 and 2017. They also arranged payments of fictitious loan interests and fees to entities related to Ng, and grossly inflated Combest's revenue between 2016 and 2019.

During the quarter, we also obtained disqualification orders in the CFI against:

- a former financial manager, Lu Ying, former executive directors, Ren Hai and Peng Guojiang, and a former independent non-executive director, Ting Tit Cheung, of National Agricultural Holdings Limited for periods ranging from two to nine years. The Court found that their misconduct led to the dissipation of approximately $3 billion of the company's funds from 2015 to 2017; and

- Ho Siu Man, a former executive director of First Credit Finance Group Limited for seven years. Ho admitted to breaching her fiduciary duties to First Credit by failing to disclose Cho Kwai Chee's de facto directorship. As a result, the company published announcements related to certain share placement and rights issuance that contained false and misleading statements regarding the independence of Cho and his brother. She had also failed to consider the dilution impact of the share placement on shareholders before approving it.

The CFI determined the buy-out offer details for Wen Yibo, former chairman and executive director of Sound Global Ltd., requiring him to purchase shares in the company held by minority shareholders. Wen was found to have falsified Sound Global's bank balances and fabricated bank statements and balance confirmations.

Acting against intermediary misconduct

- We reprimanded and fined Interactive Brokers Hong Kong Limited $4.2 million for regulatory breaches in handling client assets. Our investigation revealed that between 2017 and 2020 it relied on the expired standing authority of 7,911 clients to loan their listed securities pursuant to a securities borrowing and lending agreement. It also failed to send clients renewal notices of the standing authority.
- We reprimanded and fined Sino-Rich Securities & Futures Limited $2 million for failures concerning its margin lending policy and practices. We also suspended the licence of its responsible officer (RO) and manager-in-charge, Budihardjo Wilhelm Soeharsono, for five months and two weeks, for failing to discharge his duties.

Other disciplinary actions

Name	Breach	Action/Fine
PUN Hong Hai	Failed to discharge duties as Freeman Commodities Limited's RO and senior management on using customer supplied systems and monitoring suspicious money movements and trading patterns in client accounts	Suspended for 10 months
LAW Man Wai	Executed a total of 109 matched or wash trades in nine stocks in the accounts of his sister and friend, as well as his own personal account; intentionally concealed his beneficial interests and personal trades in these accounts	Banned from re-entering the industry for three years
Hadiee CHUI Lai Chun	Failed to disclose personal trading account and conducted personal trades through the undisclosed account without her principal's prior approval	Suspended for seven months
WONG Lai Suen	Failed to properly manage credit risks and to identify and report suspicious trading patterns of clients	Banned from re-entering the industry for six months
HO Hin Hang	Failed to discharge duties as Lion Futures Limited's RO and senior management on compliance with anti-money laundering and counter-financing of terrorism (AML/CFT) and other regulatory requirements	Banned from re-entering the industry for five months
MUI Chok Wah	Criminal conviction for theft and delay in notifying the SFC of his criminal charge	Licence revoked and banned from re-entering the industry for two years
KAO Cheng Yung	Failed to discharge duties as CSC Futures (HK) Limited's RO and senior management on compliance with AML/CFT and other regulatory requirements	Banned from re-entering the industry for six months

Other notable cases

- Lai Ka Yi has filed an application with the Court of Final Appeal for leave to appeal against her previous conviction and sentence. The Eastern Magistrates' Courts previously convicted her of holding herself out as carrying on a business in dealing in securities without an SFC licence, sentencing her to two weeks' imprisonment and ordering her to compensate a victim.
- The Eastern Magistrates' Courts set down the pre-trial review of our prosecution case against Chau Pak Yin[6], a finfluencer, after he pleaded not guilty to advising on securities whilst unlicensed. Chau allegedly carried on a business of advising on securities in Hong Kong through a Telegram chat group without an SFC licence.

Enforcement activities

	Quarter ended 30.6.2025	Quarter ended 31.3.2025[g]	QoQ change (%)	Quarter ended 30.6.2024	YoY change (%)
S179[a] inquiries commenced	**14**	14	0	7	100.0
S181[b] inquiries commenced (number of letters sent)	**45(1,446)**	56(1,560)	-7.31	42 (1,223)	18.2
S182[c] directions issued	**62**	55	12.7	55	12.7
Investigations started	**67**	56	19.6	55	21.8
Investigations completed	**43**	51	-15.7	62	-30.6
Individuals and corporations charged in criminal proceedings	**0**	3	-100	0	0.0
Criminal charges laid	**0**	6	-100	0	0.0
Notices of Proposed Disciplinary Action[d] issued	**9**	8	12.5	5	80.0
Notices of Decision[e] issued	**12**	9	33.3	6	100.0
Individuals and corporations subject to ongoing civil proceedings[f]	**265**	269	-1.5	203	30.5
Compliance advice letters issued	**60**	40	50	39	53.8
Cases with search warrants executed	**23**	6	283.3	9	155.6

a Section 179 of the Securities and Futures Ordinance 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.
g Figures have been adjusted for the period.

6 Previously known as Chau Kin Hei.

Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 1,446 requests for trading and account records from intermediaries during the quarter. In addition, we received and assessed 141 notifications from intermediaries regarding suspicious equity and derivative trading[7].

