



Maintaining market resilience and mitigating serious harm to our markets



Resilience is crucial to safeguarding our financial markets against volatilities and driving sustainable growth. We are committed to upholding market integrity and protecting investors 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

We actively monitor the markets to ensure smooth trading, clearing and settlement. Under a bullish environment, the Hong Kong market has remained resilient without excessive leverage or irregularities.

Hong Kong continued to outperform most major markets in both market indices and trading volume: the Hang Seng Index rose for five consecutive months from May to September, up 21.4%, whilst average daily trading exceeded \$200 billion for eight straight months. In particular, average daily trading in September reached a monthly record high of \$316.7 billion, up 140.3% from \$131.8 billion in 2024.

Enhancing HKEX oversight and risk management

During the quarter, we maintained close dialogue with Hong Kong Exchanges and Clearing Limited (HKEX) on various initiatives to enhance its risk management capabilities and ensure its prevailing margin model achieved the target coverage despite sharp market volatility.

Cautioning the public against risks of stablecoin-related hype

We issued a joint statement with the Hong Kong Monetary Authority (HKMA) on abrupt market movements in the prices of listed shares related to the stablecoin concept.

We reiterated that the SFC is equipped with advanced and proven surveillance systems, and would closely monitor trading activities in Hong Kong, including market speculation associated with the stablecoin concept. We urged the public to remain cautious and reminded market participants to exercise responsibility in public communications to avoid misleading investors.

We will take stringent action against any manipulative or deceptive practices that could compromise market integrity.

Inspections of licensed corporations				
	Quarter ended 30.9.2025	Six months ended 30.9.2025	Six months ended 30.9.2024	YoY change (%)
On-site inspections commenced	56	118	134	-11.9

Strengthening intermediaries’ resilience and internal controls

We conduct on-site reviews to understand licensed corporations’ (LCs) business operations, risk management, internal controls and their compliance with legal and regulatory requirements. To ensure LCs’ regulatory compliance and operational resilience, we commenced 56 on-site inspections in the quarter. These include conducting thematic inspections of asset managers managing private funds and discretionary accounts, as well as reviewing selected securities brokers’ due diligence and evaluating their monitoring of influencers and digital platforms.



Combating suspicious activities and investment scams

Launching Anti-Scam Consumer Protection Charter 3.0

In July, we joined hands with the HKMA and other regulatory authorities¹ to launch the Anti-Scam Consumer Protection Charter 3.0, establishing a collaborative framework among financial regulators, technology companies and telecommunications firms in combatting financial scams targeting the Hong Kong public.



Chief Executive Officer (CEO) Ms Julia Leung at the Charter 3.0 launch ceremony

Building on the success of the first two editions, the Charter 3.0 introduces six key principles, focusing on the reporting of suspected financial frauds and scams, checking of advertisers, internal monitoring processes, enforcement of terms of service, and collaboration on public education and awareness.

¹ These include the Insurance Authority and Mandatory Provident Fund Schemes Authority.

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Investor alerts against suspicious entities and investment products

We continue 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). We have put in place a mechanism for the Police to swiftly block access to the websites of entities involved in suspected VA-related fraud.

During the quarter, we cautioned the public against five suspicious investment products by posting related information on our Suspicious Investment Products Alert List and issuing social media posts.

Stepping up anti-scam investor education

To raise public vigilance of the risks associated with digital assets, we launched radio advertisements in August and September.

The SFC's Executive Director of Intermediaries Dr Eric Yip was interviewed on TVB's news feature programme "On the Record" in August. During the interview, the SFC publicised its balanced, investor protection-oriented regulatory philosophy and its vision for developing the Web3 ecosystem. Investors were also reminded to trade virtual assets on SFC-licensed VATPs and beware of the risks of using unregulated platforms.



Executive Director of Intermediaries Dr Eric Yip on TVB's "On the Record" programme



Shui Yu poster on display in community

As part of our "Don't be Sucker" (咪做水魚) campaign which features our anti-scam character Shui Yu ("水魚" in Cantonese), we have displayed Shui Yu-themed posters on e-notice boards at 200 public estates in Hong Kong since August to alert against common investment scam tactics.

We shared anti-scam tips at fraud prevention and investment education talks held at the Hong Kong University of Science and Technology in September and City University of Hong Kong in October. More than 150 university students attended the talks.



Manager of Secretariat and External Ms Wendy Chiu giving talk at the Hong Kong University of Science and Technology

Combatting misconduct of all forms

We fined² six LCs for a total of \$45.5 million. We disciplined nine individuals by suspending their licences or prohibiting them from re-entering the industry for periods ranging from four months to life.

During the quarter, we initiated 22 new enquiries into listed company affairs under section 179³ of the Securities and Futures Ordinance (SFO), and 60 new investigations into different forms of misconduct under section 182⁴ of the SFO.

We adopt a front-loaded approach to combat corporate misconduct, monitoring listed companies' announcements and disclosures to identify potential misconduct and irregularities, including behaviour that appeared to be unfairly prejudicial to the interests of shareholders. In six cases, we issued section 179 directions to gather additional information during the quarter.

Counteracting insider dealing and market manipulation

We sought interim orders from the Court of First Instance (CFI) during the quarter to freeze assets intended for compensation to affected investors in alleged market manipulation cases involving the shares of four listed companies.

The Market Misconduct Tribunal (MMT) found that Cynthia Chen Si Ying, former company secretary of Asiasec Properties Limited⁵, and her Mainland associate, Wen Lide, had engaged in insider dealing in the company's shares. The MMT ordered them to disgorge over \$1 million in illicit profit and disqualified Chen from participating in the management of Asiasec or any other listed corporations in Hong Kong for four years.

The criminal trial of the insider dealing prosecution against businessman Wong Pak Ming started on 14 November after he pleaded not guilty to the charge against him at the Eastern Magistrates' Courts. Wong is charged with the offence of insider dealing involving the shares of Transmit Entertainment Limited⁶, having allegedly counselled or procured another person to deal in the shares in 2017, while he was the company's chairman and controlling shareholder, having information which he knew was inside information on the company.

Market manipulation cases involving listed companies

Company	Details	Amount of assets ^b
Grand Talents Group Holdings Limited	Restrained four defendants from disposing of their assets in Hong Kong	\$394 million
KNT Holdings Limited	Restrained five defendants from disposing of their assets ^a	\$219 million
Smartac International Holdings Limited	Restrained 13 defendants from disposing of assets	\$82.4 million
Eggriculture Foods Limited	Restrained one of the suspected ringleaders from disposing of assets	\$62.6 million

a A criminal trial will commence at the District Court on 6 April 2027.

b All figures subject to rounding.

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

3 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.

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

5 Previously known as Dan Form Holdings Company Limited.

6 Previously known as Pegasus Entertainment Holdings Limited.

Tackling corporate fraud and related misfeasance

We have commenced proceedings in the CFI under section 214⁷ of the SFO to seek disqualification orders against four former directors of Century Energy International Holdings Limited⁸ for failing to properly supervise four major operating subsidiaries in the Mainland, resulting in the company's loss of control over them and a \$184 million loss.

During the quarter, we obtained the CFI's disqualification orders against:

- Ten former directors⁹ of Superb Summit International Group Limited for failing to take steps to ensure the conduct of proper and reasonable due diligence regarding three acquisitions made between 2007 and 2014, which resulted in significant losses to the company; and
- Zhang Yuqing, former vice-chairman and executive director of Zhongda International Holdings Limited for six years, having failed to block or disclose to the board unauthorised fund transfers totalling RMB150 million and the sale of the company's stake in a subsidiary at a substantially undervalued price to two other former executive directors.

Acting against intermediary misconduct

We revoked the licences of:

- Nerico Brothers Limited (NBL) and banned its director, Jerff Lee Cheuk Fung (Lee) from engaging in all regulated activities (RAs) for life. In 2020-2021, NBL misused a client's funds exceeding US\$68 million on six occasions to subscribe for shares in two segregated portfolios of a Cayman-incorporated fund for the firm's own account without the client's knowledge or consent. The misconduct of NBL was directly attributable to the actions of Lee.

- Amber Hill Capital Limited (AHCL) and banned its former senior management, Neo Ng Yu and Simon Ng She Chun, from engaging in all RAs for life. Together with his connected persons and entities, Neo Ng orchestrated a scheme to misappropriate approximately US\$154 million belonging to a client of NBL through a segregated portfolio of a Cayman-incorporated fund, for which AHCL acted as the manager.