During the quarter, we identified high shareholding concentration in one listed company and issued an announcement to alert investors of the potential risks associated with trading in the shares of the company, which were predominantly held by a limited number of shareholders.

We issued restriction notices to two brokers given concerns about their ability to conduct regulated activities competently, honestly and fairly, and hence, their fitness and properness to remain licensed. GA (Int'l) Capital Management Limited and Bloomyears Limited were prohibited from conducting any regulated activities and disposing of or dealing with any relevant property without our prior written consent. Our investigations are ongoing.

During the quarter, we maintained smooth enforcement collaboration with the China Securities Regulatory Commission, as the two sides offered prompt and efficient mutual investigatory assistance that accelerated progress in key cases. This highlights our joint commitment to combatting cross-boundary securities crimes and misconduct and strengthening enforcement coordination to uphold market integrity.

Enhancing regulatory regimes

Restricting use of misleading names by unregulated entities

In June, we launched a two-month consultation on proposals to further restrict the use of certain names to avoid misleading investors. The proposals seek to expand the current list of restricted titles under the SFO to address recent developments, including the SFC's regulatory regime for VATPs and introduce similar restrictions under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), as the VATP regime is set out under both ordinances. They also extend the restrictions to cover names that may imply an association with established exchanges, VATPs and other similar entities.

Managing risks of OTC derivatives market

The SFC and the Hong Kong Monetary Authority (HKMA) closely work together to enhance Hong Kong's over-the-counter (OTC) derivatives reporting regime to keep up with international developments and facilitate the analysis of OTC derivatives transactions. In April, they jointly published in the Government Gazette the list of data elements for the implementation of Unique Transaction Identifier, Unique Product Identifier and Critical Data Elements for the regime. They also issued revised frequently asked questions and revised supplementary reporting instructions to guide market participants on preparing for implementation.

Also in April, the SFC launched a joint consultation with the HKMA on the annual update to the list of financial services providers under the OTC derivatives clearing regime. We issued consultation conclusions in June and the updated list will be gazetted in the fourth quarter of 2025 for implementation on 1 January 2026.

7 Intermediaries are required to report clients' suspected market misconduct to the SFC.

Leading international standard-setting efforts

We maintain close working relationships with our overseas regulatory counterparts to develop global regulatory initiatives, contribute to the work of international standard-setting bodies, and promote international cooperation and capacity building. Our leadership roles in the committees and working groups of IOSCO and the Financial Stability Board (FSB) enable us to shape international policies.

IOSCO

In April, our Chief Executive Officer (CEO) Ms Julia Leung and senior executives attended the FSB Steering Committee meeting, IMF[8]-IOSCO Conference, and IOSCO Financial Stability Engagement Group meeting, in Washington DC, the US. The meetings discussed recent market developments and their financial stability implications, NBFI[9] data, climate-related financial risks and artificial intelligence.

In May, Ms Leung and senior executives attended the IOSCO Annual Meeting in Doha, Qatar. They also participated in meetings of the IOSCO Board, Presidents' Committee, Multilateral Memorandum of Understanding Monitoring Group and the Diversity Network, as well as the IOSCO-OECD[10] Roundtable on retail investor protection. In addition, Ms Leung chaired the IOSCO Asia-Pacific Regional Committee (APRC) meeting and had bilateral discussions with various overseas regulators to foster collaboration and discuss emerging topics. At the IOSCO Board meeting, members agreed on the next steps to address online scams and discussed market developments, pre-hedging practices of intermediaries and Fintech.



CEO Ms Julia Leung spoke at the IOSCO Annual Meeting

During the quarter, we participated in the IOSCO Financial Stability Coordination Group meetings, which discussed market volatility and NBFI data. We also attended the plenary meeting of the IOSCO Assessment Committee in Madrid, Spain, to discuss its 2026-2027 workplan and current work[11]. In addition, we attended the plenary meeting of the IOSCO Committee of Emerging Risks in Dublin, Ireland, focusing on market developments and the risk outlook for 2026.

Ms Christina Choi, our Executive Director of Investment Products, chairs the IOSCO Policy Committee on Investment Management. The committee published in May the IOSCO final reports on revised recommendations for Liquidity Risk Management for Collective Investment Schemes, along with the complementary guidance for their effective implementation. The guidance sets out technical elements and good practices for open-ended funds to facilitate fund managers' implementation.

8 International Monetary Fund.
9 Non-Bank Financial Intermediation.
10 Organisation for Economic Co-operation and Development.
11 This comprised a guided self-assessment by IOSCO members of the IOSCO Enforcement Principles, implementation monitoring of the Policy Recommendations for Crypto and Digital Asset Markets and a thematic review of IOSCO's Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management.

FSB

Our Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung attended the FSB Regional Consultative Group for Asia meeting in Colombo, Sri Lanka, in May. Group members discussed global and regional vulnerabilities, potential financial stability risks in the NBFI sector, and securitisation.

In June, our Executive Director of Supervision of Markets Mr Rico Leung participated in the FSB Standing Committee on Standards Implementation meeting to discuss the peer review of crypto recommendations and third-party risk management.

Stepping up regulatory collaboration

We met with several local regulatory bodies in Washington DC and New York, the US, and actively participated in several supervisory colleges in New York and Zurich, Switzerland, to share intelligence and exchange views with other global regulators. Topics included the business, conduct, financial risks as well as recovery and resolution planning of global systemically important financial institutions.