We reprimanded and fined:

- Freeman Commodities Limited \$3.4 million for failures in complying with anti-money laundering and other regulatory requirements in 2017-2018. Freeman did not conduct any due diligence on the customer supplied systems used by 89 clients for placing orders during the material time. It had also failed to put in place an effective ongoing monitoring system to detect suspicious trading patterns in client accounts. We also suspended Freeman's former responsible officer (RO), Li Chun Kei, for four months as Freeman's failures were partly attributable to his failure in discharging his duties;
- The Hongkong and Shanghai Banking Corporation Limited (HSBC) \$4.2 million for breaching the disclosure requirement when publishing research reports on Hong Kong-listed securities over an eight-year period. HSBC had failed to disclose or made incorrect disclosures regarding its investment banking relationships with various companies covered in research reports published between 2013 and 2021, which might have affected disclosures in over 4,200 research reports;
- Deutsche Bank Aktiengesellschaft \$23.8 million for various regulatory breaches, including overcharging clients on management fees of approximately \$39 million, incorrect assignment of product risk ratings impacting 93 clients and 265 transactions, and failure to disclose its investment banking relationships in more than 1,800 research reports;

7 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.

8 Previously known as China Oil Gangran Energy Group Holdings Limited. The four former directors were Gregory Ho Chun Kit, Zheng Jian Peng, Eugenia Yang and Vincent Lau Sung Tat.

9 Lee Chi Kong, Lam Ping Kei, Wong Choi Fung, Yeung Kwong Lun, Wong Yun Kuen, Law Wai Fai, Li Jun, Cheng Man For, Qiu Jizhi and Chan Chi Yuen.

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- Instinet Pacific Limited \$8 million for failing to comply with the Stock Exchange of Hong Kong Limited's (SEHK) reporting requirements for 8,817 pairs of cross trades involving transactions worth around \$25.9 billion between its clients and affiliated company, in breach of the Code of Conduct¹⁰; and
- Roofer Securities Limited \$2.1 million for regulatory breaches relating to the mishandling of client money. Roofer failed to maintain sufficient funds in its segregated client account in 12 incidents. On one occasion, the shortfall in the client account amounted to \$15.5 million.

Other disciplinary action		
Entity	Breach	Action/Fine
Tong Ho Yin	Failure to discharge his duties as an RO of HF Asset Management Limited, which resulted in significant financial losses arising from its failures to act in the best interests of a fund under its management and properly manage conflicts of interests	Banned from re-entering the industry for nine years and fined \$350,000
Zhu Hong	Failure to discharge her duties as the director and Manager-In-Charge for AML/CFT of Kylin International (HK) Co., Limited in relation to fund management	Banned from engaging in any RAs for 12 months and fined \$400,000
Suen Kin-wing	Criminal convictions for money laundering in connection with his misappropriation of over \$134 million in client assets	Banned from re-entering the industry for life
Chow Tsz Lam	Failure to discharge his duties as an RO of Agg.Asset Management Limited in relation to fund management	Suspended for 12 months
Richard Charles Heyes	Failure to discharge his duties as an RO of Citigroup Global Markets Asia Limited in ensuring adequate policies and system controls were in place, by enabling the dissemination of mislabelled indications of interest and misrepresentation of facilitation trades over a 10-year period	Banned from re-entering the industry for five years

Joint operations with other regulators and law enforcement agencies

We conducted a joint operation with the Independent Commission Against Corruption (ICAC), targeting a sophisticated syndicate suspected of manipulating the shares of a listed company and engaging in corrupt activities. Fourteen locations were searched, including the offices of the listed company and SFC-licensed brokers. The ICAC arrested a former chairman and a former executive director of the listed company under the Prevention of Bribery Ordinance. The latter was suspected of accepting advantages from the company's former chairman and misappropriating shares owned by a broker's client. The investigation is ongoing.

Our collaboration with SEHK resulted in its first-ever disciplinary action against two former directors of a listed company for failing to cooperate in investigations conducted by both regulators. We conducted an investigation involving TOMO Holdings Limited and issued notices under section 183¹¹ of the SFO to TOMO's former executive director, Ma Xiaoqiu, and independent non-executive director, Jin Lailin. However, neither Ma nor Jin responded to these notices, and they did not respond to SEHK's investigation on them under the Listing Rules either. As a result, SEHK publicly censured Ma and Jin, stating that both were unsuitable to occupy positions as directors or within senior management of TOMO or any of its subsidiaries. Our investigation is ongoing.

¹⁰ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

¹¹ Under section 183 of the SFO, the SFC can require a person under investigation, or who is believed to have in his possession any record or document relevant to an SFC investigation, to produce the specified records.

Other notable cases

The court-appointed administrators had distributed approximately \$19 million worth of assets as compensation to affected clients of Hong Kong Wan Kiu Investment Company Limited (HKWK) following the CFI's approval in January 2025. This came after the Court granted final reliefs – including a restoration order in favour of HKWK's affected clients in November 2022, following legal proceedings brought by the SFC under section 213¹² of the SFO. HKWK and its sole director and shareholder Connie Sham Khi Rose, had sold securities of HKWK's clients without their authorisation, misappropriated the sales proceeds, and falsified client statements to conceal the unauthorised transactions.

Following the CFI's landmark decision on ordering a shadow director and two former executive directors of Combest Holdings Limited to compensate its public shareholders \$192 million in the form of special dividends, the administrator had successfully distributed more than 98% of the compensation to around 600 independent public shareholders of Combest as of end-September.

We reprimanded and fined RaffAello Capital Limited \$4 million for failing to discharge its sponsor duties in the listing application of Paprika Holdings Limited, after the Securities and Futures Appeals Tribunal upheld the SFC's disciplinary action against RaffAello.

Enforcement activities				
	Quarter ended 30.9.2025	Six months ended 30.9.2025 ^e	Six months ended 30.9.2024	YoY change (%)
S179 inquiries commenced	22	36	23	56.5
S181 ^a inquiries commenced (number of letters sent)	44 (1,315)	89 (2,761)	82 (2,662)	3.7
S182 directions issued	60	123	114	7.9
Investigations started	62	128	114	12.3
Investigations completed	73	118	115	2.6
Individuals and corporations charged in criminal proceedings	3	3	1	200.0
Criminal charges laid	59	59	1	5,800.0
Notices of Proposed Disciplinary Action ^b issued	7	16	12	33.3
Notices of Decision ^c issued	14	26	12	116.7
Individuals and corporations subject to ongoing civil proceedings ^d	248	248	212	17.0
Compliance advice letters issued	86	150	77	94.8
Cases with search warrants executed	7	29	17	70.6

a 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.

b 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.

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

d As of the last day of the period.

e Figures have been adjusted for the period.

¹² Section 213 of the SFO enables the SFC to apply to the CFI for injunctions and other orders, including an order to restore the parties to any transaction to the position in which they were before the transaction was entered into.

Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 1,315 requests for trading and account records from intermediaries during the quarter. In addition, we received and assessed 130 notifications from intermediaries regarding suspicious equity and derivative trading.

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

Enforcement collaboration with the Mainland

During the quarter, we continued to foster strong enforcement cooperation with the China Securities Regulatory Commission, with both parties providing timely and effective assistance with investigations. Our collaborative efforts facilitated significant progress in important cases and reflected our shared dedication to tackling cross-border securities misconduct. We also engaged in regular dialogue to address requests for investigatory assistance and identified ways to further streamline our enforcement processes.

Enhancing investigatory toolkit

To address the rising threat of financial scams, we launched SENSOR, a social media monitoring tool powered by generative artificial intelligence. SENSOR scans targeted social media channels for suspicious activities, such as misleading promotions and stock manipulation. Social media content is classified and preserved as data for investigations. SENSOR's capabilities will continue to expand to counter increasingly sophisticated scams.

Enhancing regulatory regimes

Optimising IPO price discovery and open market requirements

Working together with the SFC, SEHK concluded its consultation on the optimisation of initial public offering (IPO) price discovery and open market requirements in August. Key changes to the listing requirements include requiring an issuer to allocate at least 40% of its shares initially on offer in an IPO

to its bookbuilding placing tranche. The amended rules took effect on 4 August.

At the same time, SEHK launched a two-month consultation on proposals relating to ongoing public float requirements, which aim to offer issuers greater flexibility in conducting corporate actions for better capital management. The consultation closed on 1 October.

Managing risks of OTC derivatives market

The SFC and 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 September, the mandatory use of Unique Transaction Identifier, Unique Product Identifier and Critical Data Elements for the regime came into effect.

Implementing investor identification regime for derivatives market

We are taking steps to extend the investor identification regime for the securities market to the exchange-traded derivatives market, building on the successful implementation of the former in 2023. To this end, we initiated a public consultation on the proposed framework this September, with the consultation period scheduled to close in December. The initiative aims to advance investor protection by strengthening mechanisms for detecting and mitigating market misconduct in the exchange-traded derivatives market.

Restricting use of misleading names by unregulated entities

Our two-month consultation on proposals to further restrict the use of certain names to avoid misleading investors ended in August. The proposals aim to expand current restrictions under section 34¹³ of the SFO to address market developments, including the SFC's regulatory regime for VATPs. Similar restrictions are proposed under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, as the regime is set out under both ordinances. We are reviewing the feedback received and will publish the conclusions in due course.

¹³ Section 34 of the SFO prohibits the use or taking of certain titles (or anything which closely resembles such titles) without the SFC's authority or without reasonable excuse. Any breach is an offence under the SFO.